SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Sep 30, 2020
2. SEC Identification Number
   36359
3. BIR Tax Identification No.
   000-438-702-000
4. Exact name of issuer as specified in its charter
   BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
   MAKATI CITY
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City
   Postal Code
   1229
8. Issuer's telephone number, including area code
   (+632) 8817-8596
9. Former name or former address, and former fiscal year, if changed since last report
   Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	2,815,392,714

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ◉ Yes ○ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- [x] Yes
- [ ] No

(b) has been subject to such filing requirements for the past ninety (90) days

- [ ] Yes
- [x] No

BASIC ENERGY CORPORATION

Basic Energy Corporation
BSC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2020
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2020	Dec 31, 2019
Current Assets	146,882,170	167,342,907
Total Assets	537,441,229	600,578,065
Current Liabilities	20,036,643	20,343,874
Total Liabilities	32,619,759	42,845,633
Retained Earnings/(Deficit)	-216,101,398	-150,590,034
Stockholders' Equity	514,526,047	566,813,756
Stockholders' Equity - Parent	517,766,047	570,053,756
Book Value per Share	0.16	0.19

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	0	0	0	0
Gross Expense	0	0	0	0
Non-Operating Income	689,162	2,761,051	1,950,244	13,754,823
Non-Operating Expense	44,729,009	11,693,955	68,084,810	55,619,695
Income/(Loss) Before Tax	-44,039,847	-8,932,904	-66,134,566	-41,864,872
Income Tax Expense	0	0	0	0

Net Income/(Loss) After Tax	-44,039,847	-8,932,905	-66,134,566	-41,864,872
Net Income Attributable to Parent Equity Holder	-43,700,707	-8,899,530	-65,511,364	-42,003,433
Earnings/(Loss) Per Share (Basic)	-0.01	0	-0.02	-0
Earnings/(Loss) Per Share (Diluted)	-0.01	-0	-0.02	-0.01

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.07	-0.01
Earnings/(Loss) Per Share (Diluted)	-0.07	0.01

Other Relevant Information
See attached SEC Form 17-Q as of September 30, 2020

Filed on behalf by:

Name	Angel Gahol
Designation	AVP - Asst. Corp. Sec./ Compliance Officer

COVER SHEET

3 6 3 5 9

SEC Registration Number

BASIC ENERGY CORPORATION

(FORMERLY BASIC PETROLEUM CORP.)

(Company's Full Name)

7th Floor, Basic Petroleum

Building, C. Palanca, Jr. Street,

Legaspi Village, Makati City

(Business Address: No. Street City/Town/Province)

ALAIN S. PANGAN

(Contact Person)

(632) 817-8596 to 98

(Company Telephone Number)

1 2 3 1

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(a) - 17(b)(2) THEREUNDER

1. For the quarterly period ended: **September 30, 2020**

2. Commission Identification No.: **168063**

3. BIR Tax Identification No.: **000-438-702-000**

4. Exact name of issuer as specified in its charter: **BASIC ENERGY CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: **7th Floor, Basic Petroleum Building, C. Palanca Street, Legaspi Village, Makati City, Philippines**

   Postal Code: **1229**

8. Issuer's telephone number, including area code: **+63 2 817 8596 to 98**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,815,392,714
Listed with PSE	2,708,500,714

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

"Attachment A"

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

"Attachment A"

PART II--OTHER INFORMATION

"Attachment A"

The registrant may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant:	**Angel P. Gahol**
Title:	Corporate Secretary
Date:	
Principal Financial Officer:	**Alain S. Pangan**
Title:	VP - Finance
Date:	

ATTACHMENT "A"

FINANCIAL INFORMATION
For the period ended September 30, 2020

1. The following unaudited Financial Statements are contained in this report:

1.1 Statements of Income and Retained Earnings for the Period Ended September 30, 2020 and September 30, 2019;
1.2 Balance Sheets as of September 30, 2020 and December 31, 2019;
1.3 Statements of Cash Flows for the Period Ended September 30, 2020 and September 30, 2019;
1.4 Statements of Changes in Stockholders' Equity for the Period ended September 30, 2020 and September 30, 2019.

2. Discussion on Financial Condition for the Period December 31, 2019 and September 30, 2020.

A. Key Performance Indicators

Management considers the following as key performance indicators of the company: Return on Investment (ROI), Profit Margin, Performance of Committed Work Programs, Current Ratio and Asset Turnover.

