

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 6 3 5 9

COMPANY NAME

B A S I C E N E R G Y C O R P O R A T I O N A N D  
S U B S I D I A R I E S

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7 t h F l o o r , B a s i c P e t r o l e u m B u i l d i n g ,  
1 0 4 C a r l o s P a l a n c a J r . S t r e e t , L e g a s p i  
V i l l a g e , M a k a t i C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

basic@basicenergy.ph

Company's Telephone Number/s

(632) 8-817-8596 to 98

Mobile Number

-

No. of Stockholders

6,568

Annual Meeting (Month / Day)

Last Wednesday of June

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Alain S. Pangan

Email Address

aspangan@basicenergy.ph

Telephone Number/s

(02) 8-817-8596

Mobile Number

0999-227-8352

## CONTACT PERSON'S ADDRESS

709 Coronado St., Hulo, Mandaluyong City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
7th Floor, Basic Petroleum Building  
104 Carlos Palanca Jr. Street, Legaspi Village  
Makati City

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Matter*

The financial statements of the Group as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were audited by another auditor, whose report dated June 24, 2020 expressed an unmodified opinion on those statements.



### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Accounting for Investments in Associates

The Group has 15% ownership interest in both Vintage EPC Co., Ltd. (VEPC) and VTE International Construction Co., Ltd. (VINTER), which are considered by the Group as its associates. These investments are accounted using equity method. This is considered as a key audit matter because of the substantial amount of the Group's investments, including its share in net losses and cumulative translation adjustments of associates. As discussed in Note 9 to the consolidated financial statements, the carrying amount of the Group's investments in associates as at December 31, 2020 amounted to ₱123,449,335.

We have performed audit procedures on the investments in associates, which included coordinating and instructing the statutory auditor of the associates to perform an audit on the relevant financial information of VEPC and VINTER for the purpose of the Group's consolidated financial statements. We discussed our audit strategy and risk assessment to the statutory auditor and reviewed their working papers, focusing on the procedures that will have an impact on the Group's total comprehensive loss. We recalculated the Group's share in net losses of associates and the cumulative translation adjustment based on the associates' audited financial statements, and assessed the adequacy of the disclosures in Note 9 to the consolidated financial statements.

#### Fair Value Measurement of Investment Properties

The Group's parcels of land are accounted for as investment properties using the fair value method. Accordingly, the Group engaged an independent appraiser to estimate the fair values of investment properties as at December 31, 2020. There is significant management judgment involved when selecting the appropriate valuation techniques and inputs to be used in estimating the fair value. Moreover, fair value measurement is significant to our audit as the investment properties amounted to ₱186,226,000 and account for 38.57% of the Group's total assets as at December 31, 2020.

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the appropriateness of valuation techniques used and the reasonableness of the valuation by comparing the inputs used in the valuation such as size, location and other characteristics of the parcels of land, with external data, and comparing the estimated fair values with similar properties, and assessed the adequacy of the disclosures in Note 10 to the consolidated financial statements.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report including the sustainability report for the year ended December 31, 2020, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report including the sustainability report are expected to be made available to us after the date of this auditors' report.



Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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- Evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph C. Bilangbilin.

**REYES TACANDONG & Co.**

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8534278

Issued January 5, 2021, Makati City

March 25, 2021

Makati City, Metro Manila

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**  
**(With Comparative Figures for 2019)**

		December 31	
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	₱73,869,174	₱106,866,340
Accounts and other receivables	5	33,236,324	35,134,155
Refundable deposit	6	21,368,350	22,530,549
Other current assets	7	3,149,312	2,811,863
Total Current Assets		131,623,160	167,342,907
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	8	28,648,450	47,203,112
Investments in associates	9	123,449,335	198,591,257
Investment properties	10	186,226,000	174,708,000
Deferred exploration and evaluation costs	11	6,013,928	6,013,928
Property and equipment	12	1,046,996	1,332,455
Other noncurrent assets	13	5,854,642	5,386,406
Total Noncurrent Assets		351,239,351	433,235,158
		<b>₱482,862,511</b>	<b>₱600,578,065</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other payables	14	₱19,486,977	₱20,343,874
<b>Noncurrent Liabilities</b>			
Net retirement benefit liability	19	5,752,920	14,329,068
Net deferred tax liabilities	20	-	8,172,691
Total Noncurrent Liabilities		5,752,920	22,501,759
Total Liabilities		25,239,897	42,845,633
<b>Equity</b>			
Capital stock	16	703,848,178	703,848,178
Additional paid-in capital		42,021,503	42,021,503
Deficit		(213,791,806)	(150,590,034)
Treasury stock	16	(3,240,000)	(3,240,000)
Other equity reserves		(61,986,294)	(25,225,891)
Equity Attributable to Equity Holders of the Parent Company		466,851,581	566,813,756
Equity Attributable to Non-controlling Interests		(9,228,967)	(9,081,324)
Total Equity		457,622,614	557,732,432
		<b>₱482,862,511</b>	<b>₱600,578,065</b>

See accompanying Notes to Consolidated Financial Statements.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Figures for 2019 and 2018)**

	Note	Years Ended December 31		
		2020	2019	2018
<b>INCOME</b>				
Fair value changes in investment properties	10	P <b>11,518,000</b>	P13,829,000	P21,394,000
Interest income	4	1,968,547	2,869,027	1,661,951
Management fee	17	308,803	6,726,220	2,967,471
Dividend income	8	1,540	1,440	1,280
Foreign exchange gain - net		-	-	9,077,983
Share in net income of associates	9	-	-	14,269,749
Other income		124,916	-	590,941
		<b>13,921,806</b>	23,425,687	49,963,375
<b>EXPENSES AND OTHER CHARGES</b>				
General and administrative expenses	18	43,447,932	68,392,341	55,976,942
Share in net losses of associates	9	34,939,577	22,093,688	-
Foreign exchange loss - net		1,864,902	291,159	-
Impairment losses on:				
Other receivables	5	33,143	-	-
Deferred exploration and evaluation costs	11	-	114,550,426	2,946,624
Goodwill		-	-	3,757,602
Loss on disposal of:				
Property and equipment	12	-	9,913,857	-
Investment property		-	-	10,728,788
Write-off of:				
Receivables	5	-	3,932,648	-
Other noncurrent assets	13	-	3,253,070	-
Interest expense	15	-	886,473	3,415,799
		<b>80,285,554</b>	223,313,662	76,825,755
<b>LOSS BEFORE INCOME TAX</b>		<b>66,363,748</b>	199,887,975	26,862,380
<b>INCOME TAX EXPENSE (BENEFIT)</b>	20			
Current		8,674	186,069	216,908
Deferred		(3,023,007)	(2,260,358)	(1,307,005)
		<b>(3,014,333)</b>	(2,074,289)	(1,090,097)
<b>NET LOSS</b>		<b>P63,349,415</b>	P197,813,686	P25,772,283
<b>NET LOSS (INCOME) ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		P63,201,772	P198,093,808	P25,121,623
Non-controlling interests		147,643	(280,122)	650,660
		<b>P63,349,415</b>	P197,813,686	P25,772,283
<b>Basic/Diluted Loss Per Share (LPS)</b>	21	<b>P0.023</b>	P0.071	P0.009

(Forward)



		<b>Years Ended December 31</b>		
	Note	2020	2019	2018
<b>NET LOSS</b>		<b>₱63,349,415</b>	₱197,813,686	₱25,772,283
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>				
Share in cumulative translation adjustments of associates (net of deferred tax)	9	<b>(35,082,821)</b>	5,597,859	23,412,782
Unrealized gain (loss) on changes in fair value of debt securities at FVOCI	8	<b>589,398</b>	2,455,481	(2,214,611)
Movement in cumulative translation adjustments		<b>(876,812)</b>	(36,335)	48,680
		<b>(35,370,235)</b>	8,017,005	21,246,851
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>				
Unrealized gain (loss) on changes in fair value of equity securities at FVOCI	8	<b>(1,144,060)</b>	411,114	500,000
Remeasurement losses on net retirement benefit liability (net of deferred tax)	19	<b>(246,108)</b>	(1,681,611)	(411,134)
Revaluation increment on office condominium (net of deferred tax)	12	-	29,453,220	-
		<b>(1,390,168)</b>	28,182,723	88,866
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(36,760,403)</b>	36,199,728	21,335,717
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>₱100,109,818</b>	₱161,613,958	₱4,436,566
<b>TOTAL COMPREHENSIVE LOSS (INCOME)</b>				
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱99,962,175</b>	₱161,894,080	₱3,785,906
Non-controlling interests		<b>147,643</b>	(280,122)	650,660
		<b>₱100,109,818</b>	₱161,613,958	₱4,436,566

See accompanying Notes to Consolidated Financial Statements.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Figures for 2019 and 2018)**

	Note	Other Equity Reserves											Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-Controlling Interests	Total Equity
		Capital Stock	Additional Paid-in Capital	Deficit	Equity Reserve on Acquisition of Non-controlling Interest	Cumulative Gain (Loss) on Translation of Investments in Associates	Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI	Cumulative Translation Gain (Loss) on Consolidation of a Foreign Operation	Cumulative Remeasurement Gain (Loss) on Net Retirement Benefit Liability	Revaluation Surplus on Office Condominium	Treasury Stock				
Balances as at December 31, 2019		₱703,848,178	₱42,021,503	(₱150,590,034)	(₱53,945,929)	₱29,010,641	₱4,049,974	(₱4,410,950)	₱70,373	₱-	(₱3,240,000)	₱566,813,756	(₱9,081,324)	₱557,732,432	
Net loss		-	-	(63,201,772)	-	-	-	-	-	-	-	(63,201,772)	(147,643)	(63,349,415)	
Other comprehensive loss		-	-	-	-	(35,082,821)	(554,662)	(876,812)	(246,108)	-	-	(36,760,403)	-	(36,760,403)	
Balances as at December 31, 2020		₱703,848,178	₱42,021,503	(₱213,791,806)	(₱53,945,929)	(₱6,072,180)	₱3,495,312	(₱5,287,762)	(₱175,735)	₱-	(₱3,240,000)	₱466,851,581	(₱9,228,967)	₱457,622,614	
Balances as at December 31, 2018		₱703,848,178	₱42,021,503	(₱15,810,752)	(₱53,945,929)	₱23,412,782	₱1,183,379	(₱4,374,615)	₱1,751,984	₱15,747,863	(₱3,240,000)	₱710,594,393	(₱9,361,446)	₱701,232,947	
Net income (loss)		-	-	(198,093,808)	-	-	-	-	-	-	-	(198,093,808)	280,122	(197,813,686)	
Other comprehensive income (loss)		-	-	-	-	5,597,859	2,866,595	(36,335)	(1,681,611)	29,453,220	-	36,199,728	-	36,199,728	
Realization of revaluation surplus through sale	12	-	-	61,319,982	-	-	-	-	-	(43,804,902)	-	17,515,080	-	17,515,080	
Realization of revaluation surplus through depreciation	12	-	-	1,994,544	-	-	-	-	-	(1,396,181)	-	598,363	-	598,363	
Balances as at December 31, 2019		₱703,848,178	₱42,021,503	(₱150,590,034)	(₱53,945,929)	₱29,010,641	₱4,049,974	(₱4,410,950)	₱70,373	₱-	(₱3,240,000)	₱566,813,756	(₱9,081,324)	₱557,732,432	
Balances as at December 31, 2017		₱677,125,178	₱35,617,951	₱7,761,901	(₱53,945,929)	₱-	₱2,897,990	(₱4,423,295)	₱2,163,118	₱17,296,833	(₱3,240,000)	₱681,253,747	(₱8,710,786)	₱672,542,961	
Net loss		-	-	(25,121,623)	-	-	-	-	-	-	-	(25,121,623)	(650,660)	(25,772,283)	
Other comprehensive income (loss)		-	-	-	-	23,412,782	(1,714,611)	48,680	(411,134)	-	-	21,335,717	-	21,335,717	
Issuance of capital stock	16	26,723,000	6,670,782	-	-	-	-	-	-	-	-	33,393,782	-	33,393,782	
Share issuance cost	16	-	(267,230)	-	-	-	-	-	-	-	-	(267,230)	-	(267,230)	
Realization of revaluation surplus through depreciation	12	-	-	1,548,970	-	-	-	-	-	(1,548,970)	-	-	-	-	
Balances as at December 31, 2018		₱703,848,178	₱42,021,503	(₱15,810,752)	(₱53,945,929)	₱23,412,782	₱1,183,379	(₱4,374,615)	₱1,751,984	₱15,747,863	(₱3,240,000)	₱710,594,393	(₱9,361,446)	₱701,232,947	

