

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Jun 30, 2022
2. SEC Identification Number  
36359
3. BIR Tax Identification No.  
000-438-702-000
4. Exact name of issuer as specified in its charter  
BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
MAKATI CITY
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
UB 111 Paseo de Roxas Bldg., Paseo de Roxas Avenue, Legaspi Village, Makati City  
Postal Code  
1229
8. Issuer's telephone number, including area code  
(+63) 7917-8118
9. Former name or former address, and former fiscal year, if changed since last report  
Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| Common Shares       | 14,668,643,064  |
11. Are any or all of registrant's securities listed on a Stock Exchange?  
 Yes       No  
 If yes, state the name of such stock exchange and the classes of securities listed therein:  
 Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

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

Yes       No

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

Yes       No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Basic Energy Corporation BSC

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

For the period ended	Jun 30, 2022
Currency (indicate units, if applicable)	PHP

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2022	Dec 31, 2021
<b>Current Assets</b>	22,997,126,295	13,948,958,058
<b>Total Assets</b>	28,069,297,855	19,356,968,917
<b>Current Liabilities</b>	19,843,700,129	10,832,775,880
<b>Total Liabilities</b>	21,120,827,017	12,661,694,323
<b>Retained Earnings/(Deficit)</b>	(32,071,208)	(132,408,088)
<b>Stockholders' Equity</b>	6,948,470,838	6,695,274,594
<b>Stockholders' Equity - Parent</b>	3,748,255,771	3,699,764,946
<b>Book Value per Share</b>	0.5	0.48

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
<b>Gross Revenue</b>	18,665,083,060	0	36,732,748,949	0
<b>Gross Expense</b>	18,477,223,827	13,821,987	36,340,394,252	25,386,314

<b>Non-Operating Income</b>	13,208,854	970,854	5,767,758	924,199
<b>Non-Operating Expense</b>	1,652,161	5,510,692	2,647,397	9,000,594
<b>Income/(Loss) Before Tax</b>	199,415,926	(18,361,825)	395,475,058	(33,462,709)
<b>Income Tax Expense</b>	55,927,487	0	90,432,759	0
<b>Net Income/(Loss) After Tax</b>	143,488,439	(18,361,825)	305,042,299	(33,462,709)
<b>Net Income Attributable to Parent Equity Holder</b>	8,325,162	(18,360,660)	100,336,880	(33,790,522)
<b>Earnings/(Loss) Per Share (Basic)</b>	0.01	(0.0)	0.02	(0.0)
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.01	(0.0)	0.02	(0.0)

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	0.03	-0.01
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.03	-0.01

**Other Relevant Information**

Please refer to attached SEC Form 17-Q Quaterly Report as of June 30, 2022 for further details.

AMENDMENT 7.20.2022: Correction in "Net Income Attributable to Parent Equity Holder" Current Year-to-Date portion; from previous figure of 48,490,825 to 100,336,880; former amount pertains to total comprehensive income attributable to the Parent Equity Holder

**Filed on behalf by:**

<b>Name</b>	Dominique Pascua
<b>Designation</b>	Compliance Officer

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the quarterly period ended: **30 June 2022**
2. Commission identification number: **36359**
3. BIR Tax Identification No.: **000-438-702-000**
4. Exact name of issuer as specified in its charter: **BASIC ENERGY CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: **UB 111 Paseo de Roxas, Legazpi Village, Makati City**  
Postal code: **1229**
8. Issuer's telephone number, including area code: **(632) 3224-4383**
9. Former name, former address and former fiscal year, if changed since last report: **N.A.**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<b>Title of each Class</b>	<b>Number of shares of common stock outstanding and amount of debt outstanding</b>
Common Shares	14,668,643,064
Listed with PSE	3,090,875,714

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

Yes  No

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

**Philippine Stock Exchange ("PSE")**                      **Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

13. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]      No [X]      This item is not applicable to the Company.

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

“Attachment A”

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

“Attachment A”


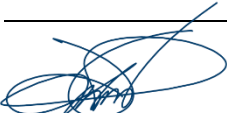
**PART II--OTHER INFORMATION**

“Attachment A”

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

**SIGNATURES**

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

Registrant:	 <b>Angel P. Gahol</b>
Title:	Corporate Secretary
Date:	
Principal Financial Officer:	 <b>Alain S. Pangan</b>
Title:	VP – Finance
Date:	

## ATTACHMENT "A"

### FINANCIAL INFORMATION For the period ended June 30, 2022

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

- 1.1 Unaudited Interim Consolidated Statement of Financial Position as at June 30, 2022 and Audited Consolidated Statement of Financial Position as at December 31, 2021
- 1.2 Unaudited Interim Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2022 and 2021
- 1.3 Unaudited Interim Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2022 and 2021
- 1.4 Unaudited Interim Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2022 and 2021
- 1.5 Notes to Unaudited Interim Consolidated Financial Statements

#### 2. Management's Discussion and Analysis on Financial Condition and Results of Operations for the period ending December 31, 2021 and June 30, 2022

##### A. Key Performance Indicators

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

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

Key Performance Indicators	2 <sup>nd</sup> Quarter 2022	2 <sup>nd</sup> Quarter 2021	2 <sup>nd</sup> Quarter 2020
<b>Return on Investments (ROI)</b> (Net income / Ave. Stockholders' Equity)	4.47%	-3.47%	-3.95%
<b>Profit Margin</b> (Net income / Net Revenue)	0.83%	-3,658.59%	-809.59%
<b>Investment in Projects</b> as a % of Total Assets	0.88%	12.45%	30.49%
<b>Investment in Wells and Other Facilities</b> as a % of Total Assets	0.05%	0.40%	1.07%
<b>Current Ratio</b> (Current Assets / Current Liabilities)	1.16:1	67.08:1	7.75:1
<b>Asset Turnover</b> (Net Revenue / Ave. Total Assets)	154.90%	0.09%	0.47%
<b>Solvency Ratios</b>			
Debt to Equity Ratio	303.96%	1.62%	5.73%
Asset to Equity Ratio	403.96%	100.97%	104.03%
Interest Coverage Ratio	513.40%	NA	NA

ROI (Net Income / Average Stockholders' Equity) measures the profitability of stockholders' investment. Profit Margin (Net Income / Net Revenue) measures the net income produced by each peso of revenue. Investment in Projects as a % of Assets, measures how much the company invested in its committed work programs. Current Ratio (Current Assets / Current Liabilities) measures the

short-term debt-paying ability of the company. Asset Turnover (Net Revenue / Average Total Assets) measures how efficiently assets are used to produce profit.

ROI was 4.47% for the 2<sup>nd</sup> quarter of 2022, -3.47% for the 2<sup>nd</sup> quarter of 2021, and -7.27% for the 2<sup>nd</sup> quarter of 2020. The positive rate for 2022 was due to the revenue recognized during the period and the negative rates in 2020 and 2021 were due to the losses booked during those periods.

Profit Margin was 0.83% for the 2<sup>nd</sup> quarter of 2022, -3,638.59% for the 2<sup>nd</sup> quarter of 2021, and -809.59% for the 2<sup>nd</sup> quarter of 2020. The positive rate for 2022 was due to the revenue recognized during the period and the negative rates in 2019 and 2020 were due to the losses booked during those periods.

Investment in Projects as a % of Total Assets increased to 0.88% in the 2<sup>nd</sup> quarter of 2022 from 12.45% in the 2<sup>nd</sup> quarter of 2021 which decreased from 30.49% for the 2<sup>nd</sup> quarter of 2020. The increase in 2022 was due to the increase in total assets and the decrease in 2021 was primarily due to the increase in total assets.

Investment in Wells & Other Facilities as a % of Total Assets decreased from 1.07% in the 2<sup>nd</sup> quarter of 2020 to 0.40% in the 2<sup>nd</sup> quarter of 2021 and further decreased to 0.05% in the 2<sup>nd</sup> quarter of 2022. The decrease in 2021 and 2022 was due the increase in total assets during the year.