The following table shows the Top 5 performance indicators for the past three interim periods:

KEY PERFORMANCE INDICATORS	3rd Qtr 2020	3rd Qtr 2019	3rd Qtr 2018
Return on Investments (ROI) (Net Income / Ave. Stockholders' Equity)	-8.15%	-1.29%	-2.74%
Profit Margin (Net Income / Net Revenue)	-6390.35%	-323.53%	-3380.83%
Investment in Projects (Non-Petroleum) as a % of Total Assets	32.51%	22.99%	37.27%
Investment in Wells & Other Facilities as a % of Total Assets	1.14%	15.44%	17.02%
Current Ratio (Current Asset / Current Liabilities)	7.33:1	11.86:1	1.34:1
Asset Turnover (Net revenue / Ave. Total Assets)	0.12%	0.37%	0.07%
Solvency Ratios			
Debt to Equity Ratio	6.34%	5.61%	12.02%
Asset to Equity Ratio	104.45%	104.23%	110.58%
Interest Rate Coverage Ratio	N/A	N/A	N/A

ROI (Net Income / Average Stockholders' Equity) measures the profitability of stockholders' investment. Profit Margin (Net Income / Net Revenue) measures the net income produced by each peso of revenue. Investment in Projects as a % of Assets, measures how much the company invested in its committed work programs. Current Ratio (Current Assets / Current Liabilities) measures the short-term debt-paying ability of the company. Asset Turnover (Net Revenue / Average Total Assets) measures how efficiently assets are used to produce profit.

ROI was -8.15% for the 3rd quarter of 2020, -1.29% for the 3rd quarter of 2019, and -2.74% for the 3rd quarter of 2018. The negative rates in 2018, 2019 and 2020 were due to the losses booked during those quarters.

Profit Margin was -6390.35% for the 3rd quarter of 2020, -323.53% for the 3rd quarter of 2019, and -3380.83% for the 3rd quarter of 2018. The negative rates in 2018, 2019 and 2020 were due to the losses booked during those quarters.

Investment in Projects (Non-Petroleum) as a % of Total Assets increased to 32.51% for the 3rd quarter of 2020 from 22.99% for the 3rd quarter of 2019 which decreased from 37.27% for the 3rd quarter of 2018. The increase in 2020 was primarily due to the decrease in total assets and the decrease in 2019 was primarily due to the sale of an investment property.

Investment in Wells & Other Facilities as a % of Total Assets decreased from 17.02% in the 3rd quarter of 2018 to 15.44% in the 3rd quarter of 2019 and decreased further to 1.14% in the 3rd quarter of 2020. The decrease in rate from 2018 to 2019 was due to the decrease in investment and increase in total assets and the further decrease in rate from 2019 to 2020 was due decrease in investment in relation to the impairments recognized at the end of 2019.

Current Ratio was 7.33:1 for the 3rd quarter of 2020, 11.86:1 for the 3rd quarter of 2019, and 1.34:1 for the 3rd quarter of 2018. The decrease in ratio from 2019 to 2020 was due to the increase in current liabilities during the 3rd quarter of 2020 and the increase in ratio from 2018 to 2019 was due to the decrease in current liabilities.

Asset Turnover was 0.12% for the 3rd quarter of 2020, 0.37% for the 3rd quarter of 2019, and 0.07% for the 3rd quarter of 2018. The decrease in asset turnover from 2019 to 2020 is due to the decrease in revenue. The increase in asset turnover from 2018 to 2019 is due to the increase in revenue for 2019.

Debt to Equity Ratio was 6.34% for the 3rd quarter of 2020, 5.61% for the 3rd quarter of 2019, and 12.02% for the 3rd quarter of 2018. The decreased in equity and decrease in ratio from 2018 to 2019 was due to the decrease in total liabilities and increase in equity while the increase from 2019 to 2020 was due to decrease in equity.

Asset to Equity Ratio was 104.45% for the 3rd quarter of 2020, 104.23% for the 3rd quarter of 2019, and 110.58% for the 3rd quarter of 2018. The decrease in ratio from 2018 to 2019 was due to the increase in assets and the increase from 2019 to 2020 was due to the decrease in equity.

