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PHOENIX

Philippine Stock Exchange
Disclosure Department
6/F PSE Tower, 28th Street corner 5th Avenue,
BGC, Taguig City, Metro Manila

Attention: Ms. Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department
Philippine Stock Exchange

Madam:

Please be advised that the Board of Directors of P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. (the "Company") approved in its meeting held via remote communication today, 17 August 2023, the annual audited financial statements for the year ended December 31, 2022 pursuant to the provisions of Revised Securities Regulation Code Rule 68.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

HEAD OFFICE: Phoenix Bulk Depot, Lanang, Davao City 8000 Philippines
Trunkline: +63 82 235 8888
Fax: +63 82 233 0168

MANILA OFFICE: 15th-17th Floors, UDENNA Tower, Rizal Drive cor. 4th Avenue, Bonifacio Global City, Taguig 1634 Philippines
Trunkline: +63 2 403 4013
Fax: +63 2 403 4009

CEBU OFFICE: Phoenix Maguikay Gasoline Station, M.C. Briones Street, National Highway, Maguikay, Mandaue City, Cebu 6014 Philippines
Telephone: +63 32 236 8168 / 236 8198

www.phoenixfuels.ph

17 August 2023

MARKETS AND SECURITIES REGULATION DEPARTMENT
SECURITIES AND EXCHANGE COMMISSION
7907 Makati Ave., Salcedo Village
Makati City

ATTN: **VICENTE GRACIANO P. FELIZMENIO, JR.**
Director
RE: Phoenix Petroleum Philippines Inc. Financial Statements

Dear Sir:

Please be advised that the Board of Directors of P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. (the "Company") approved in its meeting held via remote communication today, 17 August 2023, the annual audited financial statements for the year ended December 31, 2022.

In the preparation of the audited consolidated financial statements for the year ended December 31, 2022 of the Company and its subsidiaries (hereinafter referred to as the "Group"), the Company's Finance Group made certain retrospective changes, in accordance with Philippine financial reporting standards, to its consolidated financial statements for the prior years for purposes of presenting the comparative consolidated financials for such years (vs. 2022), due to the following:

(1) Change in accounting policy measuring the cost of its fuels and by-products and LPG inventory from weighted average cost to first-in first-out ("FIFO") method to properly reflect the flow of the Group's fuels and LPG inventories. The prior period adjustments resulted in the increase in inventories and decrease in cost of sales of ₱232.0 million in 2021, and decrease in inventories and increase in cost of sales of ₱339.9 million in 2020. Pursuant to Government encouraging regular, monthly or weekly, price adjustments as the case may be, given the market volatility brought about by the pandemic and the Global crisis and the Company's decision to move prices closer to market price to make it more competitive, the FIFO method would best match the change in fuel prices;

(2) Recognition of previously unrecognized right-of-use assets and lease liabilities from periods 2019 to 2021 for several leases related to store outlets of Philippine FamilyMart CVS, Inc.;

(3) Accrual of various expenses amounting to ₱106.7 million as of December 31, 2021; and,

(4) Reclassification of advances to a certain supplier amounting to ₱3,209.7 million to Trade and Other Receivables account, which was previously recognized as a deduction from the Trade and Other Payables account. The Company's Finance Group initially classified advances to a certain supplier as part of a Goods Receipt/Invoice Receipt (GRIR), a clearing account, under Trade and Payables account. In 2022, when the GRIR account resulted in a debit balance, the Company's Finance Group realized said advances should have already been reclassified. Upon further investigation and review of Management, the affected account was identified to be impaired due to the winding down of the supplier's business; hence, the impairment was taken up at the beginning of 2020, which is the earliest period presented in the audited consolidated financial statements for the period ended December 31, 2022. The reclassification and impairment of certain advances amounting to P3,209.7 million in prior years constitute changes to the affected accounts in the consolidated financial statements of the Group amounting to more than five percent (5%) of the original amounts for such accounts.

On August 11, 2023, the Company's External Auditor, pursuant to Philippine Standards on Auditing, reported to the Audit Committee the nature of the prior period adjustment arising from the impairment of the Company's adjustment arising from the impairment of the Company's advances to its suppliers for volume rebates in relation to item 4 of the above audit items. According to the External Auditor, during the 2016 audit, there was a long outstanding advance to (i.e. receivables from) certain supplier due to uncollected amount of volume rebates. Based on management assessment, such receivable is collectible in 2017.

However, in the 2017 audit, the outstanding advances to these suppliers were no longer reflected in the December 31, 2017 trial balance and schedule of Advances to Supplier on the basis of payment or settlement.

During the 2022 audit, Management informed the External Auditor of the prior period adjustment which are needed to present the comparative consolidated financials for such years (vs. 2022). Upon verification and review, the adjustment pertained to the long outstanding advances to certain supplier whose account was already reported by management as settled and collected in 2017. The settlement of these advances to suppliers however were recorded through multiple on-us checks (7 checks) aggregating the amount of Php3 billion sometime on May 30 and 31, 2017.