See accompanying Notes to Consolidated Financial Statements.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(With Comparative Figures for 2019 and 2018)**

	Note	Years Ended December 31		
		2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		<b>(P66,363,748)</b>	(P199,887,975)	(P26,862,380)
Adjustments for:				
Share in net loss (income) of associates	9	<b>34,939,577</b>	22,093,688	(14,269,749)
Fair value changes in investment properties	10	<b>(11,518,000)</b>	(13,829,000)	(21,394,000)
Retirement expense	18	<b>4,264,900</b>	4,059,421	4,220,882
Interest income	4	<b>(1,968,547)</b>	(2,869,027)	(1,661,951)
Unrealized foreign exchange losses (gain)		<b>1,864,902</b>	1,379,923	(1,488,509)
Depreciation and amortization	12	<b>732,142</b>	4,813,035	5,242,050
Impairment losses on:				
Other receivables	5	<b>33,143</b>	–	–
Deferred exploration and evaluation costs	11	–	114,550,426	2,946,624
Goodwill		–	–	3,757,602
Dividend income	8	<b>(1,540)</b>	(1,440)	(1,280)
Loss on disposal of:				
Property and equipment	12	–	9,913,857	–
Investment property		–	–	10,728,788
Write-off of:				
Receivables	5	–	3,932,648	–
Other noncurrent assets	13	–	3,253,070	–
Interest expense	15	–	886,473	3,415,799
Operating loss before working capital changes		<b>(38,017,171)</b>	(51,704,901)	(35,366,124)
Decrease (increase) in:				
Accounts and other receivables		<b>379,349</b>	(4,295,856)	(6,569,238)
Other current assets		<b>(1,216,759)</b>	(1,093,064)	(270,594)
Other noncurrent assets		<b>(492,919)</b>	7,291,185	(3,037,566)
Increase (decrease) in accrued expenses and other payables		<b>(856,897)</b>	12,361,607	813,593
Net cash used in operations		<b>(40,204,397)</b>	(37,441,029)	(44,429,929)
Contributions to retirement plan	19	<b>(13,117,316)</b>	–	–
Interest received		<b>2,001,176</b>	2,866,543	1,818,262
Income taxes paid		<b>(6,176)</b>	(1,661,427)	(11,800)
Net cash used in operating activities		<b>(51,326,713)</b>	(36,235,913)	(42,623,467)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Redemption of debt securities at FVOCI	8	<b>18,000,000</b>	–	–
Additions to:				
Property and equipment	12	<b>(422,000)</b>	(17,195)	(179,098)
Investments in associates	9	–	(1,799,885)	(32,235,151)
Deferred exploration and evaluation costs	11	–	(291,461)	(8,561,261)
Proceeds from sale of:				
Property and equipment	12	<b>1,055,807</b>	64,247,361	–
Investment property		–	97,573,298	4,124,183
Dividends received		<b>1,540</b>	1,440	1,280
Payment of refundable deposit		–	(23,427,183)	–
Collection of refundable deposit		–	16,183,711	22,819,500
Net cash provided by (used in) investing activities		<b>18,635,347</b>	152,470,086	(14,030,547)

(Forward)

	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of :			
Loans payable	15	– (P50,000,000)	P–
Interest	15	– (886,473)	(3,415,799)
Proceeds from issuance of capital stock (net of stock issuance cost)	16	–	26,455,770
Net cash provided by (used in) financing activities	–	(50,886,473)	23,039,971
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(32,691,366)</b>	<b>65,347,700</b>	<b>(33,614,043)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(305,800)</b>	<b>(575,312)</b>	<b>678,611</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>106,866,340</b>	<b>42,093,952</b>	<b>75,029,384</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P73,869,174</b>	<b>P106,866,340</b>	<b>P42,093,952</b>

*See accompanying Notes to Consolidated Financial Statements.*

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Information for 2019 and 2018)**

**1. General Information**

**Corporate Information**

Basic Energy Corporation (the Parent Company) was incorporated under the laws of the Republic of the Philippines and registered in the Philippine Securities and Exchange Commission (SEC) on September 19, 1968. On April 10, 2018, the SEC approved the Parent Company's amendment of its articles of incorporation for the extension of its corporate life for another 50 years starting from September 19, 2018. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence. The Parent Company is listed in the Philippine Stock Exchange (PSE).

The Parent Company is a holding company with diversified business interests in various fields of renewable energy and alternative fuels, and in oil and gas exploration and development.

As at December 31, 2020, 2019 and 2018, the following are the subsidiaries of the Parent Company:

	Place of Incorporation and Principal Place of Business	Nature of Business	Functional Currency	Percentage of Ownership (%)
Basic Diversified Industrial Holdings, Inc. (BDIHI)	Philippines	Holding Company	Philippine Peso	100.00
Basic Biofuels Corporation (BBC)	Philippines	Development of Biofuels	Philippine Peso	100.00
Basic Renewables, Inc. (BRI)	Philippines	Development of Renewable Energy Resources	Philippine Peso	100.00
iBasic, Inc. (iBasic)	Philippines	Development and Maintenance of Computer Software	Philippine Peso	100.00
Mabini Energy Corporation (MEC) <i>(Formerly Basic Geothermal Energy Corporation)</i>	Philippines	Development of Renewable Energy Resources	Philippine Peso	100.00
Grandway Group Limited (GGL)	Hong Kong	Holding Company	US Dollar	100.00
PT Basic Energi Solusi (PT BES)	Indonesia	Oil Exploration	Indonesian Rupiah	95.00*
Southwest Resources, Inc. (SRI) <i>*Indirect ownership through GGL</i>	Philippines	Oil Exploration	Philippine Peso	72.58

The Parent Company and its subsidiaries are herein collectively referred to as "the Group".

The registered business address of the Parent Company is 7th Floor, Basic Petroleum Building, 104 Carlos Palanca Jr. Street, Legaspi Village, Makati City.

### **Status of Operations**

The Group has incurred recurring losses resulting to a deficit amounting to ₱213,791,806, ₱150,590,034 and ₱15,810,752 as at December 31, 2020, 2019 and 2018, respectively.

The Group is actively exploring business ventures on alternative and renewable energy sources. The following are the existing and recently acquired business ventures of the Group:

- The Group has 15% ownership interest in VEPC and VINTER, which are the primary engineering, procurement, and construction (EPC) contractors of a solar power project in Minbu, Myanmar. This project has commenced Phase 2 of its construction.
- On September 9, 2020, the Department of Energy (DOE) approved the work program for the drilling of two (2) geothermal wells up to 2022 for its Iriga Geothermal Project in which the Group has 20% interest.
- On March 23, 2021, the Group obtained an approval from the DOE for a wind energy project. This project provides for a non-extendible 5-year period of pre-development stage, and 25 years of development with an extension period of another 25 years subject to the approval of the DOE.

Further, the Parent Company has entered into a memorandum of agreement (MOA) with Map 2000 Development Corporation (M2DC) on December 18, 2020 for its subscription to 67% of the Parent Company's capital stock (the Transaction) subject to the fulfilment of certain conditions. The Parent Company expects the completion of the Transaction by the second quarter of 2021 (see Note 16). This Transaction will enable the Group to expand its current portfolio of renewable energy projects and for M2DC to integrate its business into the Group.

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern and do not include adjustments that may result from the outcome of the uncertainty.

The consolidated financial statements of the Group as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on March 25, 2021.

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## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the Securities and Exchange Commission (SEC). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The financial statements of the Group have been prepared on the historical cost basis, except for the following:

	<u>Measurement Bases</u>
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Investment properties	Fair Value
Office condominium units, included as part of "Property, plant and equipment"	Revalued Amount

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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 by 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 market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the consolidated financial statements:

- Note 8 - Financial Assets at FVOCI
- Note 10 - Investment Properties
- Note 12 - Property and Equipment
- Note 22 - Fair Value Measurement

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS, which the Group adopted effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must include, at a minimum, ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.



### **Amended PFRS Issued But Not Yet Effective**

Relevant amendments to PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

Effective January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Group. Additional disclosures will be included in the financial statements, as applicable.

### **Basis of Consolidation**

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and are deconsolidated from the date the Parent Company ceases to have control.

The financial statements of the subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company. All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If there is a loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests (NCI) and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. Any investment retained is recognized at fair value.

NCI, presented as part of equity, represent the portion of the subsidiaries' profit or loss and net assets that is not held by the Parent Company. The Group attributes total comprehensive income or loss and dividend declarations of the subsidiaries between the equity owners of the Parent Company and the NCI based on their respective ownership interests.

NCI represents the 27.42% direct equity interest in the net assets of SRI and 5.00% indirect equity interest in the net assets of PTBES as at December 31, 2020, 2019 and 2018.

*Functional and Presentation Currency.* The consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency. The Parent Company and its subsidiaries determine their own functional currencies, which best reflect the economic substance of the underlying transactions, events and conditions relevant to each Company.

At each reporting date, the assets and liabilities of GGL and PT BES are translated from their functional currencies (US Dollar and Indonesian Rupiah, respectively) to the Parent Company's functional and presentation currency (Philippine Peso) using the closing rate at each reporting date, while its comprehensive income is translated using weighted average exchange rates during the year.

The exchange differences arising on translation of a foreign operation are recognized in other comprehensive income (OCI). Upon disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

*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 a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*"Day 1" Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data at inception date, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

### **Financial Assets**

*Initial Recognition and Measurement.* Financial assets, are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

*Classification.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Group's business model for managing the asset and its contractual cash flow characteristics.

As at December 31, 2020 and 2019, the Group does not have financial assets at FVPL.

*Financial Assets at Amortized Cost.* Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, the Group's cash and cash equivalents, accounts and other receivables (except advances to officers and employees), and refundable deposit, are classified under this category (see Notes 4, 5 and 6).

Cash and cash equivalents include cash in banks and short-term placements. Short-term placements are highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI - Debt Instruments.* For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

After initial recognition, interest income (calculated using the effective interest rate method) and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2020 and 2019, the Group's investments in quoted debt securities are classified under this category (see Note 8).