B. Discussion and Analysis of Financial Condition as of September 30, 2020

For the period ending September 30, 2020, the company recorded total revenue of Php1.95 million and total cost and expenses of Php68.08 million resulting to a net loss of Php66.13 million with minority interest recorded at Php623 thousand for a net loss net of minority interests of Php65.51 million.

Total revenue for the period ending September 30, 2020 of Php1.95 million was primarily from interest income of Php1.64 million and management service fees of Php0.31 million.

Cost and expenses for the period ending September 30, 2020 amounting to Php68.08 million were from general and administrative expenses amounting to Php29.2 million, unrealized foreign exchange loss of Php13.46 million, and share in net loss of associates amounting to Php25.4 million.

Total assets as of September 30, 2020 stood at Php537.44 million a decrease of Php63.14 million from Php600.58 million as of December 31, 2019. Current assets, composed mostly of cash and cash equivalents amounting to Php86.07 million, receivables amounting to Php34.92 million, refundable deposits amounting to Php22.53 million, and other current assets amounting to Php3.36 million, decreased by Php20.46 million, as these were used for operations. Non-current assets decreased by Php42.68 million. The decrease was primarily due to the decreases in financial assets at FVOCI of Php17.4 million and investment in associates of Php25.4 million.

Total Liabilities decreased by Php10.23 million from Php42.85 million as of December 31, 2019 to Php32.62 million as of September 30, 2020 primarily due to the partial payment of the accrued retirement benefit payable.

Total Stockholders' Equity as of September 30, 2020 stood at Php514.53 million a decrease of Php52.29 million from Php566.81 million as of December 31, 2019. This was primarily due to the net loss booked for the 9-month period of 2020 of Php65.51 million and was offset by the increased in cumulative translation adjustment of Php12.62 million.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2019.

The interim operations are not characterized by any seasonality or cyclicality. The nature and number of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending September 30, 2020.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or those reported in prior financial years.

On September 8, 2011, the SEC approved the Stock Option Plan (SOP) of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of P0.25 per share, a total of 500,000,000 shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,300,000 shares. As of December 31, 2017, 117.625 million SOP shares were listed in the Philippine Stock Exchange.

There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Currently, the company has a single business and geographical segment and therefore, segment disclosures have not been included.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no changes in the composition of the company during the interim period, including business conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since December 31, 2019, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

There are no material commitments for capital expenditures and no seasonal aspects that have a material effect on the financial conditions or results of operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There are no events that will trigger direct or contingent financial obligations that are material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The causes for any material changes (5% of the relevant accounts or such lower amount, which the company deems material on the basis of other factors) from period to period which include vertical and horizontal analysis of any material item, have been presented in this report.

There were no sales of unregistered or exempt securities, nor were there any issuances of securities constituting an exempt transaction.

Finally, there are no other material information for disclosure during the current interim period, whether under this report or under SEC Form 17-C.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of September 30, 2020 and December 31, 2019

		UNAUDITED September 30, 2020		AUDITED December 31, 2019
ASSETS				
Current Assets				
Cash and cash equivalents	₱	86,074,586	₱	106,866,340
Receivables, net of allowance for doubtful accounts		34,915,887		35,134,155
Refundable deposits		22,530,549		22,530,549
Other current assets		3,361,148		2,811,863
Total Current Assets	₱	**146,882,170**	₱	**167,342,907**
Noncurrent Assets				
Investment in associates	₱	173,189,520	₱	198,591,257
Financial assets at FVOCI		29,806,826		47,203,112
Investment properties		174,708,000		174,708,000
Property and equipment		1,046,296		1,332,456
Deferred charges		6,131,782		6,013,927
Other noncurrent assets		5,676,685		5,386,406
Total Noncurrent Assets	₱	**390,559,109**	₱	**433,235,158**
TOTAL ASSETS	₱	**537,441,279**	₱	**600,578,065**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₱	19,147,929	₱	19,455,160
Loan Payable		-		-
Income tax payable		-		-
Dividends payable		888,714		888,714
Total Current Liabilities	₱	**20,036,643**	₱	**20,343,874**
Noncurrent Liabilities				
Accrued retirement benefits payable	₱	4,410,425	₱	14,329,068
Deferred income tax asset		8,172,691		8,172,691
Total Noncurrent Liabilities	₱	**12,583,116**	₱	**22,501,759**
TOTAL LIABILITIES	₱	**32,619,759**	₱	**42,845,633**
Minority Interest	₱	**(9,704,527)**	₱	**(9,081,324)**
Stockholders' Equity				
Equity attributable to equity holders of the Parent Company				
Capital stock	₱	703,848,179	₱	703,848,179
Additional Paid-in Capital		42,021,502		42,021,502
Equity reserve on acquisition on non-controlling interest		(53,945,929)		(53,945,929)
Revaluation increment in office condominium		-		-
Fair value adjustments on financial assets		4,653,688		4,049,974
Remeasurement loss on acquired retirement benefits		70,373		70,373
Cumulative translation adjustment		8,208,991		(4,410,950)
Share in cumulative translation adjustment of associates		29,010,641		29,010,641
Retained earnings		(216,101,398)		(150,590,034)
Total Stockholders' Equity	₱	**517,766,047**	₱	**570,053,756**
Treasury stock (at cost)		(3,240,000)		(3,240,000)
TOTAL STOCKHOLDERS' EQUITY	₱	**514,526,047**	₱	**566,813,756**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱	**537,441,279**	₱	**600,578,065**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended September 30, 2020 and September 30, 2019