Pursuant to the recommendation of the External Auditor and in compliance with Section 68 of the SRC, the Board and Audit Committee discloses the above findings as material information.

In view of the foregoing findings, the Group intends to further take the following measures to prevent future occurrences:

(1) To conduct a comprehensive review of our financial reporting processes, including preparation, review, and approval process, and internal controls. This allows us to promptly investigate and address any issues that arise, preventing them from escalating into material errors. This review shall include:

- enhancing approval protocols across the Company and provide additional level of management review to ensure compliance with existing policies, propriety of accounting entries, and provide scrutiny of the financial statements for accuracy and completeness; and,

- implementing additional and more robust quality assurance procedures to verify the financial data before it is included in the financial statements. This includes improvement in the existing reconciliations and reporting processes, as well as conducting periodic audits. This allows us to promptly investigate and address any issues that arise, preventing them from escalating into material errors.

(2) To review key Finance, Accounting and Internal Audit personnel qualifications, and monitor and update further trainings to keep abreast with the latest accounting standards and regulations; and,

(3) To increase the frequency of monitoring and reporting to ensure that the issues in the financial reporting system are properly and timely addressed.

(4) To revisit key performance indicators applicable to the finance and internal audit teams; and,

(5) To conduct further verification and hold accountable certain personnel on the erroneous recording of entries pertaining to the above audit matters giving emphasis on accountability of officers and employees.

Should you require any additional information or have specific guidelines for us to follow, please do not hesitate to reach out to us thru our Officer In Charge - Chief Financial Officer, Ms. Ignacia S. Braga IV with email address igna.braga@phoenixfuels.ph.

Thank you and warm regards.

Very truly yours,

Dennis A. Uy
Chairman

Henry Albert R. Fadullon
President and CEO

Ignacia S. Braga IV
OIC-Chief Financial Officer

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

P-H-O-E-N-I-X Petroleum Philippines and Subsidiaries

December 31, 2022 and 2021
(With Corresponding Figures as of January 1, 2021)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

DENNIS A. UY
Chairman of the Board

HENRY ALBERT R. FADULLON
President & Chief Executive Officer

IGNACIA S. BRAGA IV
OIC-Chief Financial Officer

Signed this **17th** day of **August 2023**

REPUBLIC OF THE PHLIPPINES)
City of Davao) S.S.

SUBSCRIBED AND SWORN to before me on AUG 17 2023 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	TIN 172-020-135
Henry Albert R. Fadullon	TIN 121-511-156
Ignacia S. Braga IV	TIN 108-038-078

and that they further attest that the same are true and correct.

Doc. No. 164 ;
Page No. 34 ;
Book No. 135 ;
Series of 2023.

KENNETH L. DABI
NOTARY
Roll No. 47866
PUBLIC
Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2024
Serial No. 2023-020-2024
PTR No. 7774469 • 12-20-2022 • D.C.
IBP No. 241070 • 12-01-2022 • D.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

P&A Grant Thornton

Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

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6766 Ayala Avenue
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Philippines

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Report of Independent Auditors

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2022, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the impact of the Russia-Ukraine Conflict on the Group's business, continuing impact on the Group's consolidated financial statements of the business disruption brought by the COVID-19 pandemic, and the increasing liquidity risk arising from the Group's high debt-leveraged status. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

The Group's revenue is primarily generated from the sale of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized as revenue as the goods are delivered. The Group's total revenue for the year ended December 31, 2022 amounted to P127,551.5 million, of which, P125,404.3 million or 98.3% pertains to sale of goods.

The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues, particularly from sale of goods. In our view, revenue recognition is a key audit matter due to its significance to profit and high volume of revenue transactions. Relative to this, we consider that there is a higher risk associated with revenue occurrence and appropriate recognition of sales in the correct accounting period.

The Group's revenue recognition policy and disaggregation of revenues are disclosed in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy and procedures;

- Testing the operating effectiveness of internal controls, including information technology general and application controls, related to revenue recognition process;

- Reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- Performing sales cut-off procedures immediately before and after the year-end by examining the sales invoices as evidence of delivery to ensure that revenue was recognized in the correct period;

- Performing detailed revenue transaction testing by agreeing sample revenue items to supporting documents, including sales invoices, contracts and third party correspondence; and,

- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of revenues, verifying validity of the underlying data used in the analyses, and following up variances from our expectations.

(b) Impairment of Goodwill

Description of the Matter

The Group has recognized goodwill amounting to P4,412.0 million (net of allowance for impairment of P220.4 million) as of December 31, 2022. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of management process in assessing the recoverability of goodwill. In addition, the assumptions used in determining the cash-generating units (CGUs) where the goodwill is allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimation of future sales volume and prices, operating costs, terminal value, growth rates and discount rates.