*Financial Assets at FVOCI - Equity Instruments.* For equity instruments that are not held for trading, the Group may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

All other gains or losses from equity instruments are recognized in OCI and are presented in the equity section of the consolidated statement of financial position and are not reclassified to profit or loss in subsequent periods, but instead, these are transferred directly to retained earnings.

As at December 31, 2020 and 2019, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI (see Note 8).

*Reclassification.* The Group reclassifies its financial assets only when it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For equity instruments which were irrevocably designated at initial recognition as financial assets at FVOCI, no reclassification in another category is allowed.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

*Impairment of Debt Instruments at FVOCI and Financial Assets at Amortized Cost.* The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's 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.

For financial assets instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Group also considers reasonable and supportable information that is available without undue cost or effort and is indicative of significant increases in credit risk since initial recognition.

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amount of financial asset for write-off. This assessment is carried out at the individual financial asset level.

*Derecognition.* 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 right to receive cash flows from the asset has expired;
- The Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

## **Financial Liabilities**

*Initial Recognition and Measurement.* Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

*Classification.* The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2020 and 2019, the Group does not have financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2020 and 2019, the Group's accrued expenses and other payables (excluding nonfinancial liabilities) are classified under this category (see Note 14).

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged, 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 comprehensive income.

*Classification of Financial Instrument between Liability and Equity.* A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is 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.

### **Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

*Current Assets.* The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

### **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 Group's investments in associates are accounted for under the equity method. The investments are initially recognized at cost and adjusted to recognize the Group's share in the changes in the net assets of the associates since the acquisition date. Dividends received by the Group from the associates will reduce the carrying amount of the investments when the right to receive the dividend is established. The Group recognizes its share in net income or loss of the associates in profit or loss. Any change in OCI of the associates is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in equity of the associate, the Group recognizes its share in these changes, when applicable, in the consolidated statement of changes in equity.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at 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.

The financial statements of the associates are prepared in the same reporting period and using the uniform accounting policies used by the Group.



### **Investment Properties**

Investment properties pertain to properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are initially measured at cost which pertains to the purchase price and any directly attributable costs related to the acquisition. Subsequent to initial recognition, investment properties are carried at fair value, which is determined using market data approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise.

Transfer is made to investment properties only when there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfer is made from investment properties only when there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sale.

An investment property is derecognized either when the asset has been disposed of or when the investment property has been permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

### **Deferred Exploration and Evaluation Costs**

Deferred exploration and evaluation costs arising from the Group's exploration and evaluation activities are carried at cost less any accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for oil, gas or other natural resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the resource.

Exploration and evaluation expenditures are recognized as assets when the future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further costs incurred for exploration and evaluation activities up to the point when a commercial reserve is established.

Deferred exploration and evaluation costs are assessed for impairment before these are reclassified to "Property and equipment" account in the consolidated statement of financial position when the technical feasibility and commercial viability of extracting the resources are demonstrable. Any impairment loss is recognized in profit or loss. If the exploration area is found to contain no commercial reserves, the deferred exploration and evaluation costs are charged to profit or loss.

**Property and Equipment**

Office condominium is accounted for using the revaluation model.

Under the revaluation model, office condominium is initially recorded at cost and subsequently measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded initially in OCI and accumulated to the other equity reserves account in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

The following property and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment losses:

- Transportation equipment
- Office equipment, furniture, and fixtures
- Building improvements
- Machinery and equipment

The initial cost of property and equipment consists of its purchase price after deducting trade discounts and rebates, import duties, nonrefundable purchase taxes, and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable in bringing the assets to the working condition for their intended use, and costs of dismantling and removing the items and restoring the site on which they are located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the 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 additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization of property and equipment begin when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

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

The estimated useful lives, depreciation and amortization method are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

#### **Other Nonfinancial Assets**

Other nonfinancial assets pertain to excess tax credits, prepayments, input value-added tax (VAT) and intangible asset.

*Excess Tax Credits.* Excess tax credits pertain to the Group's excess income tax payments. These include taxes withheld and remitted to the Bureau of Internal Revenue (BIR) by customers which can be applied to the Group's income tax payable in the same year the related income was recognized. Excess tax credits are carried forward and can be utilized in succeeding years.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be utilized within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*VAT.* VAT is a tax on consumption levied on the sale, barter, exchange, or lease of goods or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

Revenue, expenses, and assets are recognized net of the amount of VAT, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that include the amount of VAT.

The net amount of VAT recoverable from the taxation authority is presented as "Input VAT" under "Other noncurrent assets" account in the consolidated statement of financial position.

*Intangible Asset.* The Group's intangible asset pertains to acquired computer software and is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. An intangible asset with a finite useful life is amortized over its useful life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of an intangible asset arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group.

Amortization is calculated on a straight line basis over ten (10) years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits for the intangible asset. Changes in the expected useful life or the expected pattern or consumption of future economic benefits embodied in the intangible assets with finite useful life are recognized in profit or loss.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash- generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction less cost of disposal. In assessing value in use, the estimated future cash flows 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to 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 only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted prospectively to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

#### **Equity**

*Capital Stock.* Common stock is measured at par value for all shares issued and subscribed. Unpaid subscriptions are recognized as reduction to subscribed capital stock.

*Additional Paid-in Capital (APIC).* APIC represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from APIC, net of any tax effects.

*Deficit.* Deficit represents the cumulative balance of the Group's profit or loss.

*Other Equity Reserves.* Other equity reserves consist of cumulative balances of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to equity reserve on acquisition of NCI, cumulative gain (loss) on translation of investments in associates, cumulative unrealized gain changes in fair value of financial assets at FVOCI, cumulative translation loss on consolidation of a foreign operation, cumulative remeasurement gain (loss) on net retirement benefit liability and revaluation surplus on office condominium.

*Treasury Stock.* Treasury stock represents the Parent Company's shares held by its subsidiary, which are carried at cost and deducted from equity until the shares are cancelled or sold.

When the shares are subsequently sold, the difference between the cost and consideration received, net of any directly attributable transaction costs, is included in equity attributable to the equity holders of the Parent Company.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

*Management Fee.* Management fee is recognized over the period that the related service is provided.

*Other Income.* Income from other sources is recognized as revenue when earned.

The following are the specific recognition criteria for other revenues outside the scope of PFRS 15:

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset, net of final tax.

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

### **Expense Recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed when incurred.

*Interest Expense.* Interest expense is recognized in profit or loss using the effective interest method.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes short-term employee benefits based on contractual arrangements with employees. The unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of “Accrued expenses and other payables” account in the consolidated statement of financial position.

*Retirement Benefit.* Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries. The calculation of net retirement benefits (costs) is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The net retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefit liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting the estimated future cash flows using discount rates that reflect 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 liability, the measurement of the resulting net retirement benefit 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 recognizes retirement benefit costs, comprising of current service cost and net interest income or expense in profit or loss. The Group determines the net interest cost by applying the discount rate to the defined benefit liability at the beginning of the reporting period, taking into account any changes in the defined benefit liability during the period as a result of benefit payments.

Remeasurements of the net retirement benefit liability, which consist of actuarial gains and losses and the return on plan assets (excluding interest), and the effect of asset ceiling (if any, excluding interest) are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

### **Foreign Currency-Denominated Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

*Translation of a Foreign Operation.* A foreign operation is a subsidiary, associate, joint arrangement or branch whose activities are based or conducted in a country or currency other than those of the reporting entity.

At each reporting date, the assets and liabilities of the foreign operation are translated from its functional currency to the Parent Company's functional and presentation currency using the closing rate at each reporting date, while its comprehensive income is translated using weighted average exchange rates during the year.

The exchange differences arising on translation of a foreign operation are recognized in OCI. Upon disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used in the computation are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it 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 profit nor taxable profit or loss.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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

### **Related Party Transactions**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated parties in an economically comparable market.

### **Segment Reporting**

The Group reports separate information about each of its operating segment.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group) and whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete information is available.

### **Provisions and Contingencies**

*Provisions.* Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, the estimated cash flows are discounted using a current pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

### **Basic and Diluted Loss per Share**

*Basic Loss per Share.* Basic loss per share is calculated by dividing the net loss for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding shares and subscribed shares, with retroactive adjustment for any stock dividends, stock splits or reverse stock splits during the year.

*Diluted Loss per Share.* Diluted loss per share is calculated in the same manner as basic loss per share, adjusted for the effects of any potentially dilutive, convertible securities.



### **Events After the Reporting Date**

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

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to exercise judgments, and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

#### **Judgments**

*Determination of Functional and Presentation Currency.* The Group's consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency, which mainly influences labor, material and other costs of providing goods or services. The Parent Company and its subsidiaries determine their own functional currencies, which best reflect the economic substance of the underlying transactions, events and conditions relevant to each entity.

*Classification and Measurement of Financial Assets.* Classification and measurement of financial assets depend on the results of the contractual cash flow and the business model tests. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed.

At initial recognition, the Group designated its investments in equity and debt securities as financial assets at FVOCI (see Note 8).

Cash and cash equivalents, accounts and other receivables (excluding advances to officers and employees), and refundable deposit were classified as financial assets at amortized cost since the Group's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest (see Notes 4, 5 and 6).

*Determination of Significant Influence over VEPC and VINTER.* The Group assessed that it has significant influence in its 15% ownership interest in both VEPC and VINTER despite it being below the 20% threshold where significant influence is presumed under PAS 28, *Investments in Associates and Joint Ventures*. Significant influence has been established by the Group over the investees because of its participation in the decision making process of the investee's significant activities, through its representation in the investees' BOD.

The Group's investments in associates amounted to ₱123.4 million and ₱198.6 million as at December 31, 2020 and 2019, respectively (see Note 9).

*Capitalization of Exploration and Evaluation Expenditures.* The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and evaluation costs presented in the consolidated statement of financial position, amounted to ₱6.0 million as at December 31, 2020 and 2019 (see Note 11).

#### **Accounting Estimates and Assumptions**

*Determination of the Fair Value of Financial Instruments.* The fair values of investments in equity and debt securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business at the reporting date.

In accordance with the amendments to PFRS 7, *Financial Instruments: Disclosures* about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statement of financial position.

The assumptions and methods used in determining the fair values of financial instruments are presented in Note 22 to the consolidated financial statements.

*Assessment for the ECL on Financial Assets Classified at Amortized Cost and FVOCI.* The Group determines the allowance for ECL using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the counterparty.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty.

In 2020, the Group recognized impairment on accounts receivable amounting to ₱33,143. The Group wrote off receivables amounting to ₱184,730 and ₱3,932,648 in 2020 and 2019, respectively (see Note 5).

For cash in banks and cash equivalents, refundable deposit and debt instruments classified as financial assets at FVOCI, the Group assessed that the ECL is not material because the transactions with respect to these financial assets were entered only with banks and counterparties with good credit standing and relatively low risk of default. Accordingly, no provision for ECL on these financial assets was recognized in 2020 and 2019.

The carrying amounts of financial assets at amortized cost and quoted debt instruments at FVOCI are as follows:

	Note	2020	2019
Financial assets at amortized cost:			
Cash and cash equivalents*	4	<b>₱73,836,392</b>	₱106,840,948
Accounts and other receivables**	5	<b>33,166,196</b>	35,027,292
Refundable deposit	6	<b>21,368,350</b>	22,530,549
Financial assets at FVOCI -			
Quoted debt securities	8	<b>22,669,474</b>	40,080,076

\*Excluding cash on hand amounting to ₱32,782 and ₱25,392 as at December 31, 2020 and 2019, respectively.