Current Ratio was 1.16:1 for the 2<sup>nd</sup> quarter of 2022, 67.08:1 for the 2<sup>nd</sup> quarter of 2021, and 7.75:1 for the 2<sup>nd</sup> quarter of 2020. The decrease in ratio in 2022 was due to the increase in current liabilities and the increase in ratio from 2020 to 2021 was due to the increase in current assets.

Asset Turnover was 154.90% for the 2<sup>nd</sup> quarter of 2022, 0.09% for the 2<sup>nd</sup> quarter of 2021, and 0.47% for the 2<sup>nd</sup> quarter of 2020. The increase in asset turnover in 2022 was due to the revenue recognized during the period and the decrease in asset turnover from 2020 to 2021 was due to the decrease in revenue and increase in average total assets.

Debt to Equity Ratio was 303.96% for the 2<sup>nd</sup> quarter of 2022, 1.62% for the 2<sup>nd</sup> quarter of 2021, and 5.73% for the 2<sup>nd</sup> quarter of 2020. The increase in debt equity ratio in 2022 was primarily due to the increase in liability and the decrease in the debt equity ratio from 2020 to 2021 was due to the decrease in total liabilities and increase in total equity.

Asset to Equity Ratio was 403.96% for the 2<sup>nd</sup> quarter of 2022, 100.97% for the 2<sup>nd</sup> quarter of 2021, and 104.03% for the 2<sup>nd</sup> quarter of 2020. The increase in ratio for 2022 was due to the increase in assets and the decrease in ratio from 2020 to 2021 was due the higher increase in equity against the increase in assets.

Interest Rate Coverage Ratio for the 2<sup>nd</sup> quarter of 2022 was at 513.40% and no interest were paid during the 2<sup>nd</sup> quarter of 2021 and 2020.

## **B. Discussion and Analysis of Financial Condition as of June 30, 2022**

For the period ending June 30, 2022, the company recorded total revenue of Php36.7 billion and cost of sales of goods and services of Php35.9 billion resulting in a gross profit of Php851.2 million. Other operating income and expenses of Php455.7 million, consist of operating expenses of Php363.2 million, finance costs of Php95.7 million, share in net income of associates and joint venture of Php977,142, other charges of Php2.6 million and interest income of Php4.8 million, were recorded for the period ending June 30, 2022 resulting in consolidated income before tax of Php395.5 million. Consolidated net income after tax of Php305 million was recorded for the period ending June 30, 2022 after provision of income tax of Php90.4 million

Revenue for the 2<sup>nd</sup> quarter of 2022 of Php18.7 billion was primarily from sales of goods and services



for the quarter. Cost of sales of goods and services for the 2<sup>nd</sup> quarter of 2022 amounted to Php18.3 billion and gross profit for the 2<sup>nd</sup> quarter of 2022 amounted to Php339.7 million.

Other income and expense for the 2nd quarter of 2022 amounting to Php140.3 million was consists primarily of operating expenses amounting to Php91.6 million, finance costs of Php60.2 million, share in net income from associates and joint venture of Php12 million, other charges of Php1.7 million and interest income of Php1.2 million. Income before income tax for the 2<sup>nd</sup> quarter of 2022 was at Php199.4 million and net income after provision for income tax of Php55.9 million was at Php143.5 million.

Total assets as of June 30, 2022 stood at around Php28.1 billion an increase of around Php8.7 billion from Php19.4 billion as of December 31, 2021. Current assets, composed mostly of cash and cash equivalents amounting to Php2.3 billion, receivables amounting to Php11.2 billion, inventories amounting to Php7.4 billion, non-current asset held for sale amounting to Php1.2 billion and other current assets Php981.8 million, increased by Php9 billion due to increases in cash and cash equivalents of Php524.3 million, receivables of Php2.3 billion, inventories of Php6.2 billion, and other current assets of Php45 million. Non-current assets with a December 31, 2022 balance pf Php5.4 billion decreased by Php335.8 million to Php5.1 billion in June 30, 2022.

Total liabilities as of June 30, 2022 increased by Php8.5 billion from Php12.7 billion as of December 31, 2021 to Php21.1 billion as of June 30, 2022. Current liabilities, composed of trade and other payables amounting to Php18.8 billion and current portion of loans payable amounting to Php1.1 billion increased by Php9 billion primarily due to the increase in trade and other payables of Php9.3 billion which was partially offset by the decreases in the current portion of loans payable of Php243.3 million and income tax payable of Php5 million. Noncurrent liabilities amounting to Php1.3 billion decreased by Php551.8 million due to decreases in loans payable – net of current portion of Php497 million, lease liability – net of current portion of Php26.4 million, net retirement benefit liability of Php1.3 million and net deferred liability of Php27.1 million.

Total Stockholders' Equity as of June 30, 2022 stood at Php6.9 billion, with equity attributable to equity holders of the parent company at Php3.7 billion and equity attributable to non-controlling interest at Php3.2 billion, increased by around Php253.2 million from Php6.7 billion as of December 31, 2021.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2021.

The interim operations are not characterized by any seasonality or cyclicity. The nature and number of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending June 30, 2022.

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

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

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

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

There are no changes in the composition of the company during the interim period, including business

conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since December 31, 2021, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

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

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

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

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

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

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

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

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

**Item 1. Financial Statements**

The audited consolidated statement of financial position as at December 31, 2021, and the unaudited interim consolidated financial statements as at June 30, 2022 and for the six months ended June 30, 2022 and 2021 and selected notes to the unaudited interim consolidated financial statements of Basic Energy Corporation (the Parent Company) and its subsidiaries (collectively referred to as the “Group”) are filed as part of this Form 17Q.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**  
**(With Comparative Audited Figures as at December 31, 2021)**

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	<b>₱2,277,287,481</b>	₱1,752,939,406
Trade and other receivables	6	<b>11,211,148,214</b>	8,931,293,922
Inventories	7	<b>7,369,321,811</b>	1,170,390,829
Noncurrent asset held for sale	8	<b>1,157,542,172</b>	1,157,542,172
Other current assets		<b>981,826,617</b>	936,791,729
Total Current Assets		<b>22,997,126,295</b>	13,948,958,058
<b>Noncurrent Assets</b>			
Property and equipment	12	<b>4,401,580,326</b>	4,660,651,908
Financial assets at fair value through other comprehensive income (FVOCI)	9	<b>2,253,131</b>	29,223,279
Investments in associates and a joint venture	10	<b>255,868,792</b>	255,231,102
Investment properties	11	<b>247,863,856</b>	243,936,391
Other noncurrent assets		<b>164,605,455</b>	218,968,179
Total Noncurrent Assets		<b>5,072,171,560</b>	5,408,010,859
		<b>₱28,069,297,855</b>	₱19,356,968,917
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	<b>₱18,761,009,506</b>	₱9,501,794,858
Current portions of loans payable	14	<b>1,082,690,623</b>	1,325,942,632
Income tax payable		-	5,038,390
Total Current Liabilities		<b>19,843,700,129</b>	10,832,775,880
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	14	<b>386,008,565</b>	882,998,390
Lease liability - net of current portion		<b>59,947,733</b>	86,306,234
Net retirement benefit liability		<b>11,267,714</b>	12,593,638
Net deferred tax liabilities		<b>819,902,876</b>	847,020,181
Total Noncurrent Liabilities		<b>1,277,126,888</b>	1,828,918,443
Total Liabilities		<b>21,120,827,017</b>	12,661,694,323
<b>Equity</b>			
Capital stock	16	<b>3,554,660,766</b>	3,554,660,766
Additional paid-in capital		<b>352,939,718</b>	352,939,718
Deficit		<b>(32,071,208)</b>	(132,408,088)
Treasury stock	16	<b>(3,240,000)</b>	(3,240,000)
Other equity reserves		<b>(124,033,505)</b>	(72,187,450)
Equity Attributable to Equity Holders of the Parent Company		<b>3,748,255,771</b>	3,699,764,946
Equity Attributable to Non-controlling Interests		<b>3,200,215,067</b>	2,995,509,648
Total Equity		<b>6,948,470,838</b>	6,695,274,594
		<b>₱28,069,297,855</b>	₱19,356,968,917