	For the period ended 30-Sep-20	For the quarter Jul to Sep 2020	For the period ended 30-Sep-19	For the quarter Jul to Sep 2019
REVENUES				
Interest, Dividends and Others	₱ 1,641,441	₱ 380,359	2,344,780	588,071
Management services fees	308,803	308,803	5,836,796	-
Unrealized Foreign Exchange Gain	-	-	3,618,556	235,634
Realized Foreign Exchange Gain	-	-	1,954,691	1,937,346
	₱ 1,950,244	**₱ 689,162**	**₱ 13,754,823**	**₱ 2,761,051**
COSTS AND EXPENSES				
General and administrative expenses	₱ 29,203,987	₱ 10,011,208	38,033,243	11,693,955
Unrealized foreign exchange loss	13,463,464	7,833,512	-	-
Realized foreign exchange loss	15,622	14,519		-
Interest expense		-	886,473	-
Provision for impairment losses		-	12,580,893	-
Share in net loss of associates	25,401,737	26,869,770	4,119,086	-
	₱ 68,084,810	**₱ 44,729,009**	**₱ 55,619,695**	**₱ 11,693,955**
LOSS BEFORE INCOME TAX	**₱ (66,134,566)**	**₱ (44,039,847)**	**₱ (41,864,872)**	**₱ (8,932,904)**
PROVISION FOR INCOME TAX				
Current	₱ -	₱ -	₱ -	₱ -
Deferred	-	-	-	-
	₱ -	**₱ -**	**₱ -**	**₱ -**
NET INCOME	**₱ (66,134,566)**	**₱ (44,039,847)**	**₱ (41,864,872)**	**₱ (8,932,904)**
Minority Interest	(623,202)	(339,140)	138,561	(33,374)
	₱ (65,511,364)	**₱ (43,700,707)**	**₱ (42,003,433)**	**₱ (8,899,530)**
RETAINED EARNINGS AT BEGINNING OF THE YEAR/QUARTER	(150,590,034)	(48,914,655)	7,761,901	(34,405,494)
RETAINED EARNINGS AT END OF THE YEAR/QUARTER	**₱ (216,101,398)**	**₱ (92,615,362)**	**₱ (34,241,532)**	**₱ (43,305,024)**
Earnings (Loss) per Share	**₱ (0.0233)**	**₱ (0.0155)**	**₱ (0.0149)**	**₱ (0.0032)**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended September 30, 2020 and September 30, 2019