The Group's disclosures about Goodwill and the policy are included in Notes 15 and 2, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs;

- Evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the estimates of future sales volume and prices, and operating costs as well as the discount rates used; and,

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

(c) Evaluation on Impairment of Investments in Joint Ventures, Property, Plant and Equipment, Investment Properties, and Right-of-Use Assets

Description of the Matter

In view of the continuing impact of COVID-19 pandemic, most health and safety restrictions have been relaxed and businesses have re-opened as of the end of 2022. However, just when the economic restrictions relaxes and recovery was on its way, in early 2022, the escalating geopolitical tensions in Europe caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines. Due to this, the Group's operations were significantly affected by lower fuel consumption of airlines, shipping lines, land transportation, and among others which resulted in a net loss of P5,620.6 million and P885.6 million in 2022 and 2021, respectively. These events and conditions are possible impairment indicators requiring evaluation of possible impairment of investments in joint ventures, property, plant and equipment, investment properties, and right-of-use assets, which involves judgment, estimation and assumptions on future operating results and cash flows, such as sales volume and prices, and the determination of a suitable discount rate to calculate the present value of those cash flows.

In addition, because of the lingering effects of the pandemic and geopolitical tensions, there is higher uncertainty on the future economic outlook and market outlook of the Group. Accordingly, evaluation on impairment of investments in joint ventures, property, plant and equipment, investment properties, and right-of-use assets with carrying values as of December 31, 2022 of P1,644.9 million, P32,797.1 million, P913.6 million, and P1,191.1 million, respectively, is a key audit matter.

The disclosures in relation to management's assessment of impairment of investments in joint ventures, property, plant and equipment, and right-of-use assets are included in Note 3.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of possible impairment of investments in joint ventures, property, plant and equipment, investment properties, right-of-use assets, and intangible assets other than goodwill included, among others, the following:

- Reviewing management's assessment of possible indicators of impairment on investments in joint ventures, property, plant and equipment, investment properties, and right-of-use assets in accordance with the requirements of PAS 36;

- Evaluating the appropriateness and reasonableness of assumptions used in estimating recoverable amounts of non-financial assets, such as projected cash flows, discount rates and length of forecast period;

- Comparing key assumptions against industry forecasts and with historical information; and,

- Reviewing the appropriateness of the Group's disclosures on impairment assessment of investments in joint ventures, property, plant and equipment, investment properties, and right-of-use assets.

(d) Prior Period Reclassification and Impairment of Advances to Supplier

Description of the Matter

In 2022, the Group made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2021 and 2020 comparative consolidated statements of financial position and 2021 and 2020 comparative consolidated statements of comprehensive income. These adjustments include reclassification to Trade and Other Receivables account of advances to certain supplier amounting to P3,209.7 million, which was previously recognized as deduction from the Trade and Other Payables account. The error occurred in 2017 when the Group erroneously classified advances to a certain supplier as part of Goods receipt/invoice receipt (GRIR), a clearing account, under Trade and Payables account, which was only identified in 2022 when the GRIR account resulted in a debit balance. Upon further investigation and review of management, the account was identified to be impaired since 2017 due to the winding down of the supplier's business. Accordingly, allowance for impairment on the full amount of the advances was recognized as of January 1, 2020, which is the beginning of the earliest period presented. The amount of the prior period error constitutes 17.1% of the balance of the Trade and Other Receivables account of P18,718.9 million as of December 31, 2022.

The disclosures on the nature of the prior period adjustments and the analysis of the impact on the affected accounts in the Group's consolidated financial statements are included in Note 2.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the prior period reclassification and impairment of advances to supplier included, among others, the following:

- Obtaining an understanding of the nature and root cause of the prior period adjustments;

- Performing detailed transaction testing by agreeing sample advances transactions to supporting documents, including supplier's credit memo, bank statements and third party correspondence to ascertain appropriateness of the adjustments;

- Reviewing management's assessment on the recoverability of the advances to evaluate the appropriateness of the allowance for impairment; and,

- Evaluating the adequacy of the financial statement disclosures.

(e) Going Concern Assessment

Description of the Matter

The Group incurred a net loss of P3,213.3 million for the year ended December 31, 2022 and reported a deficit of P1,544.7 million as of December 31, 2022. In our view, the management's assessment of the going concern basis of accounting is a key audit matter due to the following factors:

- As an independent trade and importer of fuel and oil, the Group, particularly the Parent Company, is heavily affected by the increasing prices of oil in the global market caused by the Russia-Ukraine conflict;

- Despite the easing of restrictions, most of the businesses are still recuperating from the adverse impact of the COVID-19 pandemic and are yet to resume pre-pandemic level of operations; and,

- The Group is highly debt-leveraged, which exposes the Group to increasing liquidity risk.