\*\*Excluding nonfinancial assets amounting to ₱70,128 and ₱106,863 as at December 31, 2020 and 2019, respectively.

*Estimation of the Useful Lives of Property and Equipment and Intangible Asset.* The Group estimates the useful lives of its property and equipment and intangible asset based on the period over which the assets are expected to be available for use. The Group reviews the estimated useful lives of property and equipment and intangible asset at each reporting date based on factors that include asset utilization, internal technical evaluation, technological changes, anticipated use of the assets, and experience with similar assets.

There were no changes in the estimated useful lives of property and equipment and intangible asset in 2020 and 2019.

The carrying amounts of property and equipment and intangible asset are as follows:

	Note	2020	2019
Property and equipment	12	<b>1,046,996</b>	1,332,455
Computer software	13	<b>151,864</b>	176,547

*Determination of Fair Value of Investment Properties.* The Group measures its investment properties at fair value. The Group engaged an independent appraiser to determine the fair value of investment properties as at December 31, 2020 and 2019. These were valued based on comparable market data adjusted as necessary to reflect the specific assets' size, location and other characteristics.

The Group's investment properties amounted to ₱186.2 million and ₱174.7 million as at December 31, 2020 and 2019, respectively. Fair value changes on investment properties amounted to ₱11.5 million, ₱13.8 million and ₱21.4 million in 2020, 2019 and 2018, respectively (see Note 10).

*Assessment of the Recoverability of Deferred Exploration and Evaluation Costs.* Deferred exploration and evaluation costs are capitalized in the period incurred until it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its deferred exploration and evaluation costs whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

The Group recognized provision for impairment of exploration and evaluation assets amounting to ₱114.6 million and ₱3.0 million in 2019 and 2018, respectively. Further, the Group wrote off deferred exploration costs amounting to ₱327.4 million in 2019. The Group's deferred exploration and evaluation assets, net of allowance for impairment losses, amounted to ₱6.0 million as at December 31, 2020 and 2019 (see Note 11).

*Assessment for Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction, less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on other nonfinancial assets was recognized in 2020, 2019 and 2018, except for other noncurrent assets amounting to ₱3.3 million, written off in 2019. The carrying amounts of nonfinancial assets are as follows:

	Note	2020	2019
Investments in associates	9	<b>₱123,449,335</b>	₱198,591,257
Other noncurrent assets	13	<b>5,854,642</b>	5,386,406
Other current assets	7	<b>3,149,312</b>	2,811,863
Property and equipment	12	<b>1,046,996</b>	1,332,455

*Determination of Retirement Benefits.* The determination of the net retirement benefit liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 19 to the consolidated financial statements and include discount rates and salary increase rates among others. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefit liability.

Net retirement benefit liability amounted to ₱5.8 million and ₱14.3 million as at December 31, 2020 and 2019, respectively. Remeasurements losses on net retirement benefit liability (net of deferred tax) amounted to ₱0.2 million, ₱1.7 million and ₱0.4 million in 2020, 2019 and 2018, respectively (see Note 19).

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the balance to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group's deductible temporary differences, carryforward benefits of NOLCO, and excess of MCIT over RCIT, for which deferred tax assets have not been recognized amounted to ₱461.9 million and ₱428.6 million as at December 31, 2020 and 2019. The management assessed that there may be no sufficient future taxable income against which benefits of the deferred tax assets can be utilized (see Note 20).

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#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	<b>₱9,588,265</b>	₱67,059,173
Short-term placements	<b>64,280,909</b>	39,807,167
	<b>₱73,869,174</b>	₱106,866,340

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 0.38% to 3.00% in 2020 and 2019.

The sources of the Group's interest income for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Note	2020	2019	2018
Cash and cash equivalents		<b>₱1,024,207</b>	₱1,447,844	₱416,198
Financial assets at FVOCI	8	<b>944,340</b>	1,421,183	1,245,753
		<b>₱1,968,547</b>	₱2,869,027	₱1,661,951

## 5. Accounts and Other Receivables

This account consists of:

	Note	2020	2019
Accounts receivable:			
Related parties	17	<b>₱30,890,924</b>	₱31,102,410
Third parties		<b>1,508,394</b>	2,595,032
Interest receivable		<b>170,117</b>	202,746
Advances to officers and employees		<b>70,128</b>	106,863
Others (net of allowance for ECL of ₱1,991,419 and ₱2,142,006 in 2020 and 2019, respectively)		<b>596,761</b>	1,128,104
		<b>₱33,236,324</b>	<b>₱35,134,155</b>

Accounts receivable are unsecured, unimpaired, noninterest-bearing and collectible within one (1) year.

Interest receivable arises from the Group's cash equivalents and investments in quoted debt securities classified as financial assets at FVOCI which are collectible within six (6) months.

Advances to officers and employees are subject to liquidation within 14 days after the date of the related transaction.

The balances and movements in the allowance for ECL as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	<b>₱2,142,006</b>	₱2,142,006
Impairment during the year	<b>33,143</b>	–
Writeoff during the year	<b>(184,730)</b>	–
Balance at end of year	<b>₱1,991,419</b>	₱2,142,006

In 2019, the Group wrote off receivables amounting to ₱3.9 million.

## 6. Refundable Deposit

In 2018, the Group paid a refundable deposit amounting to US\$444,960 for an equity investment opportunity in a power generation company in Taiwan. In 2019, the Group decided not to pursue with the investment after conducting its due diligence review.

The refundable deposit amounted to ₱21,368,350 and ₱22,530,549 as at December 31, 2020 and 2019, respectively. As of March 25, 2021, the Group is in the process of pursuing collection of this deposit.

## 7. Other Current Assets

This account consists of:

	2020	2019
Excess tax credits	P2,587,566	P2,590,064
Prepayments	561,746	221,799
	<b>P3,149,312</b>	<b>P2,811,863</b>

Prepayments pertain mainly to prepaid insurance.

## 8. Financial Assets at FVOCI

This account consists of the Group's investments in:

	2020	2019
Quoted debt securities	P22,669,474	P40,080,076
Quoted equity securities	5,978,976	7,123,036
	<b>P28,648,450</b>	<b>P47,203,112</b>

The movements in financial assets at FVOCI are as follows:

	2020	2019
Balance at beginning of year	P47,203,112	P44,336,517
Redemption of bonds	(18,000,000)	-
Net unrealized gain (loss) during the year on:		
Equity securities	(1,144,060)	411,114
Debt securities	589,398	2,455,481
Balance at end of year	<b>P28,648,450</b>	<b>P47,203,112</b>

The balances and movements in the balance of cumulative unrealized gains on financial assets at FVOCI are as follows:

	2020	2019	2018
Balance at beginning of year	P4,049,974	P1,183,379	P2,897,990
Unrealized gains (losses) for the year	(554,662)	2,866,595	(1,714,611)
Balance at end of year	<b>P3,495,312</b>	<b>P4,049,974</b>	<b>P1,183,379</b>

The Group's quoted debt securities bear annual interest rates ranging from 4.50% to 4.84% in 2020, 2019 and 2018. Interest income earned on these securities amounted to P0.9 million, P1.4 million and P1.2 million in 2020, 2019 and 2018, respectively (see Note 4).

Dividend income earned from quoted equity securities amounted to P1,540, P1,440 and P1,280 in 2020, 2019 and 2018, respectively.

The Group's financial assets at FVOCI as at December 31, 2020 and 2019 are carried at fair value based on quoted market prices or bidding dealer price quotations from active markets at the reporting date. This fair valuation is classified under the Level 1 category (see Note 22).

## 9. Investments in Associates

The following are the associates of the Parent Company:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership
Vintage EPC Co. Ltd. (VEPC)	Thailand	Engineering, Procurement and Construction	Thailand Baht	15.00
VTE International Construction Co. Ltd. (VINTER)	Thailand	Engineering, Procurement and Construction	Thailand Baht	15.00

VEPC and VINTER's principal place of business is located at 128 Soi Liang Muang Nonthaburi 10, Tambon Bangkasor, Amphur Muang Nonthaburi, Nonthaburi, 11000, Thailand.

The Group's investments are measured using the equity method. The balances and movements in this account are as follows:

	2020		
	VEPC	VINTER	Total
<b>Cost</b>			
Balance at beginning and end of year	<b>₱131,137,160</b>	<b>₱41,147,871</b>	<b>₱172,285,031</b>
<b>Accumulated equity in net losses</b>			
Balance at beginning of year	<b>(4,620,406)</b>	<b>(3,203,533)</b>	<b>(7,823,939)</b>
Share in net income (loss) for the year	<b>(36,108,560)</b>	<b>1,168,983</b>	<b>(34,939,577)</b>
Balance at end of year	<b>(40,728,966)</b>	<b>(2,034,550)</b>	<b>(42,763,516)</b>
<b>Cumulative translation gain (loss)</b>			
Balance at beginning of year	<b>26,320,492</b>	<b>7,809,673</b>	<b>34,130,165</b>
Translation losses during the year	<b>(31,755,704)</b>	<b>(8,446,641)</b>	<b>(40,202,345)</b>
Balance at end of year	<b>(5,435,212)</b>	<b>(636,968)</b>	<b>(6,072,180)</b>
	<b>₱84,972,982</b>	<b>₱38,476,353</b>	<b>₱123,449,335</b>
	2019		
	VEPC	VINTER	Total
<b>Cost</b>			
Balance at beginning of year	₱131,137,160	₱39,347,986	₱170,485,146
Addition	–	1,799,885	1,799,885
Balance at end of year	131,137,160	41,147,871	172,285,031
<b>Accumulated equity in net losses</b>			
Balance at beginning of year	15,232,279	(962,530)	14,269,749
Share in net losses for the year	(19,852,685)	(2,241,003)	(22,093,688)
Balance at end of year	(4,620,406)	(3,203,533)	(7,823,939)
<b>Cumulative translation gain</b>			
Balance at beginning of year	21,025,356	6,519,093	27,544,449
Translation gain for the year	5,295,136	1,290,580	6,585,716
Balance at end of year	26,320,492	7,809,673	34,130,165
	<b>₱152,837,246</b>	<b>₱45,754,011</b>	<b>₱198,591,257</b>



In February 2019, the Group acquired additional 106,865 shares from the newly issued shares of VINTER for a total consideration of ₱1.8 million. The additional investment did not change the Group's ownership interest in VINTER.