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2022 AND 2021**

	Note	2022		2021	
		April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
<b>NET SALES</b>		<b>₱18,665,083,060</b>	<b>₱36,732,748,949</b>	<b>₱-</b>	<b>₱-</b>
<b>COST OF GOODS SOLD</b>		<b>18,325,401,846</b>	<b>35,881,542,843</b>	<b>-</b>	<b>-</b>
<b>GROSS PROFIT</b>		<b>339,681,214</b>	<b>851,206,106</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>		<b>(91,598,588)</b>	<b>(363,188,134)</b>	<b>(13,821,987)</b>	<b>(25,386,314)</b>
<b>FINANCE COSTS</b>		<b>(60,223,393)</b>	<b>(95,663,275)</b>	<b>-</b>	<b>-</b>
<b>SHARE IN NET INCOME FROM ASSOCIATES AND A JOINT VENTURE</b>		<b>11,987,120</b>	<b>977,142</b>	<b>(5,510,692)</b>	<b>(3,550,720)</b>
<b>OTHER INCOME (CHARGES) - Net</b>		<b>(1,652,161)</b>	<b>(2,647,397)</b>	<b>376,178</b>	<b>(5,449,874)</b>
<b>INTEREST INCOME</b>		<b>1,221,734</b>	<b>4,790,616</b>	<b>594,676</b>	<b>924,199</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>199,415,926</b>	<b>395,475,058</b>	<b>(18,361,825)</b>	<b>(33,462,709)</b>
<b>INCOME TAX EXPENSE</b>					
Current		60,467,461	102,921,567	-	-
Deferred		(4,539,974)	(12,488,808)	-	-
		<b>55,927,487</b>	<b>90,432,759</b>	<b>-</b>	<b>-</b>
<b>NET INCOME (LOSS)</b>		<b>₱143,488,439</b>	<b>₱305,042,299</b>	<b>(₱18,361,825)</b>	<b>(₱33,462,709)</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		<b>₱8,325,162</b>	<b>₱100,336,880</b>	<b>(₱18,360,660)</b>	<b>(₱33,790,522)</b>
Non-controlling interests		<b>135,163,277</b>	<b>204,705,419</b>	<b>(1,165)</b>	<b>327,813</b>
		<b>₱143,488,439</b>	<b>₱305,042,299</b>	<b>(₱18,361,825)</b>	<b>(₱33,462,709)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>₱-</b>	<b>(₱51,846,055)</b>	<b>₱-</b>	<b>₱-</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱143,488,439</b>	<b>₱253,196,244</b>	<b>(₱18,361,825)</b>	<b>(₱33,462,709)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		<b>₱8,325,162</b>	<b>₱48,490,825</b>	<b>(₱18,360,660)</b>	<b>(₱33,790,522)</b>
Non-controlling interests		<b>135,163,277</b>	<b>204,705,419</b>	<b>(1,165)</b>	<b>327,813</b>
		<b>₱143,488,439</b>	<b>₱253,196,244</b>	<b>(₱18,361,825)</b>	<b>(₱33,462,709)</b>
<b>Basic/Diluted Earnings Per Share</b>	<b>17</b>	<b>₱0.01</b>	<b>₱0.02</b>	<b>(₱0.004)</b>	<b>(₱0.008)</b>

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	Capital Stock	Additional Paid-in Capital	Deficit	Other Equity Reserves							Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-controlling Interests	Total Equity
				Equity Reserve on Acquisition of Non-Controlling Interest	Cumulative Gain (Loss) on Translation of Investments in Associates	Cumulative Unrealized Gains (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	Treasury Stock				
Balances as at December 31, 2021	₱3,554,660,766	₱352,939,718	(₱132,408,088)	(₱53,945,929)	(₱12,901,811)	₱4,070,141	(₱7,445,332)	(₱1,964,519)	(₱3,240,000)	₱3,699,764,946	₱2,995,509,648	₱6,695,274,594	
Net income	-	-	100,336,880	-	-	-	-	-	-	100,336,880	204,705,419	305,042,299	
Other comprehensive income	-	-	-	-	(339,452)	(11,586,726)	(39,919,877)	-	-	(51,846,055)	-	(51,846,055)	
Balances as at June 30, 2022	₱3,554,660,766	₱352,939,718	(₱32,071,208)	(₱53,945,929)	(₱13,241,263)	(₱7,516,585)	(₱47,365,209)	(₱1,964,519)	(₱3,240,000)	₱3,748,255,771	₱3,200,215,067	₱6,948,470,838	
Balances as at December 31, 2020	₱1,046,941,929	₱42,021,503	(₱213,791,806)	(₱53,945,929)	(₱6,072,180)	₱3,495,312	(₱5,287,762)	(₱175,735)	(₱3,240,000)	₱809,945,332	(₱9,228,967)	₱800,716,365	
Net income	-	-	(33,462,709)	-	-	-	-	-	-	(33,462,709)	(327,813)	(33,790,522)	
Other comprehensive income	-	-	-	-	-	(137,045)	5,309,280	-	-	5,172,235	-	5,172,235	
Balances as at June 30, 2021	₱1,046,941,929	₱42,021,503	(₱247,254,515)	(₱53,945,929)	(6,072,180)	₱3,358,267	₱21,518	(₱175,735)	(₱3,240,000)	₱781,654,858	(₱9,556,780)	₱772,098,078	

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	₱395,475,058	(₱33,462,709)
Adjustments for:		
Depreciation and amortization	263,133,117	405,874
Interest income	(4,790,616)	(924,199)
Unrealized foreign exchange losses	4,080,640	5,340,227
Share in net loss (income) of associates and a joint venture	(977,142)	3,550,720
Trading gains on financial assets at fair value through profit or loss	–	(137,044)
Operating income (loss) before working capital changes	656,921,057	(25,227,131)
Decrease (increase) in:		
Trade and other receivables	(2,324,158,938)	(714,528)
Inventories	(6,198,930,982)	–
Other current assets	(45,034,888)	(688,080)
Other noncurrent assets	54,362,724	–
Increase (decrease) in trade and other payables	9,244,586,151	(2,693,221)
Net cash generated from (used for) operations	1,387,745,124	(29,322,960)
Income taxes paid	(107,959,957)	–
Interest received	4,790,616	924,199
Contributions to retirement plan	(1,325,924)	–
Net cash provided by operating activities	1,283,249,859	(28,398,761)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(330,356,960)	(199,564)
Additions to investment property	(10,595,526)	–
Proceeds from sale of:		
Property and equipment	327,930,288	–
Financial assets at FVOCI	15,383,422	137,044
Investment property	5,033,198	–
Investment in associates	–	3,550,719
Net cash provided by investing activities	7,394,422	3,488,199
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Loans payable	(740,241,834)	–
Lease liabilities	(26,358,501)	–
Proceeds from receipt of deposit for future stock subscription	–	700,244,348
Proceeds from issuance of capital stock	–	343,093,751
Net cash provided by financing activities	(766,600,335)	1,043,338,099
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>524,043,946</b>	<b>1,018,427,537</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>304,129</b>	<b>(30,947)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,752,939,406</b>	<b>73,869,174</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱2,277,287,481</b>	<b>₱1,092,265,764</b>

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**AGING OF TRADE AND OTHER RECEIVABLES****AS AT JUNE 30, 2022**

	Total	Current	1- 30 Days	31- 60 Days	61-90 Days	91-365 Days	365 Days or More
Trade	₱9,620,649,227	₱-	₱ 9,505,265,490	₱293,556	₱115,090,181	₱-	₱-
Nontrade	1,524,240,587	1,444,783,297	-	-	-	20,757,935	58,699,355
Others	66,258,400	14,740,864	1,386,744	-	13,306,140	15,170,942	21,653,710
<b>Total</b>	<b>₱11,211,148,214</b>	<b>₱1,459,524,161</b>	<b>₱9,506,652,234</b>	<b>₱293,556</b>	<b>₱128,396,321</b>	<b>₱35,928,877</b>	<b>₱80,353,065</b>

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## BASIC ENERGY CORPORATION AND SUBSIDIARIES

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2022 (With Comparative Information for 2021)

#### 1. General Information

##### Corporate Information

Basic Energy Corporation (the Parent Company or BEC) 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 a holding company with diversified business interests in various fields of renewable energy and alternative fuels, wholesale and distribution of petroleum products, and in oil and gas exploration and development.