In consideration of the above, the management's assessment in determining whether a material uncertainty exists on the Group's ability to continue as a going concern entity involves complex judgment and high degree of estimation uncertainty. The management's assessment includes, among others, financial forecasts and cash flow projections to determine the Group's ability to operate profitably in the subsequent reporting periods and generate sufficient cash flows to service debts and fund its operations.

Taking into account the sensitivity analyses performed by the management, the Group has concluded that there are no material uncertainties around the going concern assumptions. The disclosures on the going concern assessment are included in Note 1 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risks related to the Group's ability to continue as a going concern included the following:

- Evaluating the appropriateness and sufficiency of management's going concern assessment, taking into consideration the current business environment and the Group's recovery and response plans;

- Evaluating key assumptions used by management by reference to historical information, after consideration of the actions undertaken and planned strategies of management in relation to the Group's operating and financing activities;

- Reviewing relevant documents and agreements supporting the transactions entered into by the Group as of the date of the audit report in relation to its recovery plans; and,

- Assessed the adequacy of the related disclosures in the notes to consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, which are expected to be made available to us after the date of the auditors' report, for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 16, 2023

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(With Corresponding Figures as of January 1, 2021)
(Amounts in Philippine Pesos)

	Notes	December 31, 2022	December 31, 2021 (As Restated - see Note 2)	January 1, 2021 (As Restated - see Note 2)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	6	P 4,180,736,772	P 4,903,236,346	P 5,788,390,677
Trade and other receivables - net	7	18,718,914,355	18,465,175,812	17,514,071,043
Inventories	8	1,448,973,140	5,099,866,600	5,109,202,043
Due from related parties - net	30	2,861,779	2,949,357	30,903,191
Restricted deposits	9	78,069,076	77,399,689	-
Input value-added tax - net	2	3,951,612,713	3,994,411,784	2,762,965,882
Derivative financial assets	22	96,513,941	-	-
Prepayments and other current assets	10	2,896,265,261	2,477,687,008	2,536,270,438
		31,373,947,037	35,020,726,596	33,741,803,274
Non-current asset classified as held for disposal	18	675,697,000	79,116,467	197,783,908
Total Current Assets		32,049,644,037	35,099,843,063	33,939,587,182
NON-CURRENT ASSETS				
Property, plant and equipment - net	11	32,797,051,654	33,914,517,315	32,707,550,060
Right-of-use assets - net	12	1,191,123,363	1,243,236,713	1,049,422,173
Investment properties - net	16	913,579,640	687,151,965	595,990,275
Intangible assets - net	13	142,330,029	238,152,265	278,730,290
Investments in joint ventures	14	1,644,897,326	1,763,313,036	1,635,399,566
Goodwill - net	15	4,412,034,206	4,632,397,418	4,632,397,418
Deferred tax assets - net	29	1,930,281,336	1,016,669,281	494,377,468
Other non-current assets	17	10,711,046,222	7,343,694,173	7,795,489,101
Total Non-current Assets		53,742,343,776	50,839,132,166	49,189,356,351
TOTAL ASSETS		P 85,791,987,813	P 85,938,975,229	P 83,128,943,533
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	19	P 29,203,788,366	P 24,628,533,067	P 29,804,188,527
Trade and other payables	21	19,285,458,425	18,902,836,720	12,337,205,260
Derivative financial liabilities	22	-	82,524,602	623,144,735
Lease liabilities	12	91,730,809	104,937,775	156,944,704
Income tax payable		97,093,775	-	56,610,267
Total Current Liabilities		48,678,071,375	43,718,832,164	42,978,093,493
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	19	19,624,220,044	21,508,069,843	18,439,188,606
Lease liabilities	12	1,259,611,713	1,274,583,335	1,108,272,143
Deferred tax liabilities - net	29	903,747,130	897,008,654	1,037,668,417
Other non-current liabilities	23	1,246,405,687	1,378,676,540	1,302,616,194
Total Non-current Liabilities		23,033,984,574	25,058,338,372	21,887,745,360
Total Liabilities		71,712,055,949	68,777,170,536	64,865,838,853
EQUITY	31			
Equity attributable to parent company				
Capital stock		1,456,716,332	1,456,415,332	1,453,477,232
Additional paid-in capital		10,886,771,041	10,884,918,470	10,862,198,461
Revaluation reserves		3,001,315,167	2,362,007,585	1,992,470,928
Retained earnings (deficit)		(1,544,703,677)	2,446,061,808	3,917,527,774
		13,800,098,863	17,149,403,195	18,225,674,395
Non-controlling interests		279,833,001	12,401,498	37,430,285
Total Equity		14,079,931,864	17,161,804,693	18,263,104,680
TOTAL LIABILITIES AND EQUITY		P 85,791,987,813	P 85,938,975,229	P 83,128,943,533