The tables below show the summarized financial information of VEPC and VINTER as at and for the years ended December 31, 2020 and 2019 which were translated from Thailand Baht to Philippine Peso:

	2020	
	VEPC	VINTER
Current assets	<b>₱4,794,047,267</b>	<b>₱1,634,993,969</b>
Noncurrent assets	<b>56,186</b>	<b>-</b>
Current liabilities	<b>4,182,112,788</b>	<b>1,412,830,958</b>
Equity	<b>611,990,665</b>	<b>222,163,011</b>
Revenue	<b>90,500,239</b>	<b>24,507,957</b>
Net income (loss)	<b>(240,723,734)</b>	<b>7,793,223</b>
	2019	
	VEPC	VINTER
Current assets	₱4,620,203,201	₱1,180,381,626
Noncurrent assets	82,362,831	-
Current liabilities	3,843,627,305	951,696,891
Equity	858,938,727	228,684,735
Revenue	1,005,501,438	310,266,541
Net loss	132,351,236	14,940,018

The balances and movements in the cumulative gain (loss) on translation of investments in associates, included under "Other equity reserves" account in the consolidated statement of financial position are as follows:

	2020		
	Cumulative Translation Gain (Loss)	Deferred Tax Asset (Liability)	Net
Balances at beginning of year	<b>₱34,130,165</b>	<b>(₱5,119,524)</b>	<b>₱29,010,641</b>
Translation loss	<b>(40,202,345)</b>	<b>5,119,524</b>	<b>(35,082,821)</b>
Balances at end of year	<b>(₱6,072,180)</b>	<b>₱-</b>	<b>(₱6,072,180)</b>
	2019		
	Cumulative Translation Gain	Deferred Tax Liability	Net
Balances at beginning of year	₱27,544,449	(₱4,131,667)	₱23,412,782
Translation gain	6,585,716	(987,857)	5,597,859
Balances at end of year	₱34,130,165	(₱5,119,524)	₱29,010,641
	2018		
	Cumulative Translation Gain	Deferred Tax Liability	Net
Balances at end of year	₱27,544,449	(₱4,131,667)	₱23,412,782

## 10. Investment Properties

The Group's investment properties pertain to parcels of land which are held for capital appreciation. The balances and movements in this account are as follows:

	2020	2019
Balance at beginning of year	<b>₱174,708,000</b>	₱160,879,000
Fair value changes during the year	<b>11,518,000</b>	13,829,000
Balance at end of year	<b>₱186,226,000</b>	₱174,708,000

The Group did not earn any rental income from its investment property in 2020, 2019 and 2018.

Direct operating expenses arising from these investment properties amounted to ₱0.11 million ₱0.10 million and ₱0.28 million in 2020, 2019 and 2018, respectively.

The fair values of the investment properties were estimated by an independent appraiser using the market data approach which involves the comparison of the properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. The latest appraisal report was dated December 31, 2020.

The fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 22).

The significant inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, shape and road frontage, among others.

The range of inputs used in the fair valuation is as follows:

	2020	2019
Price per sqm	<b>₱28 to ₱4,700</b>	₱27 to ₱4,600
Value adjustments	<b>-10% to +20%</b>	-15% to +20%

*Sensitivity Analysis.* Generally, significant increases (decreases) in price per sqm and any value adjustments would result in a significantly higher (lower) fair value measurement.

## 11. Deferred Exploration and Evaluation Costs

The balances and movements in this account as at and for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
<b>Cost</b>		
Balances at beginning of year	P6,013,928	P333,119,945
Additions	-	291,461
Write-off	-	(327,397,478)
Balances at end of year	<b>6,013,928</b>	6,013,928
<b>Accumulated Impairment Losses</b>		
Balances at beginning of year	-	212,847,052
Additional impairment loss	-	114,550,426
Write-off	-	(327,397,478)
Balances at end of year	-	-
<b>Carrying Amount</b>	<b>P6,013,928</b>	P6,013,928

### Iriga Geothermal Power Project

As at December 31, 2020 and 2019, the Group's deferred exploration and evaluation costs amounting to P6.0 million pertains to its 20% participation in a geothermal power project in Iriga, Camarines Sur, Philippines. On February 26, 2013, the Department of Energy (DOE) awarded Geothermal Service Contract (GSC) No. 2013-02-043 to the Parent Company. The GSC grants an exclusive right to explore, develop and utilize the geothermal resources in Iriga, Camarines Sur for five (5) years.

On January 22, 2016, the Parent Company assigned its 80% participation and its capacity as operator in the Iriga project to Desco, Inc. (Desco) through a Farm-in Agreement which was approved by the DOE on November 8, 2016.

The spud date for the first geothermal well was on October 12, 2019. On September 9, 2020, the Parent Company obtained approval from the DOE for the drilling of two (2) wells until September 9, 2022.

### Terminated, Inactive and Withdrawn Projects

In 2019, the Group wrote off its deferred exploration and evaluation costs amounting to P327.4 million due to its withdrawal from the projects, DOE's termination of the related service contract or project inactivity due to difficulties encountered in securing clearances with the government. Details of these projects and the amounts written off in 2019 are as follows:

Project	Status	Deferred Exploration Costs
Indonesia Oil Project	Inactive since 2015	P147,933,884
Onshore Mindoro Natural Gas Project (SC No. 53)	Withdrawn on March 10, 2020	80,588,761
Mabini Geothermal Power Project	Withdrawn on May 6, 2020	79,969,384
East Mankayan Geothermal Power Project	Terminated on April 15, 2019	11,280,893
Mariveles Geothermal Power Project	Terminated on December 28, 2019	4,677,932
West Bulusan Geothermal Power Project	Terminated on January 24, 2019	2,946,624
<b>Total</b>		<b>P327,397,478</b>

## 12. Property and Equipment

The balances and movements in this account as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020		
	At Cost		Total
	Transportation Equipment	Office Equipment, Furniture and Fixtures	
<b>Cost</b>			
Balances at beginning of year	<b>₱8,016,840</b>	<b>₱10,044,286</b>	<b>₱18,061,126</b>
Additions	–	<b>422,000</b>	<b>422,000</b>
Balances at end of year	<b>8,016,840</b>	<b>10,466,286</b>	<b>18,483,126</b>
<b>Accumulated Depreciation</b>			
Balances at beginning of year	<b>6,777,007</b>	<b>9,951,664</b>	<b>16,728,671</b>
Depreciation	<b>595,120</b>	<b>112,339</b>	<b>707,459</b>
Balances at end of year	<b>7,372,127</b>	<b>10,064,003</b>	<b>17,436,130</b>
<b>Carrying Amounts</b>	<b>₱644,713</b>	<b>₱402,283</b>	<b>₱1,046,996</b>

	2019					Total
	At Revalued Amount	At Cost				
	Office Condominium Units	Transportation Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Machinery and Equipment	
<b>Cost/Revalued Amounts</b>						
Balances at beginning of year	₱28,649,000	₱8,016,840	₱10,118,113	₱5,345,436	₱18,825,539	₱70,954,928
Additions	–	–	17,195	–	–	17,195
Revaluation	42,076,029	–	–	–	–	42,076,029
Disposals	(70,725,029)	–	(91,022)	(5,345,436)	(18,825,539)	(94,987,026)
Balances at end of year	–	8,016,840	10,044,286	–	–	18,061,126
<b>Accumulated Depreciation</b>						
Balances at beginning of year	5,346,673	6,181,887	9,871,958	4,443,153	4,078,866	29,922,537
Depreciation	2,100,267	595,120	162,944	204,347	1,725,674	4,788,352
Disposals	(7,446,940)	–	(83,238)	(4,647,500)	(5,804,540)	(17,982,218)
Balances at end of year	–	6,777,007	9,951,664	–	–	16,728,671
<b>Carrying Amounts</b>	<b>₱–</b>	<b>₱1,239,833</b>	<b>₱92,622</b>	<b>₱–</b>	<b>₱–</b>	<b>₱1,332,455</b>

In 2019, the Group sold the following property and equipment to third parties:

	Office Condominium Units and Improvements	Machinery	Office Equipment	Total
Selling price	₱65,297,452	₱1,785,715	₱7,784	₱67,090,951
Carrying amount	(63,976,025)	(13,020,999)	(7,784)	(77,004,808)
Gain (loss) on disposal	₱1,321,427	(₱11,235,284)	₱–	(₱9,913,857)

The Group also applied its accounts payable to the third party amounting to ₱0.7 million, against the selling price of the machinery. This is considered as noncash transaction in the 2019 consolidated statement of cash flows.

The Group's receivable arising from the sale of property and equipment amounted to ₱1.0 million and ₱2.1 million as at December 31, 2020 and 2019.

Depreciation and amortization included under "General and administrative expenses" account in the consolidated statement of comprehensive income consist of:

	Note	2020	2019
Property and equipment		<b>₱707,459</b>	₱4,788,352
Computer software	13	<b>24,683</b>	24,683
		<b>₱732,142</b>	₱4,813,035

The balances and movements in the revaluation surplus on office condominium, included under "Other equity reserves" account in the consolidated statement of financial position are as follows:

	2019		
	Revaluation Surplus	Deferred Tax Liability	Net
Balance at beginning of year	₱22,496,947	(₱6,749,084)	15,747,863
Revaluation	42,076,029	(12,622,809)	29,453,220
Realization through depreciation	(1,994,544)	598,363	(1,396,181)
Realization through sale	(62,578,432)	18,773,530	(43,804,902)
Balance at end of year	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>

	2018		
	Revaluation Surplus	Deferred Tax Liability	Net
Balance at beginning of year	₱24,709,761	(₱7,412,928)	₱17,296,833
Realization through depreciation	(2,212,814)	663,844	(1,548,970)
Balance at end of year	<b>₱22,496,947</b>	<b>(₱6,749,084)</b>	<b>₱15,747,863</b>

### 13. Other Noncurrent Assets

This account consists of:

	2020	2019
Input VAT	<b>₱5,502,778</b>	₱5,009,859
Computer software	<b>151,864</b>	176,547
Others	<b>200,000</b>	200,000
	<b>₱5,854,642</b>	₱5,386,406

In 2019, the Group wrote off other noncurrent assets amounting to ₱3,253,070.

The balances and movements of computer software as at and for the years ended December 31, 2020 and 2019, are as follows:

	Note	2020	2019
<b>Cost</b>			
Balance at beginning and end of year		<b>₱244,000</b>	₱244,000
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>67,453</b>	42,770
Amortization	12	<b>24,683</b>	24,683
Balance at end of year		<b>92,136</b>	67,453
<b>Carrying Amounts</b>		<b>₱151,864</b>	₱176,547

#### 14. Accrued Expenses and Other Payables

This account consists of:

	2020	2019
Accrued expenses	<b>₱17,826,434</b>	₱18,669,151
Statutory payables	<b>771,829</b>	786,009
Others	<b>888,714</b>	888,714
	<b>₱19,486,977</b>	₱20,343,874

Accrued expenses mainly pertain to professional fees and communication expenses.

#### 15. Loan Payable

In 2019, the Group paid its unsecured loan amounting to ₱50.0 million, which was availed in 2017 and bears an annual interest rate of 8.125%. Interest expense on the loan amounted to ₱0.9 million and ₱3.4 million in 2019 and 2018, respectively.

##### **Reconciliation of Liabilities Arising from Financing Activity**

The cash and noncash changes in the Group's loan payable as at and for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of year	₱50,000,000	₱50,000,000
Cash changes:		
Principal payments	(50,000,000)	–
Interest payments	(886,473)	(3,415,799)
Noncash change -		
Interest expense	886,473	3,415,799
Balance at end of year	₱–	₱50,000,000

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## 16. Equity

### **Capital Stock**

The details of the capital stock as at December 31, 2020, 2019 and 2018 are as follows:

	No. of Shares	Amount
Authorized – ₱0.25 par value	10,000,000,000	₱2,500,000,000
Subscribed	4,660,267,714	1,165,066,928
Less: Subscriptions receivable	(1,844,875,000)	(461,218,750)
Issued	2,815,392,714	703,848,178
Less: Treasury stock	(18,000,000)	(3,240,000)
Issued and outstanding	2,797,392,714	₱700,608,178

### **Increase in Authorized Capital Stock**

On October 23, 2020, the Parent Company's BOD and stockholders approved the increase in authorized capital stock from ₱2.5 billion divided into 10.0 billion shares with a par value of ₱0.25 per share, to ₱5.0 billion divided into 20.0 billion shares with the same par value. As at March 25, 2021, the Parent Company is still preparing the requirements for filing the increase in authorized capital stock with the SEC.