On September 30, 2021, Map 2000 Development Corporation (M2DC or the Ultimate Parent Company) acquired 67% ownership of the Parent Company. M2DC is registered with the Philippine SEC and is engaged in the business of real estate acquisition, development, and management. Effectively, the Parent Company became a subsidiary of M2DC.

The Parent Company shares are listed in the Philippine Stock Exchange (PSE) under the trading symbol "BSC".

The registered business address of the Parent Company is UB 111 Paseo de Roxas Building, Paseo de Roxas, Legaspi Village, Makati City.

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

	Nature of Business	Percentage of Ownership (%)			
		2022		2021	
		Direct	Indirect	Direct	Indirect
Basic Diversified Industrial Holdings, Inc. (BDIHI)	Holding Company	100.00	–	100.00	–
Basic Biofuels Corporation (BBC)	Development of Biofuels	100.00	–	100.00	–
Basic Renewables, Inc. (BRI)	Development of Renewable Energy Resources	100.00	–	100.00	–
iBasic, Inc. (iBasic)	Development and Maintenance of Computer Software	100.00	–	100.00	–
Grandway Group Limited (GGL)	Holding Company	100.00	–	100.00	–
Mabini Energy Corporation (MEC) (Formerly Basic Geothermal Energy Corporation)	Development of Renewable Energy Resources	100.00	–	–	–
PT Basic Energy Solusi (PT BES)*	Oil Exploration	–	95.00	–	95.00
Southwest Resources, Inc. (SRI)	Oil Exploration	72.58	–	72.58	–
Filoil Energy Company, Inc. (FECI)	Holding Company	60.00	–	–	–
La Defense Filipinas Holdings Corporation (LDFHC)**	Hold and Invest in Real Properties	–	36.00	–	–
Filipinas Third Millennium Realty Corporation (FTMRC)***	Fuel Terminalling and Storage Services	–	36.00	–	–
Map 2000 Terminals, Inc. (M2TI)***	Fuel Terminalling and Storage Services	–	36.00	–	–
Filoil Logistics Corporation (FLC)**	Wholesale and Distribution of Petroleum Products	–	30.60	–	–
Peninsula Land Bay Realty Corp. (PLBRC)***	Management Services	–	18.00	–	–

\*Indirect ownership through GGL

\*\*Indirect ownership through FECI

\*\*\*Indirect ownership through LDFHC

### **Status of Operations**

On December 18, 2020, the Parent Company entered into a Memorandum of Agreement (MOA) with MAP 2000 Development Corporation (M2DC) for its subscription to 67% capital stock of the Parent Company for ₱2.8 billion. The capital stock subscription was completed on September 30, 2021.

The Parent Company used the proceeds from the issuance of capital stock to partially fund its acquisition of 60% ownership in Filoil Energy Company, Inc. (FECI) for ₱3.0 billion pursuant to the Subscription Agreement between the Parent Company and FECI on December 7, 2021. FECI is engaged in downstream petroleum business through its joint venture arrangement with an international petroleum company. The business operations of FECI includes supply and logistics, marketing and retail, and management of fuel depots and terminals with allied logistical services for petroleum products.

The acquisition significantly improved the Group's consolidated financial position and results of operations. The new board of directors and management continuously streamline the business operations of the Group to improve its business activities and create efficiency in its operations. This includes plan to sell some of its stock investments to generate funds to finance future projects on alternative and renewable energy sources.

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

### **Basis of Preparation**

The unaudited interim consolidated financial statements of the Group as at and for the six months ended June 30, 2022 have been prepared in accordance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting* and in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, PAS and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

### **Measurement Bases**

The unaudited interim 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. All values are stated in absolute amounts, unless otherwise indicated.

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).

The unaudited interim consolidated 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
Derivative financial instruments	Fair Value

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 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.

### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

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 amendments 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendments clarify 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.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendments remove from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

Relevant amended PFRS, which are not yet effective as at June 30, 2022 and have not been applied in preparing the unaudited interim consolidated financial statements, are summarized below:

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.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should 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 amended PFRS is not expected to have any material effect on the unaudited interim consolidated financial statements of the Group. Additional disclosures will be included in the notes to the unaudited interim consolidated financial statements, as applicable.

#### **Basis of Consolidation**

The unaudited interim consolidated financial statements comprise the unaudited interim financial statements of the Parent Company and its subsidiaries.

Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The unaudited interim financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Unaudited interim consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests 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. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of influence retained.

### **Non-controlling Interests**

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the Group's unaudited interim consolidated statements of comprehensive income and within equity in the Group's unaudited interim consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.

NCI represents the following as at June 30, 2022 and December 31, 2021:

	Type of Interest	% of Interest	
		2021	2020
FECI	Direct	<b>40.00</b>	–
SRI	Direct	<b>27.42</b>	27.42
PT BES	Indirect	<b>5.00</b>	5.00
LDFHC	Indirect	<b>64.00</b>	–
FTMRC	Indirect	<b>64.00</b>	–
M2TI	Indirect	<b>64.00</b>	–
PLBRC	Indirect	<b>70.00</b>	–
FLC	Indirect	<b>69.40</b>	–

### **Business Combination and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. Transaction costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree, if any.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognized in the unaudited interim consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, Financial Instruments, is measured at fair value with changes in fair value recognized in the unaudited interim consolidated statements of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each financial reporting date with changes in fair value recognized in the unaudited interim consolidated statements of comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the unaudited interim consolidated statements of comprehensive income.

If the initial measurement of the fair value of net identifiable assets acquired in a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group recognizes in its unaudited interim consolidated financial statements provisional amounts for the items for which the measurement is incomplete. During the measurement period, the Group retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit (CGU) or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

### **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 unaudited interim consolidated statements 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 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.

## **Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the unaudited interim statements 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 trade date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

*“Day 1” Difference.* Where the transaction 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 Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there are no observable data on inception, the Company 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 Company determines the appropriate method of recognizing the “Day 1” difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at fair value through profit or loss, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

*Financial Assets at FVPL.* Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at June 30, 2022 and December 31, 2021, the Group classified its derivative financial instrument under this category (see Note 9).

*Financial Assets at Amortized Cost.* Financial assets shall be 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 allowance for impairment, if any. 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 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 period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2022 and December 31, 2021, the Group’s cash and cash equivalents, trade and other receivables, refundable deposits, and long-term placements (included under “Other noncurrent assets” account) are included in this category (see Notes 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 June 30, 2022 and December 31, 2021, the Group's investments in quoted debt securities are classified under this category (see Note 9).

*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 June 30, 2022 and December 31, 2021, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI (see Note 9).

### **Derivative Financial Instruments**

The Group uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss arising from changes in fair value of derivatives that do not qualify for hedge accounting is recognized in profit or loss.

### **Reclassification**

The Group reclassifies its financial assets when, and 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 FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, 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 other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the 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 other comprehensive income.

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 June 30, 2022 and December 31, 2021, 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 subsequently 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. Financial liabilities at amortized cost are included under current liabilities if payment is due within 12 months after the reporting period. Otherwise, these are classified as noncurrent liabilities.

As at June 30, 2022 and December 31, 2021, the Group's trade and other payables (excluding statutory payables), loans payable and lease liabilities are classified under this category (see Notes 13 and 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 unaudited interim consolidated statements of comprehensive income.

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

Financial assets and financial liabilities are offset and the net amount reported in the unaudited interim consolidated statements 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 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.

#### **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.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value (NRV). Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, and it is calculated using the moving average method.

The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

When the NRV of the inventories is lower than their cost, the inventories are written-down to its NRV and the difference between the cost and NRV of the inventories is charged in profit or loss.

### **Noncurrent Asset Held for Sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one (1) year from the date of classification.