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021 (As Restated - see Note 2)	2020 (As Restated - see Note 2)
REVENUES				
Sale of goods	24	**P 125,404,250,781**	P 130,550,876,447	P 76,771,358,402
Fuel service and other revenues	24, 34	**1,941,388,786**	1,521,960,220	1,398,596,723
Rent income	23, 34	**205,889,621**	183,992,753	129,555,791
		127,551,529,188	132,256,829,420	78,299,510,916
COST AND EXPENSES				
Cost of sales and services	24	**121,864,541,352**	124,647,975,929	70,914,083,897
Selling and administrative expenses	25	**6,080,113,909**	5,681,264,601	5,726,278,521
Impairment losses on non-financial assets	25	**461,396,426**	-	-
Impairment losses on financial assets	25	**186,211,232**	-	82,210,745
		128,592,262,919	130,329,240,530	76,722,573,163
OTHER CHARGES (INCOME)				
Finance costs	26	**3,252,045,606**	3,721,024,169	2,060,622,589
Finance income	26	**(136,744,758)**	(79,062,813)	(359,793,768)
Fair value gains on investment properties	16	**(119,011,357)**	(86,838,000)	(42,779,542)
Equity share in net loss (income) of joint ventures	14	**92,809,946**	(19,861,739)	(94,862,696)
Others - net	7, 18, 27	**-**	790,618	(131,406,532)
		3,089,099,437	3,536,052,235	1,431,780,051
PROFIT (LOSS) BEFORE TAX		**(4,129,833,168)**	(1,608,463,345)	145,157,702
TAX INCOME	29	**916,569,234**	722,851,705	238,631,364
NET PROFIT (LOSS)		**(P 3,213,263,934)**	(P 885,611,640)	P 383,789,066
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Parent company		**(P 3,281,663,780)**	(P 881,979,485)	P 422,807,676
Non-controlling interests		**68,399,846**	(3,632,155)	(39,018,610)
		(P 3,213,263,934)	(P 885,611,640)	P 383,789,066
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to foreign subsidiaries	2	**P 280,256,183**	P 1,435,082	(P 87,219,875)
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land	11	**474,602,884**	445,022,305	1,194,480,257
Remeasurements of post-employment defined benefit obligation	27	**93,376,437**	17,250,952	(63,984,467)
Tax expense	29	**(141,994,830)**	(115,568,314)	(339,148,737)
		425,984,491	346,704,943	791,347,053
Other Comprehensive Income - net of tax		**706,240,674**	348,140,025	704,127,178
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 2,507,023,260)**	(P 537,471,615)	P 1,087,916,244
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Parent company		**(P 2,642,356,198)**	(P 512,442,828)	P 1,127,216,329
Non-controlling interests		**135,332,938**	(25,028,787)	(39,300,085)
		(P 2,507,023,260)	(P 537,471,615)	P 1,087,916,244
Basic Earnings (Loss) per share	32	**(P 2.69)**	(P 1.02)	P 0.02
Diluted Earnings (Loss) per share	32	**(P 2.69)**	(P 1.02)	P 0.02