### **Memorandum of Agreement with Map 2000 Development Corporation**

On December 18, 2020, a MOA was executed between the Parent Company and M2DC for the subscription of the latter to 9.8 billion shares, representing 67% of the issued and outstanding capital stock of the Parent Company post-increase, for ₱0.285 per share. The shares will be issued out of the Company's increase in authorized capital stock.

The total consideration of ₱2.8 billion shall be paid in cash, 25% upon fulfillment of the certain conditions, and the remainder upon obtaining SEC approval for the increase in authorized capital stock. As at March 25, 2021, the Parent Company is in the process of fulfilling the conditions, and expects investment of M2DC to be completed by the second quarter of 2021.

### **Issuance of Capital Stock**

In 2018, the Parent Company issued 106,892,000 shares for a total consideration of ₱33.4 million. The Parent Company and the stockholder agreed that the "Advances from stockholders" amounting to ₱6.7 million as at December 31, 2017, would be an excess consideration over the par value of the shares issued in 2018. Accordingly, this amount was recognized as "Additional paid-in capital" in the 2018 statement of changes in equity. Further, stock issuance costs amounting to ₱0.3 million, were charged against additional paid-in capital in 2018.

### **Non-controlling Interests**

The Group's NCI pertains to the 27.42% direct equity interest in the net assets of SRI and 5.00% indirect equity interest in the net assets of PT BES as at December 31, 2020 and 2019.

In 2013, the Parent Company entered into a joint venture agreement with Petrosolve SDN BHD (Petrosolve), and established GGL in Hong Kong, which was 70% owned by the Parent Company. GGL then established PT BES with a 95% ownership interest. Both companies are intended to manage and operate oil wells.

In 2017, GGL became a wholly-owned subsidiary of the Parent Company. As a result, the Group recognized equity reserve on the acquired NCI amounting to ₱53.9 million.

The summarized financial information of PT BES, which is considered as material to the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 are provided below. These information are based on amounts before intercompany eliminations, which were translated from Indonesian Rupiah to Philippine Peso.

	2020	2019
Current assets	<b>₱598,675</b>	₱630,710
Current liabilities	<b>167,481,182</b>	179,320,008
Capital deficiency	<b>₱166,882,507</b>	₱178,689,298
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>₱158,538,382</b>	₱169,754,833
NCI	<b>8,344,125</b>	8,934,465
	<b>₱166,882,507</b>	₱178,689,298
<b>2020</b>		
General and administrative expenses	<b>₱992,640</b>	₱1,217,260
Foreign exchange loss (gain)	<b>1,541,987</b>	(7,193,809)
Net loss (income)	<b>₱2,534,627</b>	(₱5,976,549)
<b>2019</b>		
Net loss (income) attributable to NCI	<b>₱126,731</b>	(₱298,827)

### **Treasury Stock**

This pertains to the Parent Company's 18.0 million shares held by its subsidiary, Mabini Energy Corporation amounting to ₱3,240,000.

## **17. Related Party Transactions**

The following table summarizes the related party transactions of the Group as at December 31, 2020 and 2019:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2020	2019	2020	2019
<b>Accounts Receivable (See Note 6)</b>					
Under common ownership -					
Pan Phil Aqua Culture Corporation	Sale of land	₱-	₱-	₱21,187,363	₱21,187,363
	Working capital advances	8,180	-	11,609	3,429
Associates:					
VEPC	Management fees	237,910	5,130,781	8,083,380	8,287,373
VINTER	Management fees	70,893	1,595,439	1,608,572	1,624,245
				<b>₱30,890,924</b>	<b>₱31,102,410</b>
<b>Plan Asset (See Note 19)</b>					
Retirement benefit plan	Plan contribution	₱13,117,316	₱-	₱33,055,283	₱19,285,533
<b>Personnel Costs</b>					
Key management personnel	Short-term benefits	11,270,659	11,869,043	₱-	₱-
	Retirement benefits	3,296,414	3,305,207	24,609,860	25,963,200

The Group entered in a management service agreement with VEPC and VINTER, which provides for a fee based on a certain percentage of VEPC and VINTER's revenues.



Outstanding balances of accounts receivable are unsecured, unimpaired, noninterest-bearing, and to be settled in Philippine Peso within one (1) year, except for management fees which are to be settled in Thailand Baht.

## 18. General and Administrative Expenses

This account consists of:

	Note	2020	2019	2018
Personnel costs:				
Salaries and wages		<b>₱21,720,992</b>	₱23,682,198	₱23,598,437
Retirement expense	19	<b>4,264,900</b>	4,059,421	4,220,882
Transportation and travel		<b>4,034,262</b>	4,781,560	4,515,025
Professional fees		<b>3,878,688</b>	8,519,030	2,162,561
Representation		<b>3,579,052</b>	4,003,833	3,954,140
Taxes and licenses		<b>1,077,715</b>	1,502,207	6,681,708
Communication		<b>758,289</b>	842,978	1,049,180
Depreciation and amortization	12	<b>732,142</b>	4,813,035	5,242,050
Rent		<b>722,732</b>	–	–
Utilities		<b>634,855</b>	970,185	963,668
Office supplies		<b>203,288</b>	306,538	369,489
Training fund and development assistance		–	11,729,005	1,300,000
Others		<b>1,841,017</b>	3,182,351	1,919,802
		<b>₱43,447,932</b>	₱68,392,341	₱55,976,942

## 19. Retirement Benefits

The Group has a funded, noncontributory defined benefit retirement benefit plan (the Plan) covering substantially all of its employees. The retirement benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under Republic Act No. 7641, *The Retirement Pay Law*.

The defined benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees meet the minimum mandated benefit under Republic Act No. 7641, *The Retirement Pay Law*. The latest actuarial valuation report of the Group was at and for the year ended December 31, 2020.

Movements in net retirement benefit liability recognized in the consolidated statement of financial position are as follows:

	2020	2019
Balance at beginning of year	<b>₱14,329,068</b>	₱7,867,346
Contributions paid	<b>(13,117,316)</b>	–
Retirement expense	<b>4,264,900</b>	4,059,421
Net remeasurement loss recognized in OCI	<b>276,268</b>	2,402,301
Balance at end of year	<b>₱5,752,920</b>	₱14,329,068

The funded status of the Group's retirement plan as at December 31, 2020 and 2019 are as follows:

	2020	2019
Present value of defined benefit obligation	<b>₱38,808,203</b>	₱33,614,601
Fair value of plan assets	<b>(33,055,283)</b>	(19,285,533)
Net retirement benefit liability	<b>₱5,752,920</b>	₱14,329,068

The balances and movements in the present value of defined benefit obligation as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	<b>₱33,614,601</b>	₱29,942,127
Current service cost	<b>3,709,912</b>	3,678,301
Interest expense	<b>1,197,187</b>	1,607,615
Benefits paid	<b>(498,938)</b>	(4,850,120)
Actuarial losses (gains) recognized in OCI:		
Experience adjustments	<b>435,161</b>	(675,730)
Change in financial assumptions	<b>350,280</b>	3,912,408
Balance at end of year	<b>₱38,808,203</b>	₱33,614,601

The balances and movements in the fair value of plan assets as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	<b>₱19,285,533</b>	₱22,074,781
Contributions paid	<b>13,117,316</b>	-
Interest income	<b>642,199</b>	1,226,495
Return on assets excluding interest income	<b>509,173</b>	834,377
Benefits paid	<b>(498,938)</b>	(4,850,120)
Balance at end of year	<b>₱33,055,283</b>	₱19,285,533

The components of the retirement expense included under "General and administrative expenses" account in the consolidated statement of comprehensive income are as follows:

	2020	2019	2018
Current service cost	<b>₱3,709,912</b>	₱3,678,301	₱4,274,982
Net interest expense (income)	<b>554,988</b>	381,120	(54,100)
	<b>₱4,264,900</b>	₱4,059,421	₱4,220,882

Remeasurement loss recognized in OCI are as follows:

	2020	2019	2018
Actuarial losses on defined benefit obligation	<b>₱785,441</b>	₱3,236,678	₱1,950,932
Return on assets excluding interest income	<b>(509,173)</b>	(834,377)	(2,538,266)
	<b>₱276,268</b>	₱2,402,301	(₱587,334)

The balances and movements in the cumulative remeasurement gain (loss) on net retirement benefit liability, included under “Other equity reserves” account in the consolidated statement of financial position are as follows:

	<b>2020</b>		
	<b>Cumulative Remeasurement Gain (Loss)</b>	<b>Deferred Tax Liability</b>	<b>Net</b>
Balances at the beginning of year	<b>₱100,533</b>	<b>(₱30,160)</b>	<b>₱70,373</b>
Remeasurement loss	<b>(276,268)</b>	<b>30,160</b>	<b>(246,108)</b>
Balances at the end of year	<b>(₱175,735)</b>	<b>₱-</b>	<b>(₱175,735)</b>

	<b>2019</b>		
	<b>Cumulative Remeasurement Gain</b>	<b>Deferred Tax Liability</b>	<b>Net</b>
Balances at the beginning of year	<b>₱2,502,834</b>	<b>(₱750,850)</b>	<b>₱1,751,984</b>
Remeasurement loss	<b>(2,402,301)</b>	<b>720,690</b>	<b>(1,681,611)</b>
Balances at the end of year	<b>₱100,533</b>	<b>(₱30,160)</b>	<b>₱70,373</b>

	<b>2018</b>		
	<b>Cumulative Remeasurement Gain</b>	<b>Deferred Tax Liability</b>	<b>Net</b>
Balances at the beginning of year	<b>₱3,090,168</b>	<b>(₱927,050)</b>	<b>₱2,163,118</b>
Remeasurement loss	<b>(587,334)</b>	<b>176,200</b>	<b>(411,134)</b>
Balances at the end of year	<b>₱2,502,834</b>	<b>(₱750,850)</b>	<b>₱1,751,984</b>

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	<b>2020</b>	<b>2019</b>
Investments in unit investment trust fund	<b>49.76%</b>	38.05%
Investments in government securities	<b>44.88%</b>	51.01%
Other securities and debt instruments	<b>3.77%</b>	8.11%
Others	<b>1.59%</b>	2.83%
	<b>100.00%</b>	100.00%

The principal assumptions used in determining the present value of the defined benefit obligation are as follows:

	<b>2020</b>	<b>2019</b>
Discount rate	<b>3.56%</b>	4.79%
Salary increase rate	<b>5.00%</b>	6.00%

Sensitivity analysis on the net retirement benefit liability as at December 31, 2020 and 2019 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2020	2019
Discount rate	+1.00%	<b>(P2,018,946)</b>	(P1,725,972)
	-1.00%	<b>2,302,970</b>	1,970,585
Salary increase rate	+1.00%	<b>P2,411,046</b>	P2,070,974
	-1.00%	<b>(2,159,003)</b>	(1,852,386)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net retirement benefit liability as a result of reasonable changes in key assumptions occurring at the reporting date.