If the one-year period is not complied, the Group can still classify its noncurrent asset as held for sale when:

- There are non-buyer conditions which extend the period required to complete the sale and the conditions can only be complied after a firm purchase commitment is obtained. The firm purchase commitment should be highly probable within one year
- There are buyer or non-buyer conditions that will extend the period required to complete the sale after the Group obtains a firm purchase agreement, and the Group already responded to the conditions expecting favorable resolution.
- During the one-year period, the noncurrent asset held for sale was not sold due to the occurrence of unlikely circumstances and the Group responded to the change in circumstances within the same period. Also, the noncurrent asset should be actively marketed at a reasonable price given the change in circumstances.

The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognized in the carrying amount of the noncurrent asset before initial classification as held for sale. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

Assets and liabilities classified as held for sale are presented separately as current items in the unaudited interim consolidated statements of financial position.

### **Investment Properties**

Investment properties pertain to land, buildings and improvements, and depot tanks 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 stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. Fair values are determined using market data approach by an accredited external independent real estate appraiser.

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. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer, if any.

Transfers are made to or from investment property 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. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

### **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 unaudited interim consolidated statements 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**

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

- Depot Tanks
- Building and improvements
- Furniture, fixtures, and office equipment
- Machinery and equipment
- Transportation 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
Depot tanks	15
Building and building improvements	15
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and office equipment	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.

Construction in progress represents properties under construction and is stated at cost, including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

#### **Other Nonfinancial Assets**

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

*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.

*Deferred Input VAT.* In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

#### **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 operations, and cumulative remeasurement gain (loss) on net retirement benefit liability.

*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.

*Sale of Fuel.* Sales revenue is recognized at the point in time when control of the asset is transferred to the customer upon delivery. The normal credit term is 15 to 120 days.

*Service Income.* Service income including hauling fees and port service income is recognized over the period that the related service is provided.

*Income from Penalty on Delayed Payment of Receivables.* Income from penalty on delayed payment of receivables are recognized when payments are received from customers.

*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:

*Rental Income.* Revenue on rental under non-cancellable and cancellable leases are recognized on a straight-line basis over the lease term.

*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.

*Cost of Sales.* Cost of sales includes the purchase price of the products sold as well as costs that are directly attributable in bringing the inventory to its intended condition and location. Costs of sales is recognized when the related goods are delivered to the customers.

*Cost of Services.* Cost of services are recognized as expense when the related services are rendered.

*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 "Trade and other payables" account in the unaudited interim consolidated statements 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 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 unaudited interim 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 unaudited interim consolidated financial statements but are disclosed in the notes to the unaudited interim consolidated financial statements when an inflow of economic benefits is probable.

### **Basic and Diluted Income (Loss) per Share**

*Basic Income (Loss) per Share.* Basic income (loss) per share is calculated by dividing the net income (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 Income (Loss) per Share.* Diluted income (loss) per share is calculated in the same manner as basic income (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 unaudited interim consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the unaudited interim consolidated financial statements when material.

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

The preparation of the unaudited interim consolidated financial statements requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the unaudited interim consolidated financial statements and related notes. The judgments, accounting estimates and assumptions used in the unaudited interim 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 unaudited interim 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.

Based on the economic substance of the underlying circumstances, the functional currency of the Group's subsidiaries, except GGL and PT BES, is the Philippine Peso. The functional currency and presentation currency of GGL and PT BES are US Dollar and Indonesian Rupiah, respectively.



*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 9).

Cash and cash equivalents, trade and other receivables, refundable deposit and long-term placements (included under "Other noncurrent asset" account) 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 5 and 6).

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

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques, such as discounted cash flow models. The models are validated and periodically reviewed by qualified personnel independent of the area that created them and are approved by the BOD before these are used. The models are calibrated to ensure that outputs reflect actual data and comparative market prices. Further, inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

While significant components of fair value measurement were determined using verifiable objective evidence, such as foreign exchange rates, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the financial statements.

In accordance with the amendments to PFRS 7, 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 unaudited interim consolidated statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 4 to the unaudited interim consolidated financial statements.

*Classification of Investment in an Associate as Noncurrent Asset Held For Sale.* The Group classifies a noncurrent asset as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In making its judgment, the Group considers its management's commitment to sell the asset within one (1) year. When the one-year period is not met, the Group determines whether the delay of the sale is caused by events or circumstances beyond its control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Based on the Group's management assessment, investment in an associate classified as noncurrent asset held for sale will continue to be classified as such because of continuous discussion with the prospective investor to complete the sale. As at June 31, 2022 and December 31, 2021, the carrying amount of noncurrent asset held for sale amounting to ₱1,157.5 million is lower than its fair value less cost to sell (see Note 8).

*Existence of Significant Influence over Associates and Joint Venture.* The Group assessed that it has significant influence in its associates despite having interest ownership of below the 20% threshold where significant influence is presumed under PAS 28, *Investments in Associates and a Joint Venture 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 investees' significant activities, through its representation in the investees' BOD.

The Group's Investments in Associates amounted to ₱208.1 million ₱207.5 million as at June 30, 2022 and December 31, 2021, respectively (see Note 10).

*Assessment of Control on PLBRC.* An entity is considered as a subsidiary when it is controlled by the Group. Control is established when the Group is exposed or has rights to variable returns from its involvement with an entity, and has the ability to affect those returns through its power over the entity.

The Group considers PLBRC as a subsidiary even though it has less than 51% equity ownership because it can exercise control over the management and operations of PLBRC. Moreover, majority of PLBRC's assets are being utilized in the Group's operations. Accordingly, the unaudited interim consolidated financial statements of the Group include those of PLBRC.

*Determination of Reportable Operating Segments.* The Group has determined that it has reportable segments based on the following thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the unaudited interim consolidated financial statements. The Group assessed that it has a single reportable operating segment which is the downstream oil operations particularly the sale of petroleum products based on the criteria above (see Note 18).

*Determination of Interest in a Joint Arrangement.* The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interest in joint arrangement with Mariveles Joint Venture Corporation (MJVC) under PFRS 11, *Joint Arrangements*, as a joint venture. Accordingly, the Group accounts for its equity interests in a joint venture using the equity method.

The carrying amount of investment in a joint venture amounted to ₱47.7 million as at June 30, 2022 and December 31, 2021 (see Note 10).

### **Accounting Estimates and Assumptions**

*Assessment for ECL on Trade Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rates by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

Allowance for impairment losses on trade receivables amounted to ₱2.1 million as of June 30, 2022 and December 31, 2021 (see Note 6).

The carrying amount of trade receivables amounted to ₱9,620.6 million and ₱7,454.9 million as at June 30, 2022 and December 31, 2021, respectively (see Note 6).

*Assessment for ECL on Other Financial Assets at Amortized Cost and Quoted Debt Instruments Classified as Financial Assets at 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.

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 2022 and 2021.

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

	Note	June 30, 2022	December 31, 2021
Financial assets at amortized cost:			
Cash and cash equivalents*	5	<b>₱2,276,741,561</b>	₱1,752,440,609
Trade and other receivables**	6	<b>11,211,111,319</b>	8,931,257,027
Noncurrent portion of notes receivables		<b>58,699,355</b>	58,699,355
Refundable deposits		<b>22,692,553</b>	51,607,329
Long-term placements		<b>139,912,903</b>	107,089,806
Financial assets at FVOCI -			
Quoted debt securities	9	—	22,290,148

\*Excluding cash on hand amounting to ₱545,920 and ₱498,797 as at June 30, 2022 and December 31, 2021, respectively.

\*\*Excluding nonfinancial assets amounting to ₱36,895 as at June 30, 2022 and December 31, 2021.

*Allocation of the Purchase Price in a Business Combination.* The Group accounts for its business combinations using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the identifiable assets and liabilities assumed in a business combination at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss. The significant judgments and assumptions made in estimating the fair value to be assigned to the identifiable assets and liabilities assumed in a business combination can materially affect the unaudited interim consolidated financial statements.

The Group engaged an external qualified appraiser to measure the fair values of investment properties and property and equipment arising from the acquisition of FECl in 2021. However, the fair values of net assets acquired are based on provisional amounts while the Group sought an independent valuation of the investment in associates under FECl. As allowed under PFRS 3, *Business Combinations*, the Group has a one-year measurement period from the acquisition date within which to finalize the fair values of net assets acquired. Any changes in the provisional fair values of net assets acquired will affect the amount of gain on bargain purchase recognized in profit or loss.