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

		Capital Stock										
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Retained Earnings (Deficit)	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interests	Total Equity
Balance at January 1, 2022												
As previously reported		P 24,500,000	(P 10,000,000)	P 1,441,915,332	P -	P 1,456,415,332	P 10,884,918,470	P 2,362,007,585	P 5,763,700,576	P 20,467,041,963	P 12,401,498	P 20,479,443,461
Prior year adjustments	2	-	-	-	-	-	-	-	(3,317,638,768)	(3,317,638,768)	-	(3,317,638,768)
As restated		24,500,000	(10,000,000)	1,441,915,332	-	1,456,415,332	10,884,918,470	2,362,007,585	2,446,061,808	17,149,403,195	12,401,498	17,161,804,693
Transactions with owners:												
Cash dividends	31	-	-	-	-	-	-	-	(576,559,250)	(576,559,250)	-	(576,559,250)
Issuance of shares during the year	31	-	-	301,000	-	301,000	1,852,571	-	(443,890)	1,709,681	-	1,709,681
Total comprehensive income (loss) for the year:												
Net profit (loss)		-	-	-	-	-	-	-	(3,281,663,780)	(3,281,663,780)	68,399,846	(3,213,263,934)
Other comprehensive income		-	-	-	-	-	-	639,307,582	-	639,307,582	66,933,092	706,240,674
Change in ownership interests in a subsidiary that do not result in a loss of control		-	-	-	-	-	-	-	(132,098,565)	(132,098,565)	132,098,565	-
Balance at December 31, 2022		**P 24,500,000**	**(P 10,000,000)**	**P 1,442,216,332**	**P -**	**P 1,456,716,332**	**P 10,886,771,041**	**P 3,001,315,167**	**(P 1,544,703,677)**	**P 13,800,098,863**	**P 279,833,001**	**P 14,079,931,864**
Balance at January 1, 2021												
As previously reported		P 24,500,000	(P 10,000,000)	P 1,438,977,232	P -	P 1,453,477,232	P 10,862,198,461	P 1,992,470,928	P 6,815,756,881	P 21,123,903,502	P 37,430,285	P 21,161,333,787
Prior year adjustments	2	-	-	-	-	-	-	-	(2,898,229,107)	(2,898,229,107)	-	(2,898,229,107)
As restated		24,500,000	(10,000,000)	1,438,977,232	-	1,453,477,232	10,862,198,461	1,992,470,928	3,917,527,774	18,225,674,395	37,430,285	18,263,104,680
Transactions with owners:												
Cash dividends	31	-	-	-	-	-	-	-	(589,335,769)	(589,335,769)	-	(589,335,769)
Issuance of shares during the year	31	-	-	2,938,100		2,938,100	22,720,009	-	(3,251,311)	22,406,798	-	22,406,798
Share-based compensation	27	-	-	-	-	-	-	-	3,100,599	3,100,599	-	3,100,599
Total comprehensive income (loss) for the year:												
Net loss		-	-	-	-	-	-	-	(881,979,485)	(881,979,485)	(3,632,155)	(885,611,640)
Other comprehensive income (loss)		-	-	-	-	-	-	369,536,657	-	369,536,657	(21,396,632)	348,140,025
Balance at December 31, 2021		P 24,500,000	(P 10,000,000)	P 1,441,915,332	P -	P 1,456,415,332	P 10,884,918,470	P 2,362,007,585	P 2,446,061,808	P 17,149,403,195	P 12,401,498	P 17,161,804,693
Balance at January 1, 2020												
As previously reported		P 37,000,000	(P 10,000,000)	P 1,437,204,232	(P 344,300,000)	P 1,119,904,232	P 12,042,788,045	P 1,288,062,275	P 7,395,270,327	P 21,846,024,879	P 76,730,370	P 21,922,755,249
Prior year adjustments	2	-	-	-	-	-	-	-	(3,219,457,669)	(3,219,457,669)	-	(3,219,457,669)
As restated		37,000,000	(10,000,000)	1,437,204,232	(344,300,000)	1,119,904,232	12,042,788,045	1,288,062,275	4,175,812,658	18,626,567,210	76,730,370	18,703,297,580
Transactions with owners:												
Cash dividends	31	-	-	-	-	-	-	-	(683,341,723)	(683,341,723)	-	(683,341,723)
Issuance of shares during the year	31	-	-	1,773,000	-	1,773,000	13,710,416	-	(5,412,777)	10,070,639	-	10,070,639
Redemption of shares during the year	31	(12,500,000)	-	-	-	(12,500,000)	(1,237,500,000)	-	-	(1,250,000,000)	-	(1,250,000,000)
Sale of treasury shares	31	-	-	-	344,300,000	344,300,000	43,200,000	-	-	387,500,000	-	387,500,000
Share-based compensation	27	-	-	-	-	-	-	-	7,661,940	7,661,940	-	7,661,940
Total comprehensive income for the year:												
Net profit		-	-	-	-	-	-	-	422,807,676	422,807,676	(39,018,610)	383,789,066
Other comprehensive income		-	-	-	-	-	-	704,408,653	-	704,408,653	(281,475)	704,127,178
Balance at December 31, 2020		P 24,500,000	(P 10,000,000)	P 1,438,977,232	P -	P 1,453,477,232	P 10,862,198,461	P 1,992,470,928	P 3,917,527,774	P 18,225,674,395	P 37,430,285	P 18,263,104,680