As at December 31, 2020, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Within one (1) year	P18,989,512
More than one (1) year to five (5) years	6,254,389
More than five (5) years to 10 years	13,489,233
More than 10 years to 15 years	23,665,189
More than 15 years to 20 years	13,703,448
More than 20 years to 25 years	15,860,183
	<b>P91,961,954</b>

The average duration of the retirement benefit liability as at December 31, 2020 is approximately 10.72 years.

## 20. Income Taxes

The components of income taxes as reported in the statement of comprehensive income are as follows:

	2020	2019	2018
<b>Reported in Profit or Loss</b>			
Current tax expense - MCIT	<b>P8,674</b>	P186,069	P216,908
Deferred tax benefit	<b>(3,023,007)</b>	(2,260,358)	(1,307,005)
	<b>(P3,014,333)</b>	(P2,074,289)	(P1,090,097)
<b>Reported in OCI</b>			
Deferred tax expense (benefit) on:			
Gain (loss) on translation of investments in associates	<b>(P5,119,524)</b>	P987,857	P4,131,667
Remeasurement losses on net retirement benefit asset	<b>(30,160)</b>	(720,690)	750,850
Revaluation increment in office condominium	—	12,622,809	6,749,084
	<b>(P5,149,684)</b>	P12,889,976	P11,631,601

The components of the Group's deferred tax liabilities as at December 31, 2019 are as follows:

Cumulative gain on translation of investments in associates	₱5,119,524
Excess of fair value of net assets acquired over cost of an associate	3,023,007
Cumulative remeasurement gain on net retirement benefit liability	30,160
	<b>₱8,172,691</b>

There were no deferred tax liabilities as at December 31, 2020.

As at December 31, 2020 and 2019, the Group has the following deductible temporary differences and carryforward benefits for which no deferred tax assets was recognized:

	2020	2019
NOLCO	<b>₱397,521,813</b>	₱399,678,125
Accumulated equity in net losses of associates	<b>42,763,516</b>	7,823,939
Unamortized past service cost	<b>10,286,371</b>	1,618,950
Net retirement benefit liability	<b>5,752,920</b>	14,329,068
Allowance for ECL on receivables	<b>1,991,419</b>	2,142,006
Unrealized foreign exchange loss	<b>1,864,902</b>	1,379,923
Excess of MCIT over RCIT	<b>1,670,101</b>	1,673,227
	<b>₱461,851,042</b>	₱428,645,238

The management assessed that there may be no sufficient future taxable income against which benefits of the deductible temporary differences and carryforward benefits can be utilized.

Details of the Group's NOLCO as at December 31, 2020 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2020	₱39,073,349	₱-	₱-	₱39,073,349	2025
2019	321,801,238	-	-	321,801,238	2022
2018	36,647,226	-	-	36,647,226	2021
2017	41,229,661	-	41,229,661	-	2020
	<b>₱438,751,474</b>	<b>₱-</b>	<b>₱41,229,661</b>	<b>₱397,521,813</b>	

Under Revenue Regulations No. 25-2020, net operating loss incurred for the taxable year 2020 will be carried over for the next five (5) consecutive taxable years immediately following the year such loss was incurred.

Details of the Group's excess MCIT over RCIT as at December 31, 2020 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2020	₱8,674	₱-	₱-	₱8,674	2023
2019	1,444,519	-	-	1,444,519	2022
2018	216,908	-	-	216,908	2021
2017	11,800	-	11,800	-	2020
	<b>₱1,681,901</b>	<b>₱-</b>	<b>₱11,800</b>	<b>₱1,670,101</b>	

The reconciliation between the provision for income tax based on statutory income tax rate and effective income tax rate is as follows:

	2020	2019	2018
Income tax benefit at 30% statutory tax rate	<b>(P19,909,124)</b>	(P59,966,393)	(P8,058,714)
Increase (decrease) in income tax resulting from:			
Expired NOLCO	<b>12,368,898</b>	13,356,476	145,646
Change in unrecognized deferred tax assets	<b>9,961,741</b>	23,296,615	13,800,024
Nontaxable income	<b>(3,455,862)</b>	(4,149,132)	(6,418,584)
Difference in tax rates	<b>3,023,007</b>	2,588,530	761,625
Nondeductible expenses	<b>1,075,340</b>	4,281,006	6,189,186
Income subjected to final tax	<b>(590,564)</b>	(860,708)	(498,585)
Expired excess of MCIT over RCIT	<b>11,800</b>	7,424	910,421
Taxable other income	-	19,371,893	-
Others	<b>(5,499,569)</b>	-	(7,921,116)
Income tax benefit at effective tax rate	<b>(P3,014,333)</b>	(P2,074,289)	(P1,090,097)

**Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Bill**

On November 26, 2020, the CREATE Bill was approved by the Senate of the Philippines. Under the CREATE Bill, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. As of March 25, 2021, the CREATE Bill is pending approval of the country’s President which will still go over the tax measures for possible changes or insertions.

Accordingly, the income tax rates used in preparing the consolidated financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rate to the Group’s consolidated financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Excess tax credits	P2,587,566	P2,589,734	(P2,168)
Retained earnings	(213,791,806)	(213,789,638)	(P2,168)
Current income tax expense	8,674	6,506	2,168
Net income	63,349,415	63,347,247	2,168

## 21. Loss per Share

The following reflects the loss and share data used in the basic and diluted loss per share computation:

	2020	2019	2018
Net loss attributable to shareholders of the Parent Company	<b>₱63,201,772</b>	₱198,093,808	₱25,121,623
Divided by: Weighted average number of outstanding shares	<b>2,797,392,714</b>	2,797,392,714	2,722,079,047
Basic and diluted loss per share	<b>₱0.023</b>	₱0.071	₱0.009

There have been no other transactions involving common shares or potential common shares between the end of financial reporting period and the date of issuance of these consolidated financial statements. There are no potential dilutive shares as of December 31, 2020, 2019 and 2018.

## 22. Fair Value Measurement

The following tables present the carrying amounts and fair values of the Group's assets measured at fair value and the corresponding fair value hierarchy:

		2020			
		Carrying Amount	Fair Value		
Note	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets at FVOCI:					
	8	<b>₱22,669,474</b>	<b>₱22,669,474</b>	₱-	₱-
		5,978,976	5,978,976	-	-
	10	<b>186,226,000</b>	-	-	<b>186,226,000</b>
		<b>₱214,874,450</b>	<b>₱28,648,450</b>	<b>₱-</b>	<b>₱186,226,000</b>

		2019			
		Carrying Amount	Fair Value		
Note	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets at FVOCI					
	8	<b>₱40,080,076</b>	<b>₱40,080,076</b>	₱-	₱-
		7,123,036	7,123,036	-	-
	10	<b>174,708,000</b>	-	-	<b>174,708,000</b>
		<b>₱221,911,112</b>	<b>₱47,203,112</b>	<b>₱-</b>	<b>₱174,708,000</b>

The Group used the following techniques to determine fair value measurements:

*Financial Assets at FVOCI.* The fair values of financial assets at FVOCI are based on quoted market prices or bidding dealer price quotations from active markets at the reporting date.

*Investment Properties.* The fair value of the investment property was determined based on latest appraisal report. The appraisal was carried out using the market data or direct sales comparison approach which uses significant unobservable inputs such as recent sale transactions or offerings of similar properties which have occurred and offered with close proximity to the subject property. The fair valuation is classified under Level 3 category.

There were no transfers between Level 1, Level 2, and Level 3 fair value hierarchy measurements in 2020 and 2019.

The table below presents the Group's financial assets and liabilities whose carrying amounts approximate their fair values due to their short-term nature as at December 31, 2020 and 2019:

	2020	2019
Financial assets at amortized cost:		
Cash and cash equivalents*	<b>₱73,836,392</b>	₱106,840,948
Accounts and other receivables**	<b>33,166,196</b>	35,027,292
Refundable deposit	<b>21,368,350</b>	22,530,549
	<b>₱128,370,938</b>	₱164,398,789
Financial liabilities at amortized cost -		
Accrued expenses and other payables***	<b>₱18,715,148</b>	₱19,557,865

\*Excluding cash on hand amounting to ₱32,782 and ₱25,392 as at December 31, 2020 and 2019, respectively

\*\*Excluding nonfinancial assets amounting to ₱70,128 and ₱106,863 as at December 31, 2020 and 2019, respectively.

\*\*\*Excluding nonfinancial liabilities amounting to ₱771,829 and ₱786,009 as at December 31, 2020 and 2019, respectively.

## 23. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, accounts and other receivables (excluding nonfinancial assets), refundable deposit, financial assets at FVOCI and accrued expenses and other payables (excluding nonfinancial liabilities).

The main financial risks arising from the Group's use of financial instruments include credit risk, liquidity risk, and market risks. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

### **Credit Risk**

The Group's exposure to credit risk arises from the failure of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of financial assets at amortized cost and debt securities at FVOCI.

The carrying amounts of financial assets at amortized cost and financial assets at FVOCI represent the Group's maximum credit exposure.

### *Financial Assets at Amortized Cost*

The Group limits its exposure to credit risk by depositing its cash and cash equivalents only with banks that have good credit standing and reputation in the local and international banking industry. In addition, the accounts and other receivables and refundable deposit are transacted with counterparties with good credit standing and a relatively low risk of default.



It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the counterparties.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the counterparty.

#### *Debt Securities at FVOCI*

The Group is subject to credit risk on its quoted debt securities at FVOCI. The Group limits its exposure to credit risk by acquiring quoted debt securities from companies with good credit standing and a relatively low risk of default. The Group recognizes changes in the fair value of the debt securities, whether attributable to changes in market conditions or changes in credit risk, in other comprehensive income.

The table below shows the carrying amounts of financial assets at amortized cost classified under 12-month ECL and lifetime ECL as at December 31, 2020 and 2019:

	2020				
	Financial assets at amortized cost				
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents*	₱73,836,392	₱-	₱-	₱-	₱73,836,392
Accounts and other receivables**	21,357,480	11,808,716	1,991,419	-	35,157,615
Debt securities at FVOCI	-	-	-	22,669,474	22,669,474
Refundable deposits	21,368,350	-	-	-	21,368,350
	<b>₱116,562,222</b>	<b>₱11,808,716</b>	<b>₱1,991,419</b>	<b>₱22,669,474</b>	<b>₱153,031,831</b>

\*Excluding cash on hand amounting to ₱32,782 as at December 31, 2020

\*\*Excluding nonfinancial assets amounting to ₱70,183 as at December 31, 2020.

	2019				
	Financial assets at amortized cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial assets at FVOCI	Total
Cash and cash equivalents*	₱106,840,948	₱-	₱-	₱-	₱106,840,948
Accounts and other receivables**	21,390,109	13,453,453	2,142,006	-	36,985,568
Debt securities at FVOCI	-	-	-	40,080,076	40,080,076
Refundable deposits	22,530,549	-	-	-	22,530,549
	<b>₱150,761,606</b>	<b>₱13,453,453</b>	<b>₱2,142,006</b>	<b>₱40,080,076</b>	<b>₱206,437,141</b>

\*Excluding cash on hand amounting to ₱25,392 as at December 31, 2019

\*\*Excluding nonfinancial assets amounting to ₱106,863 as at December 31, 2019.

### **Liquidity Risk**

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

To manage this exposure and to ensure sufficient liquidity levels, the Group closely monitors its collections and expenditures by preparing cash position reports that present actual and projected cash flows for the subsequent month.