	For the period ended 30-Sep-20	For the quarter Jul to Sep 2020	For the period ended 30-Sep-19	For the quarter Jul to Sep 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	₱ (66,134,566)	₱ (44,039,847)	₱ (41,864,872)	₱ (8,932,904)
Adjustment to reconcile net income to net cash provided by operating activities:				
Interest income	₱ (1,641,441)	₱ (2,902,523)	₱ (2,344,780)	₱ (588,071)
Depreciation,depletion and amortization	459,159	277,728	3,854,897	1,286,956
Loss (gain) on sale of property and equipments and investments				
Fair value adjustment on financial assets at FVPL and impairment losses on AFS				
Foreign exchange gain (loss)	(13,479,086)	(19,110,141)	5,573,247	8,973,514
Dividend income				
Operating income (loss) before working capital changes	₱ (80,795,934)	₱ (65,774,783)	₱ (34,781,508)	₱ 739,495
Changes in assets and liabilities				
Decrease (Increase) in asset/s:				
Financial assets at fair value through profit or loss	₱ -	₱ -	₱ -	₱ -
Receivables	218,268	314,663	91,694,282	(56,328)
Other assets	-	-	-	-
Prepayments and other current assets	(839,563)	(379,399)	(1,180,648)	100,448
Increase (Decrease) in liabilities				
Accounts payable & accrued expenses	(307,231)	(29,211)	939,915	176,571
Loan payable	-	-	(50,000,000)	-
Accrued retirement benefits payable	(9,918,644)	1,066,224	3,937,478	1,312,493
Other Liabilities	-	-	-	-
Cash generated from (used in) operations	₱ (91,643,104)	₱ (64,802,506)	₱ 10,609,519	₱ 2,272,679
Interest received	1,641,441	2,902,523	2,344,780	588,071
Taxes paid	-	-	(216,908)	
Net cash flows from (used) in operating activities	₱ (90,001,663)	₱ (61,899,983)	₱ 12,737,391	₱ 2,860,750
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions (Deductions) to:				
Financial assets at FVOCI	₱ 17,396,286	₱ (105,130)	₱ (2,200,091)	₱ (773,587)
Refundable deposits	-	-	(8,102,051)	15,325,133
Investment in associates	25,401,737	26,869,771	2,319,201	-
Deferred charges	(117,855)	-	14,963,190	2,568,812
Property & equipment	(173,000)	(173,000)	-	-
Unrealized gain (loss) on fair value adjustments	603,714	105,129	2,200,091	773,588
Net cash flows from (used) in investing activities	₱ 43,110,882	₱ 26,696,771	₱ 9,180,340	₱ 17,893,946
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	₱ -	₱ -	₱ -	₱ -
Proceeds from deposit for future subscription	-	-	-	-
Net cash flows from (used) in financing activities	₱ -	₱ -	₱ -	₱ -
Effect of foreign exchange rate chnages in cash & cash equivalent	₱ 13,479,086	₱ 19,110,141	₱ (5,573,247)	₱ (8,973,514)
Cumulative translation adjusment	12,619,941	7,288,271	(3,559,309)	101,772
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENT	₱ (20,791,754)	₱ (8,804,800)	₱ 12,785,174	₱ 11,882,954
Cash and cash equivalent at beginning of the year/quarter	106,866,340	94,879,386	42,093,952	42,996,172
CASH AND CASH EQUIVALENT AT END	₱ 86,074,586	₱ 86,074,586	₱ 54,879,126	₱ 54,879,126

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the period ended September 30, 2020 and September 30, 2019

	January to September		Quarters ended September 30	
	2020	2019	2020	2019
CAPITAL STOCK				
Par value: Php0.25 per share; Authorized: 10,000,000,000 shares				
Issued and subscribed	2,815,392,714	2,815,392,714	2,815,392,714	2,815,392,714
Paid-up capital at beginning of the year	₱ 703,848,179	₱ 703,848,179	₱ 703,848,179	₱ 703,848,179
Additional subscription	-	-	-	-
Paid-up capital at end of the period/quarter	**₱ 703,848,179**	**₱ 703,848,179**	**₱ 703,848,179**	**₱ 703,848,179**
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of the year	₱ 42,021,502	₱ 42,021,502	₱ 42,021,502	₱ 42,021,502
Additional subscription	-	-	-	-
Balance at end of the period/quarter	**₱ 42,021,502**	**₱ 42,021,502**	**₱ 42,021,502**	**₱ 42,021,502**
Equity reserve on acquisition of non-controlling interest	₱ (53,945,929)	₱ (53,945,929)	₱ (53,945,929)	₱ (53,945,929)
Revaluation increment in office condominium	-	15,747,863	-	15,747,863
Fair value adjustments on financial assets	4,653,688	3,383,470	4,653,688	3,383,470
Remeasurement loss on acquired retirement benefits	70,373	1,751,984	70,373	1,751,984
Cumulative translation adjustment	8,208,991	(7,933,924)	8,208,991	(7,933,924)
Cumulative translation adjustment of associates	29,010,641	27,544,449	29,010,641	27,544,449
Retained earnings (deficit)				
Balance at beginning of the year	(150,590,034)	(15,810,752)	(172,400,691)	(48,914,655)
Net income (loss) for the period	(65,511,364)	(42,003,433)	(43,700,707)	(8,899,530)
Balance at the end of the period/quarter	₱ (216,101,398)	₱ (57,814,185)	₱ (216,101,398)	₱ (57,814,185)
Total	**₱ 517,766,047**	**₱ 674,603,409**	**₱ 517,766,047**	**₱ 674,603,409**
Treasury stock (at cost)	(3,240,000)	(3,240,000)	(3,240,000)	(3,240,000)
TOTAL STOCKHOLDERS' EQUITY	**₱ 514,526,047**	**₱ 671,363,409**	**₱ 514,526,047**	**₱ 671,363,409**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS RECEIVABLES
As of September 30, 2020