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021 (As Restated - see Note 2)	2020 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 4,129,833,168)	(P 1,608,463,345)	P 145,157,702
Adjustments for:				
Interest expense on bank loans and other borrowings	26	1,817,952,279	2,265,042,096	1,849,005,676
Depreciation and amortization	25	1,559,505,019	1,339,959,556	1,374,341,866
Finance cost due to extended inventory settlement	26	961,874,854	946,210,274	-
Unrealized foreign exchange currency loss (gain) - net		601,841,271	(90,648,643)	6,018,831
Impairment losses on non-financial assets	25	461,396,426	-	-
Impairment losses on financial assets	25	186,211,232	-	82,210,745
Fair value gains on investment properties	16	(119,011,357)	(86,838,000)	(42,779,542)
Interest expense from lease liabilities	26	106,414,221	89,684,407	183,607,680
Equity share in net loss (income) of joint ventures	14	92,809,946	(19,861,739)	(94,862,696)
Interest income	26	(76,579,428)	(78,191,835)	(78,752,622)
Fair value gain on financial liabilities at fair value through profit or loss	22	(60,148,126)	(870,978)	(262,796,899)
Provision for loss on lost cylinders	11	-	50,474,762	42,528,021
Loss on retirement of property, plant and equipment	11	-	25,374,852	-
Gain on termination of right-of-use assets	12	-	17,871,388	(3,426,114)
Employee share options	27	-	3,100,599	7,661,940
Loss on non-current asset classified as held for disposal	18	-	286,428	-
Gain on disposal of property, plant and equipment	11	-	-	14,093,822
Operating profit before working capital changes		1,402,433,169	2,853,129,822	3,222,008,410
Increase in trade and other receivables		(428,928,353)	(967,683,229)	(1,622,362,838)
Decrease in inventories		22,865,331,943	27,424,232,058	25,895,562,904
Decrease (increase) in restricted deposits		(669,387)	(57,755,849)	56,202,661
Decrease (increase) in input value-added tax		42,799,071	(1,231,445,902)	142,912,739
Decrease (increase) in prepayments and other current assets		(418,578,254)	58,583,430	(683,987,827)
Decrease (increase) in other non-current assets		(3,367,352,049)	562,602,306	46,122,223
Increase (decrease) in trade and other payables		392,860,803	6,565,540,696	(2,716,136,577)
Increase (decrease) in other non-current liabilities		(3,771,008)	276,669,288	331,140,744
Cash generated from operations		20,484,125,935	35,483,872,620	24,671,462,439
Cash paid for income taxes		(35,205,400)	(112,278,453)	(59,605,034)
Net Cash From Operating Activities		20,448,920,535	35,371,594,167	24,611,857,405
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	11	(588,207,746)	(1,116,431,061)	(3,398,192,198)
Proceeds from disposal of property, plant and equipment		229,869,600	-	552,321,556
Acquisitions of investment properties	16	(107,416,318)	(4,323,690)	(285,056,535)
Interest received		76,579,428	58,547,995	48,663,207
Dividends received from joint ventures	14	27,149,397	22,520,000	12,808,304
Investments in joint ventures	14	(19,837,959)	(140,631,790)	(120,635,538)
Advances to related parties	30	(11,263,349)	(100,053)	(45,286,252)
Collections from related parties	30	10,802,682	27,914,809	15,584,888
Return of investment in a joint venture	14	9,530,830	4,507,149	-
Acquisitions of intangible assets	13	(3,735,523)	(1,549,017)	(14,529,820)
Advances for future subscription	17	-	(459,080,674)	(175,000,000)
Proceeds from disposal of non-current asset classifed as held for disposal	18	-	57,461,320	-
Net Cash Used in Investing Activities		(376,528,958)	(1,551,165,012)	(3,409,322,388)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings and lease liabilities	20	(23,720,981,873)	(57,639,629,168)	(52,765,176,613)
Proceeds from additional interest-bearing loans and borrowings	20	6,840,228,072	27,433,284,850	31,915,354,260
Interest paid		(3,337,578,101)	(3,932,310,197)	(2,839,321,018)
Payments of cash dividends	31	(576,559,250)	(589,335,769)	(683,341,723)
Redemption of shares of stock	31	-	-	(1,250,000,000)
Proceeds from sale of treasury shares	31	-	-	387,500,000
Proceeds from issuance of shares of stock	31	-	22,406,798	10,070,639
Net Cash Used in Financing Activities		(20,794,891,152)	(34,705,583,486)	(25,224,914,455)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(722,499,575)	(885,154,331)	(4,022,379,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,903,236,346	5,788,390,677	9,810,770,115
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 4,180,736,772	P 4,903,236,346	P 5,788,390,677

Supplemental Information on Non-cash Investing and Financing Activities:

1) In 2022, 2021 and 2020, the Group recognized right-of-use assets and lease liabilities both amounting to P69.1 million, P362.6 million and P81.8 million, respectively (see Notes 12 and 20). Further, the Group terminated certain leasehold rights with carrying value of P17.9 million and P245.2 million in 2021 and 2020, respectively (see Note 12). No similar transaction in 2022.

2) Interest payments amounting to P557.8 million, P721.1 million, and P1,183.5 million in 2022, 2021 and 2020, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11 and 19).

3) In 2022, the Group transferred certain land with carrying amount of P675.7 million, previously classified as Property, pland and equipment to Non-current Asset Classified as Held for Disposal (see Notes 16 and 18). In 2021 and 2020, the Group transferred certain retail service stations amounting to P83.2 million and P197.8 million, respectively, which was previously classified as Non-current Asset Classified as Held for Disposal to Property, Plant and Equipment.