Based on contractual undiscounted payments, the Group's accrued expenses and other payables (excluding nonfinancial liabilities) as at December 31, 2020 and 2019 amounting to ₱18,715,148 and ₱19,557,865, respectively are due within one (1) year.

### **Market Risks**

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk.

*Foreign Currency Risk.* Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency.

The Group's transactional currency exposures arise from its transactions denominated in United States Dollar (USD), Thailand Baht (THB) and Indonesian Rupiah (IDR). The Group periodically reviews the trend of the changes in foreign exchange rates to address its exposure to foreign currency risk. The Group's policy is to maintain foreign currency exposure within acceptable limits and within the existing regulatory guidelines.

The following table shows the Group's foreign currency-denominated monetary financial assets and their Philippine Peso equivalents:

	2020		2019	
	Original Currency	Philippine Peso	Original Currency	Philippine Peso
<b>Denominated in US Dollars</b>				
Cash and cash equivalents	\$506,277	₱24,312,962	\$526,444	₱26,656,492
Refundable deposit	444,960	21,368,350	444,960	22,530,550
	<b>\$951,237</b>	<b>₱45,681,312</b>	<b>\$971,404</b>	<b>₱49,187,042</b>
<b>Denominated in Thailand Baht</b>				
Accounts receivable	THB6,085,234	₱9,691,952	THB5,891,007	₱9,911,618
<b>Denominated in Indonesian Rupiah</b>				
Cash and cash equivalents	IDR42,014,057	₱142,848	IDR39,285,389	₱141,427
Accounts receivable	125,998,277	428,394	129,543,951	472,281
	<b>IDR168,012,334</b>	<b>₱571,242</b>	<b>IDR168,829,340</b>	<b>₱613,708</b>

For purposes of translating the foreign-currency-denominated monetary assets and liabilities as of December 31, the exchange rates applied were as follows:

	2020	2019
US\$	<b>₱48.02 to US\$1</b>	₱50.64 to US\$1
THB	<b>₱1.68 to THB1</b>	₱1.68 to THB1
IDR	<b>₱0.0034 to IDR1</b>	₱0.0036 to IDR1

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	US Dollar		Thailand Baht	
	Increase (Decrease) in Exchange Rates	Effect on Income Before Tax	Increase (Decrease) in Exchange Rates	Effect on Income Before Tax
<b>2020</b>	<b>1.09</b>	<b>₱1,037,560</b>	<b>0.03</b>	<b>₱185,229</b>
	<b>(1.09)</b>	<b>(1,037,560)</b>	<b>(0.03)</b>	<b>(185,229)</b>
2019	0.64	₱624,247	0.02	₱133,773
	(0.64)	(624,247)	(0.02)	(133,773)

The Group assessed that its income before tax is not significantly affected by the reasonably possible change in exchange rates between PHP and IDR in 2020 and 2019.

*Equity Price Risk.* Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The table below sets forth the impact of changes in PSE index (PSEi) in the Group's unrealized gain or loss on its financial assets at FVPL and financial assets at FVOCI in 2020 and 2019:

	2020		2019	
Changes in PSEi	<b>33.21%</b>	<b>(33.21%)</b>	14.59%	(14.59%)
Financial assets at FVOCI in				
Telecommunications	<b>₱6,462</b>	<b>(₱6,462)</b>	₱2,727	(₱2,727)
Banks	<b>6,845</b>	<b>(6,845)</b>	4,140	(4,140)
	<b>₱13,307</b>	<b>(₱13,307)</b>	₱6,867	(₱6,867)

### **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to drive its expansion and growth in the future.

The Group considers its capital stock and additional paid-in capital aggregating to ₱745,869,681 as at December 31, 2020 and 2019, as its capital employed. The Group manages the capital structure and will make adjustments when there are changes in the economic conditions, business activities, expense programs and the risk characteristics of underlying assets. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Group is not subject to externally-imposed capital requirements.

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## 24. Segment Reporting

The Group is organized into one reportable segment which is the development of renewable energy resources. All of the subsidiaries of the Group has no commercial operations. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.


**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
7th Floor, Basic Petroleum Building  
104 Carlos Palanca Jr. Street, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Basic Energy Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2020, on which we have rendered our report dated March 25, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 6,138 stockholders owning 100 or more shares each.

**REYES TACANDONG & Co.**



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8534278

Issued January 5, 2021, Makati City

March 25, 2021  
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
7th Floor, Basic Petroleum Building  
104 Carlos Palanca Jr. Street, Legaspi Village  
Makati City

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2020 and have issued our report dated March 25, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders
- Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
- Long-term Debt
- Indebtedness to Related Parties
- Guarantees of Securities and Other Issuers
- Capital Stock
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate



The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

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Issued January 5, 2021, Makati City

March 25, 2021

Makati City, Metro Manila

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

**SCHEDULE A  
FINANCIAL ASSETS  
DECEMBER 31, 2020**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Income received and accrued</b>
<b>Cash on hand</b>	–	₱32,782	₱–
<b>Cash in banks</b>			
China Banking Corporation	–	8,357,198	5,368
BDO Unibank, Inc.	–	779,181	49
Metropolitan Bank and Trust Company	–	131,789	149
Security Bank Corporation	–	129,988	746
Bank Negara Indonesia	–	117,345	313
Landbank of the Philippines	–	39,982	50
		9,555,483	6,675
<b>Cash equivalents:</b>			
China Banking Corporation	–	54,260,687	858,917
Security Bank Corporation	–	10,020,222	158,615
		64,280,909	1,017,532
<b>Total</b>		₱73,869,174	₱1,024,207
<b>Accounts receivable:</b>			
Pan Phil Aqua Culture Corporation	–	₱21,198,972	₱–
Vintage EPC Co., Ltd. (VEPC)	–	8,083,380	237,910
VTE International Construction Co., Ltd. (VINTER)	–	1,608,572	70,893
Others	–	2,275,272	–
		₱33,166,196	₱308,803
<b>Refundable deposit -</b>			
Scarlet Maple Investments Ltd.	–	₱21,368,350	₱–
<b>Financial assets at fair value through other comprehensive income (FVOCI):</b>			
<b>Quoted debt securities -</b>			
Ayala Corporation bonds	22,100,000	₱22,669,474	₱834,055
GT Capital Holding Incorporated*	18,000,000	–	110,285
		22,669,474	944,340
<b>Quoted equity securities:</b>			
FEC Resources Inc.	1,000,000	129,662	–
Metropolitan Bank & Trust Co.	459	22,514	–
PLDT Inc.	20	26,800	1,540
Alabang Country Club, Inc	1	5,800,000	–
		5,978,976	1,540
<b>Total</b>		₱28,648,450	₱945,880

\*Redeemed on February 27, 2020.



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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE B****AMOUNTS RECEIVABLE FROM  
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS****DECEMBER 31, 2020**

<b>Name and Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Pan Phil Aqua Culture Corporation	₱21,190,792	₱8,180	₱-	₱-	₱21,198,972	₱-	₱21,198,972
VEPC	8,287,373	237,910	-	441,903	8,083,380	-	8,083,380
VINTER	1,624,245	70,893	-	86,566	1,608,572	-	1,608,572
	<b>₱31,102,410</b>	<b>₱316,983</b>	<b>₱-</b>	<b>₱528,469</b>	<b>₱30,890,924</b>	<b>₱-</b>	<b>₱30,890,924</b>

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE C****AMOUNTS RECEIVABLE FROM  
RELATED PARTIES WHICH ARE ELIMINATED DURING  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
BRI	₱123,762	₱12,629	₱-	₱-	₱136,391	₱-	₱136,391
BDIHI	22,267,542	136,781	-	-	22,404,323	-	22,404,323
BBC	6,213,853	94,328	-	-	6,308,181	-	6,308,181
SRI	501,595	79,323	-	-	580,918	-	580,918
Grandway	197,595,978	196,904	-	9,215,995	188,576,887	-	188,576,887
	<b>₱226,702,730</b>	<b>₱519,965</b>	<b>₱-</b>	<b>₱9,215,995</b>	<b>₱218,006,700</b>	<b>₱-</b>	<b>₱218,006,700</b>

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE E**

**INDEBTEDNESS TO RELATED PARTIES**

**DECEMBER 31, 2020**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
Not Applicable	Not Applicable	Not Applicable

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE F**

**GUARANTEES OF SECURITIES AND OTHER ISSUERS**

**DECEMBER 31, 2020**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE G  
CAPITAL STOCK  
DECEMBER 31, 2020**

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common stock	10,000,000,000	2,797,392,714	–	18,000,000	286,211,582	–

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE H**

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY**

**DECEMBER 31, 2020**

Deficit as at December 31, 2019	(₱129,220,836)
Adjustments:	
Cumulative fair value adjustments on investment properties	(22,697,763)
Cumulative unrealized foreign exchange gains	(3,440,749)
Deficit as at December 31, 2019, as adjusted	(155,359,348)
Net loss based on the audited separate financial statements	(271,004,419)
Fair value adjustment on investment properties	(3,514,067)
Net loss, as adjusted	(274,518,486)
Deficit as at December 31, 2020, as adjusted	(₱429,877,834)

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF FINANCIAL  
SOUNDNESS INDICATORS UNDER THE  
REVISED SECURITIES AND REGULATIONS CODE RULE 68  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>Current/liquidity ratio</b>	<b>6.75</b>	<b>8.23</b>
Current assets	₱131,623,160	₱167,342,907
Current liabilities	19,486,977	20,343,874
<b>Solvency ratio</b>	<b>(2.70)</b>	<b>(4.73)</b>
Net loss before depreciation and amortization	(68,162,450)	(202,626,721)
Total liabilities	25,239,897	42,845,633
<b>Debt to equity ratio</b>	<b>0.06</b>	<b>0.08</b>
Total liabilities	₱25,239,897	₱42,845,633
Total equity	457,622,614	557,732,432
<b>Quick ratio</b>	<b>5.50</b>	<b>6.98</b>
Quick assets	₱107,105,498	₱142,000,495
Current liabilities	19,486,977	20,343,874
<b>Asset-to-equity ratio</b>	<b>1.06</b>	<b>1.08</b>
Total assets	₱482,862,511	₱600,578,065
Total equity	457,622,614	557,732,432
<b>Interest Rate Coverage Ratio</b>	–	<b>(224.49)</b>
Net loss before interest expense and taxes	(₱66,363,748)	(₱199,001,502)
Interest expense	–	886,473
<b>Return on asset ratio</b>	<b>(0.12)</b>	<b>(0.59)</b>
Net loss before interest expense after-tax	(₱63,349,415)	(₱196,927,213)
Average total assets	541,720,288	335,298,036
<b>Return on equity ratio</b>	<b>(0.12)</b>	<b>(0.31)</b>
Net loss	(₱63,349,415)	(₱197,813,686)
Average total equity	507,677,523	629,482,690



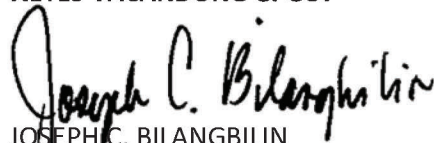
**REPORT OF INDEPENDENT AUDITORS  
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
7th Floor, Basic Petroleum Building  
104 Carlos Palanca Jr. Street, Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2020, and have issued our report thereon dated March 25, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The information in the supplementary schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. Except for the average total assets in 2018, the components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted.

**REYES TACANDONG & Co.**



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

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