The Group's acquisition of FECl has resulted in the provisional recognition of gain on bargain purchase amounting to ₱137.2 million in 2021.

*Estimation of the Useful Lives of Property and Equipment.* The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment in 2022 and 2021.

The carrying amounts of property and equipment amounted to ₱3,107.9 million and ₱3,269.2 million in June 30, 2022 and December 31, 2021, respectively (see Note 12).

*Determination of the Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The Group comparable market data adjusted as necessary to reflect the specific assets' size, location and other characteristics. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 11 to the unaudited interim consolidated financial statements.

Fair value changes on investment properties amounted to ₱24.0 million in 2021. The Group's investment properties amounted to ₱247.9 million and ₱243.9 million as at June 30, 2022 and December 31, 2021, respectively (see Note 11).

*Assessment for the 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 June 30, 2022 and 2021. The carrying amounts of nonfinancial assets are as follows:

	Note	June 30, 2022	December 31, 2021
Investments in associates and a joint venture	10	<b>₱255,868,792</b>	₱255,231,102
Property and equipment	12	<b>4,401,580,326</b>	4,660,651,908
Other current assets		<b>981,826,617</b>	855,748,241
Other noncurrent assets*		—	53,179,018

\*Excluding financial assets totalling ₱162.6 million and ₱158.6 million in June 30, 2022 and December 31, 2021, respectively.

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#### 4. Financial Risk Management and Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), refundable deposits, derivative asset, financial assets at FVOCI, long-term placements, notes receivable and trade 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.

##### *Trade Receivables*

Trade receivables arise mainly from transactions with customers. The Group limits its exposure to credit risk by transacting with pre-approved and credit-worthy customers that have undergone stringent financial credit, and legal evaluation process. In addition, trade receivable balances are strictly monitored on an ongoing basis to ensure timely collections. Generally, trade receivables are written off if determined to be uncollectible.

There are no guarantees against trade receivables but the management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and number of days outstanding. The provision matrix is based on the Group's historical default rates, which are adjusted for forward-looking information if forecast of economic conditions (i.e., stock market index) are expected to improve over the next year which can lead to a decreased number of defaults in the stock trading industry. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Allowance for impairment losses on trade receivables amounted to ₱2.1 million as at June 30, 2022 and December 31, 2021, respectively (see Note 6).

##### *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 trade 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 June 30, 2022 and December 31, 2021:

	June 30, 2022				
	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*	₱2,276,741,561	₱-	₱-	₱-	₱2,276,741,561
Trade and other receivables**	10,075,567,555	-	-	-	10,075,567,555
Refundable deposits	22,692,553	-	-	-	22,692,553
Long-term placements	-	139,912,903	-	-	139,912,903
Notes receivable	-	1,194,243,119	-	-	1,194,243,119
	<b>₱12,375,001,669</b>	<b>₱1,334,156,022</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,709,157,691</b>

\*Excluding cash on hand amounting to ₱545,920 as at June 30, 2022.

\*\*Excluding nonfinancial assets amounting to ₱36,895 and current portion of notes receivable amounting to ₱1,135.5 million as at June 30, 2022.

	December 31, 2021				
	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*	₱1,752,440,609	₱-	₱-	₱-	₱1,752,440,609
Trade and other receivables**	3,558,796,295	4,288,694,832	2,101,066	-	7,849,592,193
Debt securities at FVOCI	-	-	-	22,290,148	22,290,148
Refundable deposits	51,607,329	-	-	-	51,607,329
Long-term placements	-	107,089,806	-	-	107,089,806
Notes receivable	-	1,142,465,255	-	-	1,142,465,255
	<b>₱5,362,844,233</b>	<b>₱5,538,249,893</b>	<b>₱2,101,066</b>	<b>₱22,290,148</b>	<b>₱10,925,485,340</b>

\*Excluding cash on hand amounting to ₱498,797 as at December 31, 2021.

\*\*Excluding nonfinancial assets amounting to ₱36,895 and current portion of notes receivable amounting to ₱1,083,765,900 as at December 31, 2021.

### **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.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

	2022					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	<b>₱822,873,489</b>	<b>₱4,805,987,844</b>	<b>₱13,096,541,996</b>	<b>₱-</b>	<b>₱-</b>	<b>₱18,725,403,329</b>
Lease liabilities	-	<b>4,297,096</b>	<b>12,891,289</b>	<b>77,376,216</b>	-	<b>94,564,601</b>
Loans payable**	-	<b>578,322,147</b>	<b>329,296,442</b>	<b>569,658,954</b>	<b>4,872,212</b>	<b>1,482,149,755</b>
	<b>₱822,873,489</b>	<b>₱5,388,607,087</b>	<b>₱13,438,729,727</b>	<b>₱647,035,170</b>	<b>₱4,872,212</b>	<b>₱20,302,117,685</b>

\*Excluding nonfinancial liabilities and current portion of lease liabilities amounting to ₱989,309 and ₱34,616,868 as at June 30, 2022, respectively.

\*\*Including future interest payable

	December 31, 2021					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	<b>₱399,923,884</b>	<b>₱2,335,753,127</b>	<b>₱6,365,036,682</b>	<b>₱-</b>	<b>₱-</b>	<b>₱9,100,713,693</b>
Lease liabilities	-	<b>5,063,890</b>	<b>15,191,671</b>	<b>91,183,588</b>	-	<b>111,439,149</b>
Loans payable**	-	<b>896,650,707</b>	<b>510,552,620</b>	<b>883,218,992</b>	<b>7,554,046</b>	<b>2,297,976,365</b>
	<b>₱399,923,884</b>	<b>₱3,237,467,724</b>	<b>₱6,890,780,973</b>	<b>₱974,402,580</b>	<b>₱7,554,046</b>	<b>₱11,510,129,207</b>

\*Excluding nonfinancial liabilities and current portion of lease liabilities amounting to ₱382,564,988 and ₱18,516,177 as at December 31, 2021, respectively.

\*\*Including future interest payable

### **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. As of June 30, 2022, the Group's exposure to foreign currency risk is minimal.



*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 Group's exposure to equity price risk is minimal.

*Commodity Price Risk.* Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices of commodities. The Group's commodity price risk results primarily from movements of the commodity prices of fuel purchases and sales from the date of delivery until the date of agreed price setting with the suppliers and customers.

The Group's exposure to commodity price risk is minimal because the intervening period between the date of delivery and date of agreed price setting is short. Accordingly, derivative asset or liability on commodity price risk which is embedded in fuel purchases and sales contracts is minimal as at June 30, 2022 and December 31, 2021.

*Interest Rate Risk.* The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities.

As at June 30, 2022 and December 31, 2021, the Group's interest-bearing financial assets and liabilities consist primarily of notes receivable, long-term placements and loans payable with fixed interest rates. The Group's exposure to changes in the interest rates is insignificant.

### **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 ₱3,907,600,484 as at June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021.

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

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## **5. Cash and Cash Equivalents**

This account consists of:

	<b>June 30, 2022</b>	December 31, 2021
Cash on hand	<b>₱545,920</b>	₱498,797
Cash in banks	<b>1,558,280,774</b>	1,004,231,952
Short-term placements	<b>718,460,787</b>	748,206,657
	<b>₱2,277,287,481</b>	₱1,752,937,406

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.

## 6. Trade and Other Receivables

This account consists of:

	June 30, 2022	December 31, 2021
Trade receivable from:		
Third parties	₱5,504,139,851	₱4,211,815,526
Related parties	4,116,509,376	3,245,207,361
Current portion of notes receivable	1,135,543,764	1,083,765,900
Advances to related parties	390,797,888	315,690,000
Interest receivable	11,112,149	11,465,049
Others	55,146,251	65,451,152
	<b>11,213,249,279</b>	8,933,394,988
Less allowance for impairment losses	2,101,065	2,101,066
	<b>₱11,211,148,214</b>	₱8,931,293,922

### **Trade Receivables**

Trade receivables are noninterest-bearing and are generally on a 15 to 120 days credit term.