Receivables from Panphil Aqua Culture Corp	₱	21,198,672
Receivables from associates		10,224,808
Receivables from CSR		405,332
Receivables from stockholders		1,718,887
Accrued interest receivables		361,880
Advances to officers & employees		957,089
Others		2,191,225
	₱	**37,057,893**
Less: Allowance for uncollectible accounts		(2,142,006)
	₱	**34,915,887**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As of September 30, 2020

	Total	1 month	2-3 months	4-6 months	7 Months to 1 Year	1-2 Years	3-5 Years	5 Years and above	Past due accounts & items in
TRADE RECEIVABLES									
1)	₱ -	-	-	-	-	-	-	-	-
2)	-	-	-	-	-	-	-	-	-
3)	-	-	-	-	-	-	-	-	-
Total trade receivables	₱ -	-	-	-	-	-	-	-	-
Less: Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Net trade receivables	₱ -	-	-	-	-	-	-	-	-
NON-TRADE RECEIVABLES									
1) Receivables from Panphil	₱ 21,198,672	-	-	3,886	4,014	21,190,772	-	-	-
2) Receivables from associates	10,224,808	308,803	-	-	1,197,595	8,718,410	-	-	-
3) Receivables from CSR	405,332	-	-	-	10,579	9,903	384,850	-	-
4) Receivables from stockholders	1,718,887	-	-	-	-	-	-	1,718,887	-
5) Accrued interest receivable	361,880	104,164	133,963	123,753	-	-	-	-	-
6) Advances to officers/employees	957,089	21,927	-	-	935,162	-	-	-	-
7) Others	2,191,225	-	-	1,220	1,080,000	3,800	73,925	1,032,280	-
Total non-trade receivables	**₱ 37,057,893**	**434,894**	**133,963**	**128,859**	**3,227,350**	**29,922,885**	**458,775**	**2,751,167**	-
Less: Allowance for doubtful accounts	2,142,006	-	-	-	-	-	-	2,142,006	-
Net non-trade receivables	**₱ 34,915,887**	**434,894**	**133,963**	**128,859**	**3,227,350**	**29,922,885**	**458,775**	**609,161**	-
NET RECEIVABLES	**₱ 34,915,887**	**434,894**	**133,963**	**128,859**	**3,227,350**	**29,922,885**	**458,775**	**609,161**	-

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
As of June 30, 2020

Accounts Payables	₱	13,369,343
Accrued Expense Payables		5,083,885
SSS/Philhealth/HDMF/BIR Payables		371,627
Others		352,285
	₱	**19,177,141**

ADDITIONAL DISCLOSURES

Part I – Financial Information

Philippine Financial Reporting Standards. Notes to Interim Financial Statements: (SEC Memorandum Circular No. 6, Series of 2013)

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits*, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Annual Improvements to PFRSs 2015–2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, Previously Held Interest in a Joint Operation
  - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to PAS 23, *Borrowing Costs*, Borrowing Costs Eligible for Capitalization

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI; consolidated statement of comprehensive income).

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the end of the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Fair Value Measurement
The Group measures financial assets at FVOCI and investment properties, at fair value at each end of the reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow (DCF) analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level in the fair value hierarchy as explained above.
An analysis of the fair values of financial assets at FVOCI and investment properties and further details as to how they are measured are provided in Note 25.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earn interest at floating rates based on daily bank deposit rate.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Instruments (Prior to Adoption of PFRS 9)

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Parent Company commits to purchase or sell the asset).