In 2021, the Group assigned with recourse to a local bank its trade receivables from a related party, amounting to ₱1,977,594,771.

### **Notes Receivable**

This account consists of notes receivables acquired through the acquisition of FECl in 2021. Notes receivable from related parties are unsecured, collectible on demand and bear an annual interest of 3%.

Notes receivable from third parties includes short term receivables amounting to ₱111,493,215 which bears an annual interest of 3% and is collectible on demand. This also includes an unsecured 5-year note receivable with an interest of 7% as follows:

Current	₱20,757,935
Noncurrent	58,699,355
	<b>₱79,457,290</b>

### **Advances to Related Parties**

Advances to related parties amounting to ₱315.7 million as of June 30, 2022 were acquired through the acquisition of FECl in 2021. These advances are non- interest bearing and payable in demand (see Note 15).

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## 7. Inventories

This account consists of fuels inventory measured at cost amounting to ₱7,369,321,811 and ₱1,170,390,829 as at June 30, 2022 and December 31, 2021, respectively. As at June 30, 2022, cost of these inventories are lower than the NRV.

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## 8. Noncurrent Asset Held for Sale

The identifiable assets acquired by the Group in the acquisition of FECl in 2021 includes investment in the shares of stock of an associate amounting to ₱1,157.5 million classified as noncurrent assets held for sale. On February 13, 2019, the BOD of FECl approved the plan to sell its shares of stock of the associate. Due to the COVID-19 pandemic, the negotiations with prospective investors were delayed and were put on hold. The BOD and management of FECl, after acquisition of control of BEC, decided to continue the negotiation with the prospective investor. As of May 26, 2022, the BOD and management of FECl are in discussion with a prospective investor to finalize the arrangement for the sale of the investment. Based on the ongoing negotiation, the carrying amount of the investment is lower than the negotiated price of the transaction.

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## 9. Financial Assets at FVOCI

This account consists of the Group's investments in:

	June 30, 2022	December 31, 2021
Quoted equity securities	₱2,253,131	₱6,933,131
Quoted debt securities	–	22,290,148
	<b>₱2,253,131</b>	<b>₱29,223,279</b>

The Company's quoted debt securities bear annual interest rates ranging from 4.50% to 4.84% in June 30, 2022 and 2021.

The Company's financial assets at FVOCI as at June 30, 2022 and December 31, 2021 are carried at fair values 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 4).

## 10. Investments in Associate and a Joint Venture

The details of the investments in associates and a joint venture of the Parent Company are as follows:

	Place of Incorporation	Nature of Business	Percentage of Ownership	
			2022	2021
Associates:				
Vintage EPC Co. Ltd. (VEPC)	Thailand	Engineering, Procurement and Construction	15.00	15.00
VTE International Construction Co. Ltd. (VINTER)	Thailand	Engineering, Procurement and Construction	15.00	15.00
Amlan Negros Development Realty Corp. (ANDRC)	Philippines	Holding of real properties	14.40	14.40
Ecology Insurance Agency Corp. (EIAC)	Philippines	Agency and brokering services	14.25	14.25
Filoil Asia Pacific, Ltd. (FAP)	Singapore	Sale of petroleum products	12.00	12.00
Joint Venture -				
Mariveles Joint Venture Corporation (MJVC)	Philippines	Management services	18.00	18.00

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

	June 30, 2022	December 31, 2021
<b>Cost</b>		
Balance at beginning of year	₱322,627,446	₱172,285,031
Additions arising from acquisition of a new subsidiary	–	150,342,415
Balance at end of year	322,627,446	322,627,446
<b>Accumulated equity in net losses</b>		
Balance at beginning of year	(54,494,533)	(42,763,516)
Share in net income (loss) for the year	977,142	(11,731,017)
Balance at end of year	(53,517,391)	(54,494,533)
<b>Cumulative translation gain (loss)</b>		
Balance at beginning of year	(12,901,811)	(6,072,180)
Translation losses during the year	(339,452)	(6,829,631)
Balance at end of year	(13,241,263)	(12,901,811)
	<b>₱255,868,792</b>	<b>₱255,231,102</b>

The carrying amounts of investments in associates and a joint venture are as follows:

	June 30, 2022	December 31, 2021
Associates:		
FAP	₱102,000,000	₱102,000,000
VEPC	66,755,586	67,095,038
VINTER	38,374,505	37,397,363
ANDRC	123,079	123,079
EIAC	882,646	882,646
Joint Venture -		
MJVC	47,732,976	47,732,976
	<b>₱255,868,792</b>	<b>₱255,231,102</b>

## 11. Investment Properties

The balances and movements in this account are as follows:

June 30, 2022				
	Land	Building and Improvements	Construction in Progress	Total
<b>Carrying amount</b>				
Balances at beginning of year	₱239,199,000	₱1,659,703	₱3,077,688	₱243,936,391
Additions	-	-	10,595,526	10,595,526
Depreciation	-	(1,634,863)	-	(1,634,863)
Disposal	(5,033,198)	-	-	(5,033,198)
<b>Balances at end of year</b>	<b>₱234,165,802</b>	<b>₱24,880</b>	<b>₱13,673,214</b>	<b>₱247,863,856</b>

December 31, 2021				
	Land	Building and Improvements	Construction in Progress	Total
<b>Cost</b>				
Balances at beginning of year	₱186,226,000	₱-	₱-	₱186,226,000
Acquisition of a subsidiary	29,000,000	1,659,703	3,077,688	33,737,391
Fair value changes	23,973,000	-	-	23,973,000
<b>Balances at end of year</b>	<b>₱239,199,000</b>	<b>₱1,659,703</b>	<b>₱3,077,688</b>	<b>₱243,936,391</b>

The fair values of land classified as 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, 2021.

The fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 4).

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.

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

## 12. Property and Equipment

The balances and movements in this account are as follows:

	June 30, 2022							
	Land	Depot Tanks	Building and Improvements	Furniture, Fixtures, and Office Equipment	Transportation Equipment	ROU Asset	Construction in Progress	Total
<b>Cost</b>								
Balances at beginning of year	₱1,364,138,172	₱3,866,301,256	₱129,839,080	₱113,542,525	₱23,969,349	₱425,971,059	₱27,273,882	₱5,951,035,323
Additions	–	–	263,445,401	–	34,147,549	–	32,764,010	330,356,960
Disposals	–	(572,018,696)	–	–	–	–	–	(642,540,570)
Balances at end of year	1,364,138,172	3,294,282,560	393,284,481	113,542,525	58,116,898	425,971,059	60,037,892	5,638,851,713
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	–	827,177,956	30,326,863	100,464,536	20,997,264	311,416,796	–	1,290,383,415
Depreciation and amortization	–	206,961,518	24,586,273	3,277,438	800,939	25,872,086	–	261,498,254
Disposals	–	(314,610,282)	–	–	–	–	–	(314,610,282)
Balances at end of year	–	719,529,192	54,913,136	103,741,974	21,798,203	337,288,882	–	1,237,271,387
<b>Carrying Amounts</b>	<b>₱1,293,616,298</b>	<b>₱2,574,753,368</b>	<b>₱338,371,345</b>	<b>₱9,800,551</b>	<b>₱36,318,695</b>	<b>₱88,682,177</b>	<b>₱60,037,892</b>	<b>₱4,401,580,326</b>