Initial Recognition and Measurement. The Group determines the classification of financial instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.
Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL).

- *Financial Assets.* Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

- *Financial Liabilities.* Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Subsequent Measurement. The subsequent measurement of financial assets and liabilities depends on their classification as follows:

- *Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the consolidated statement of financial position at amortized cost using the effective interest rate (EIR) method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The losses arising from impairment are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date or within the Parent Company's operating cycle. Otherwise, these are classified as noncurrent assets.

- *AFS Financial Assets.* AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income in the "Net unrealized gain on changes in fair value of AFS financial assets" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to consolidated statement of income and removed from OCI.

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.
Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to the consolidated statement of income over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to consolidated statement of income.

- *Other Financial Liabilities.* Issued financial instruments or their components which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the end of the reporting period or the Group does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the end of the reporting period.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization shall be included in "Other income (charges) - net" in the consolidated statement of income.

Other financial liabilities are included in current liabilities if settlement is to be made within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Impairment of Financial Assets (Prior to Adoption of PFRS 9)
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables. For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The present value of the estimated future cash flows is discounted at the financial assets' original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of comprehensive income is removed from OCI and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through consolidated statement of income while increases in the fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Interest income" account in the consolidated statement of income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of income, the impairment loss is reversed through consolidated statement of income.

Financial Instruments (Upon Adoption of PFRS 9)
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments: Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash and cash equivalents", "Receivables", and "Refundable deposits" in the consolidated statement of financial position.

Financial Assets at Fair Value through OCI (Debt Instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income is recognized in the consolidated statement of income while foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial Assets at Fair Value through OCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity securities under this category.

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial Instruments: Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses", "Loan payable", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Subsequent Measurement - Loans and Borrowings. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs under the "Interest expense" in the consolidated statement of comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities (Prior to Adoption of PFRS 9)</u>

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Investment Properties
Investment properties, consisting of parcels of land owned by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in consolidated statement of income in the year of retirement or disposal.

Property and Equipment
Property and equipment, other than office condominium, are carried at cost less accumulated depreciation and amortization and any impairment in value.

Office condominium is carried at revalued amount less depreciation and any impairment in value charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of revalued asset does not differ materially from its carrying amount.

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statement of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings.

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in the consolidated statement of income in the year in which costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection.

Depreciation and amortization are computed using the straight-line method to allocate the related assets' cost to their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

	Number of Years
Machinery and equipment	10
Transportation equipment	5
Building and building improvements	15
Office equipment, furniture and fixtures	3
Office condominium	15

The assets' estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Depreciation of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the year the item is derecognized.
Fully depreciated assets are retained in the accounts until they are no longer in use.

Deferred Exploration Costs

All exploration and evaluation costs incurred in connection with the participation of the Group in the determination of technical feasibility and assessment of commercial viability of an identified resource are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC) or Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Once the legal right to explore has been acquired, costs directly associated with an exploration and evaluation are capitalized and amortized at the start of commercial operations. All such capitalized costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When an SC is permanently abandoned, all related capitalized exploration costs are written-off. SCs are considered permanently abandoned if the SCs have expired and/or if there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets
Deferred Exploration Costs. The Group assesses at each reporting period whether there is an indication that its deferred exploration costs may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Investment Properties, Property and Equipment and Other Nonfinancial Assets. The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating unit (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

Equity
Capital Stock. Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued and outstanding.

Additional Paid-in Capital. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable. Incremental costs that are directly attributable to the issuance of new shares are charged to this account.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Deficit. The amount included in deficit includes cumulative profit or loss attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Deficit may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

Basic/Diluted Loss per Share

Basic Loss per Share. Basic loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted Loss per Share. Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Revenue Recognition

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Prior to 2018, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Management Fee. Management fee is recognized when the Group satisfied the performance obligation specified in the management service contracts (e.g., goods are delivered and construction works are completed using percentage of completion method).

Other Income

Interest Income. Interest income from bank deposits is recognized as it accrues using the effective interest rate method.

Dividend Income. Dividend income is recognized when the Group's right to receive payment is established.

Other Income. Other income, which normally includes sale of property and equipment, is recognized as revenue when earned and received.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits

The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net retirement benefit liability or asset is the change during the period in the net retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement benefit liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19, *Employee Benefits*, are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit obligation, the measurement of the resulting retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a retirement benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will be available to allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on the tax rate and tax laws that have been enacted or substantively enacted at the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Segment Information
The Group considers investment holding and geothermal energy projects as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the financial reporting period. All differences are taken to the consolidated statement of income under "Unrealized foreign exchange gain (loss)" account.