	December 31, 2021							
	Land	Depot Tanks	Building and Improvements	Furniture, Fixtures, and Office Equipment	Transportation Equipment	ROU Asset	Construction in Progress	Total
<b>Cost</b>								
Balances at beginning of year	₱–	₱–	₱–	₱10,466,286	₱8,016,840	₱–	₱–	₱18,483,126
Acquisition of a subsidiary	1,364,138,172	3,866,301,256	129,839,080	112,352,198	15,952,509	425,971,059	27,273,882	5,941,828,156
Additions	–	–	–	209,445	–	–	–	209,445
Disposals	–	–	–	(9,485,404)	–	–	–	(9,485,404)
Balances at end of year	1,364,138,172	3,866,301,256	129,839,080	113,542,525	23,969,349	425,971,059	27,273,882	5,951,035,323
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	–	–	–	10,064,003	7,372,127	–	–	17,436,130
Acquisition of a subsidiary	–	789,119,673	25,920,139	98,864,004	12,921,840	304,363,858	–	1,231,189,514
Depreciation and amortization	–	38,058,283	4,406,724	999,232	703,297	7,052,938	–	51,220,474
Disposals	–	–	–	(9,462,703)	–	–	–	(9,462,703)
Balances at end of year	–	827,177,956	30,326,863	100,464,536	20,997,264	311,416,796	–	1,290,383,415
<b>Carrying Amounts</b>	<b>₱1,364,138,172</b>	<b>₱3,039,123,300</b>	<b>₱99,512,217</b>	<b>₱13,077,989</b>	<b>₱2,972,085</b>	<b>₱114,554,263</b>	<b>₱27,273,882</b>	<b>₱4,660,651,908</b>

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### 13. Trade and Other Payables

This account consists of:

	<b>June 30, 2022</b>	December 31, 2021
Trade:		
Third parties	<b>₱2,438,897,119</b>	₱6,041,131,261
Related parties	<b>13,176,798</b>	75,187,979
Liabilities on receivable financing	<b>15,276,556,779</b>	1,977,594,771
Advances from related parties	<b>451,618,035</b>	448,705,618
Dividends payable	<b>304,688,714</b>	304,688,714
Interest payable	<b>200,228,120</b>	200,228,120
Current portion of lease liabilities	<b>34,616,868</b>	18,516,177
Statutory payables	<b>989,309</b>	263,510,276
Unearned revenue	–	65,603,411
Provision	–	53,451,301
Others	<b>40,237,764</b>	53,177,230
	<b>₱18,761,009,506</b>	₱9,501,794,858

Trade payables to third parties pertains to local and imported fuel purchases that are noninterest bearing and are generally on a 30 to 120 days' term.

Liabilities on receivable financing amounting to ₱15,276.6 million and ₱1,977.6 million in June 30, 2022 and December 31, 2021, respectively pertains to availed amounts from its receivable financing line with local banks.

Dividends payable pertains to unpaid cash dividends to non-controlling interests declared by a subsidiary in 2021 prior to the acquisition of the Group amounting to ₱304.7 million/

Other payables are noninterest-bearing and normally settled within one (1) year.

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### 14. Loans Payable

This account consists of:

	<b>June 30, 2022</b>	December 31, 2021
Current	<b>₱1,082,690,623</b>	₱1,325,942,632
Noncurrent	<b>386,008,565</b>	882,998,390
	<b>₱1,468,699,188</b>	₱2,208,941,022

Loans payable consists of the Group's borrowings with several local banks and a related party as a result of the acquisition of FECl. The loans payable bear annual interest rates ranging from 3.00% to 7.00%.

## 15. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business. These transactions are from the Group's recurring business operations. The outstanding balances and amount of transactions with related parties are as follows:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
<b>Trade Receivable</b>					
Associates	Sale of fuel	<b>₱12,583,075,791</b>	₱1,294,527,699	<b>₱4,095,308,463</b>	₱3,221,803,187
	Management fee	-	594,689	-	2,203,261
Entity under common key management	Sale of land	-	-	<b>21,187,363</b>	21,187,363
	Working capital advances	-	-	<b>13,550</b>	13,550
Entity under common control	Sale of fuel	-	22,342,778	-	-
				<b>₱4,116,509,376</b>	<b>₱3,245,207,361</b>
<b>Notes Receivable</b>					
Entities under common control	Advances for financing	<b>₱184,029,014</b>	₱-	<b>₱887,918,413</b>	₱703,889,399
Associate	Advances for financing	-	-	<b>247,625,351</b>	247,625,351
				<b>₱1,135,543,764</b>	<b>₱951,514,750</b>
<b>Interest Receivable</b>					
Entities under common control	Interest income	₱-	₱1,640,399	<b>₱9,370,970</b>	₱9,370,970
Associate	Interest income	-	164,583	-	-
				<b>₱9,370,970</b>	<b>₱9,370,970</b>
<b>Advances to Related Parties</b>					
Entities under common control	Working capital advances	<b>₱75,107,888</b>	₱-	<b>₱390,797,888</b>	₱315,690,000
<b>Trade Payables</b>					
Entity under Common Control	Purchase of fuel	₱-	₱68,504,479	<b>₱13,176,798</b>	₱75,187,979
<b>Interest Payable</b>					
Associate	Interest on loans	₱-	₱227,307	<b>₱200,228,120</b>	₱200,228,120
<b>Loans Payable</b>					
Associate	Borrowings	₱-	₱-	<b>₱386,008,565</b>	₱833,909,360
<b>Advances from Related Parties</b>					
Associates	Working capital advances	<b>₱2,912,417</b>	₱-	<b>₱451,388,555</b>	₱448,476,138
Joint venture	Working capital advances	-	-	<b>229,480</b>	229,480
				<b>₱451,618,035</b>	<b>₱448,705,618</b>
<b>Retirement Benefit Plan</b>					
	Contribution	₱-	₱-	₱-	₱102,070,749
<b>Personnel Costs</b>					
Key management personnel	Short-term benefits	₱-	₱88,840,049	₱-	₱-
	Retirement benefits	-	9,309,057	-	20,615,910
				<b>₱-</b>	<b>₱20,615,910</b>



## 16. Equity

### **Capital Stock**

The Parent Company's authorized, issued and outstanding capital stock as at June 30, 2022 and December 31, 2021 are as follows:

	Number of Shares	Amount
<b>Authorized - ₱0.25 par value</b>		
Balance at beginning of year	10,000,000,000	₱2,500,000,000
Increase in authorized capital stock	10,000,000,000	2,500,000,000
Balance at end of year	20,000,000,000	₱5,000,000,000
<b>Subscribed capital stock</b>		
Balance at beginning of year	4,660,267,714	₱1,165,066,928
Subscription during the year	10,008,375,350	2,502,093,838
Balance at end of year	14,668,643,064	3,667,160,766
<b>Subscription receivable</b>		
Balance at beginning of year	1,844,875,000	461,218,750
Subscription during the year	10,008,375,350	2,502,093,838
Issuance during the year	(11,403,250,350)	(2,850,812,588)
Balance at end of year	450,000,000	112,500,000
<b>Capital stock</b>	<b>14,218,643,064</b>	<b>₱3,554,660,766</b>
<b>Treasury stock</b>	<b>18,000,000</b>	<b>₱3,240,000</b>

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

On October 23, 2020, the Parent Company's BOD 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. On September 10, 2021, the SEC approved the increase in the Parent Company's authorized capital stock.

### **Memorandum of Agreement with M2DC**

On December 18, 2020, a MOA was executed between the Parent Company and M2DC for M2DC's subscription 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 were issued out of the Parent Company's increase in authorized capital stock.

The total consideration of ₱2.8 billion was paid in cash, 25% upon fulfillment of the conditions precedent, and the remainder was paid upon the SEC approval for the increase in authorized capital stock. As at September 30, 2021, the Parent Company has fulfilled the conditions precedent, and the investment of M2DC was completed.

### **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.

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## 17. Basic and Diluted Earnings Per Share

Basic and diluted EPS are calculated as follows:

For the six months ended June 30

	<b>2022</b>	2021
Net income (loss)	<b>₱253,196,244</b>	(₱33,462,709)
Less dividends for cumulative preferred stock required for the year, net of tax	-	-
Net income attributable to common stockholders of the Parent Company (a)	<b>₱253,196,244</b>	(₱33,462,709)
Weighted average number of common shares outstanding (b)	<b>14,668,643,064</b>	4,660,267,714
Per share amounts: Basic and diluted EPS (a/b)	<b>₱0.02</b>	(₱0.008)

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## 18. Segment Reporting

The Group is organized into one reportable segment which is the downstream oil operations particularly the sale of petroleum products. Accordingly, all significant operating decision are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the unaudited interim consolidated financial statements of the Group.