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI as "Cumulative translation adjustment" or "Share in cumulative translation adjustments of associates". On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of the changes will be reflected in the consolidated financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

Determination of Significant Influence over an Investee Company. The Group has 15% interest each in VEPC and VINTER, which is below the 20% threshold where significant influence is presumed under PAS 28. The Group considers its 15% investments each in VEPC and VINTER as investments in associates as it concluded that it has significant influence over the operating and financial policies of its investments in associates due to the following:

- representation in the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- material transactions between the investor and investee.

Classification of Investment Property. The Group classifies its land as investment property or owner-occupied property based on its current intentions where it will be used. When the land is held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. The land which is held for rent are classified as investment property.

Capitalization of Exploration and Evaluation Costs. Careful judgment of management is applied when deciding whether the recognition requirements for exploration and evaluation assets relating to the Group's exploration projects have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at end of each reporting period.

Contractual Cash Flows Assessment (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, for each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of Business Model in Managing Financial Instruments. Beginning January 1, 2018, the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year are discussed below:

Estimation of Allowance for Impairment of Receivables (Applicable in 2017). The Group reviews its receivables at each reporting date to assess the adequacy of the allowance for impairment. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on factors such as, but not limited to, the length of the Group's relationship with the customer, customer's payment behavior and other known market factors.

Estimation of Provision for Expected Credit Losses (Applicable in 2019 and 2018). The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The aggregate carrying value of the Group's financial assets amounted to ₱213.88 million and ₱229.99 million as at December 31, 2019 and 2018, respectively, net of allowance for impairment loss amounting to ₱2.14 million as at December 31, 2019 and 2018.

Revaluation of Office Condominium and Investment Properties. The Group carries its investment properties at fair value with changes in fair value recognized in the consolidated statement of income, and carries its office condominium at revalued amount with changes in fair value recognized in the consolidated statement of changes in equity. The Group engaged an external appraiser to assess the fair value of its investment properties as at December 31, 2019 and 2018.

For investment properties, a valuation methodology based on market approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available..

Revaluation increase on office condominium recognized under OCI in 2019 amounted to ₱29.45 million, net of deferred tax. Net book value of revalued office condominium amounted to nil and ₱23.30 million as at December 31, 2019 and 2018, respectively.

The Group recognized fair value adjustment on its investment properties amounting to ₱13.83 million, ₱21.39 million and nil in 2019, 2018 and 2017, respectively. The carrying value of investment properties amounted to ₱174.71 million and ₱160.88 million as at December 31, 2019 and 2018, respectively.

Impairment of Property and Equipment. The Group assesses impairment on property and equipment recorded at cost whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2019 and 2018, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated depreciation, amounted to ₱1.33 million and ₱41.03 million as at December 31, 2019 and 2018, respectively.

Impairment of Investments in Associate. The Group determines whether there is objective evidence that the investments in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statement of income.

As at December 31, 2019 and 2018, the Group assessed that there were no impairment indicators on its investments in associates. The carrying value of investments in associate amounted to ₱198.59 million and ₱212.30 million as at December 31, 2019 and 2018, respectively.

Impairment and Write-off of Deferred Exploration Costs. The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred charges need not be assessed for impairment.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For deferred exploration costs, impairment is recognized when a SC where the Group has participating interest is permanently abandoned. Future events could cause the Group to conclude that these assets are impaired.

The Group recognized provision for impairment of deferred exploration costs amounting to ₱114.55 million, ₱2.95 million and nil in 2019, 2018 and 2017, respectively. The carrying amount of deferred exploration costs, net of allowance for impairment loss, amounted to ₱6.01 million and ₱120.27 million as at December 31, 2019 and 2018, respectively.

Estimation of Retirement Benefits. The cost of defined benefit pension plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱14.33 million and ₱7.87 million as at December 31, 2019 and 2018, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

Realizability of Deferred Income Tax Assets. Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is no sufficient future taxable profits against which the deferred income tax assets will be utilized.

Deductible temporary differences and MCIT for which no deferred income tax assets were recognized as at December 31, 2019 and 2018.