4) The Group availed trust receipts from certain banks to settle its importation of inventories amounting to P19,338.1 million, P27,954.6 million and P18,634.6 million in 2022, 2021 and 2020, respectively (see Notes 8 and 20).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 40.84% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The Parent Company is presently engaged in trading of petroleum products on wholesale and retail basis and operating of gas stations, oil depots, storage facilities and allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPHI was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on May 31, 2006. PPHI's primary purpose is to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises. PPHI's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The ultimate parent is Udenna Corporation (UC), which is primarily organized to purchase, acquire, take over and manage all or any part of the rights, assets, business and property; undertake and assume the liabilities of any person, firm, association, partnership, syndicate of corporation; and to engage in the distribution, selling, importation, installation of pollution control devices, units and services, and all other pollution control related products and emission test servicing. The ultimate parent company's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The Parent Company has a total of 595 operating retail service stations, and a total of three service stations under construction as of December 31, 2022.

1.2 Other Corporate Information

The registered office and principal place of business of the existing subsidiaries and joint ventures, except those presented below and in the succeeding page, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

Subic Petroleum Trading and Transport (SPTT)	–	Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales
PNX Singapore Pte.Ltd. (PNX SG), PNX Energy International Holdings, Pte. Ltd. (PNX Energy) and PNX (Vietnam) Pte. Ltd. (PNX Vietnam)	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
Duta, Inc. (DUTA) and Kaparangan, Inc. (KAPA)	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Philippine FamilyMart CVS, Inc. (PFM)	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
Action.Able, Inc. (AAI)	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
Think.Able, Inc. (TAL)	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
Phoenix Asphalt Philippines, Inc. (PAPI) and Phoenix Southern Petroleum Corp. (PSPC)	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifactio Global City, Taguig City

PT Phoenix Petroleum Indonesia (Phoenix Indonesia)	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera,
Galaxi Petroleum Fuel, Inc. (Galaxi)	–	1846 FB Harrison Street Pasay City
Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)	–	No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam
JV Hauling and Trucking Cor. (JHTC)	–	Pookni Banal, San Pascual, Batangas
NGT Ventures Incorporated (NGTV)	–	Purok 1, Barangay Alasas, San Fernando City, Pampanga
Road Fuel Joint Transporter, Inc. (RFJTI)	–	Dona Pilar Don Julian Road Sasa, Davao City
Petrocontinental and Energy Corporation (PEC)	–	Fusion Station, Km7, Bangkal Davao City

1.3 Subsidiaries with Material Non-controlling Interests

The Group includes subsidiaries, PGV LLC and PNX SG, with material non-controlling interest (NCI) with details shown below.

	PGV LLC		
	2022	2021	2020
Proportion of ownership interest and voting rights held by NCI	**25.00%**	25.00%	25.00%
Profit (loss) allocated to NCI	**P 6,969,893**	P 6,646,014	(P 20,487,241)
Other comprehensive income (loss) allocated to NCI	**30,655,153**	21,396,632	(281,475)
Accumulated NCI	**30,775,842**	12,401,498	37,430,285

	PNX SG
	2022
Proportion of ownership interest and voting rights held by NCI	**15.00%**
Profit allocated to NCI	**P 80,680,658**
Other comprehensive income allocated to NCI	**36,277,936**
Accumulated NCI	**116,958,594**

No dividends were paid to the NCI in 2022, 2021, and 2020.

The summarized financial information of PGV LLC in 2022, 2021 and 2020 and PNX SG in 2022, before intragroup eliminations, are shown below and in the succeeding pages.

	PGV LLC		
	2022	2021	2020
Non-current assets	**P 348,898,353**	P 950,484,993	P 946,715,705
Current assets	**746,030,037**	297,097,678	361,498,377
Total assets	**P 1,094,928,390**	P 1,247,582,671	P 1,308,214,082
Non-current liabilities	**P 216,536,485**	P 178,230,448	P 145,535,076
Current liabilities	**803,687,070**	553,220,142	669,322,330
Total liabilities	**P 1,020,223,555**	P 731,450,590	P 814,857,406
Equity attributable to owners of the parent	**P 43,928,993**	P 503,730,583	P 455,926,391

	PGV LLC		
	2022	2021	2020
Non-controlling interest	**P 30,775,842**	P 12,401,498	P 37,430,285
Revenue	**P 4,831,988,123**	P 4,197,548,401	P 3,216,422,239
Profit (loss) for the year attributable to owners of the parent	**P 20,909,678**	P 19,938,043	(P 61,461,723)
Profit (loss) for the year attributable to NCI	**6,969,893**	6,646,014	(20,487,241)
Profit (loss) for the year	**27,879,571**	26,584,057	(81,948,964)
Other comprehensive income (loss) for the year	**122,620,615**	(85,586,529)	844,425
Total comprehensive income (loss) for the year attributable to owners of the parent	**112,875,140**	(44,251,854)	(60,617,298)
Total comprehensive income (loss) for the year attributable to NCI	**37,625,047**	(14,750,618)	(20,205,766)
Total comprehensive income (loss) for the year	**P 150,500,187**	(P 59,002,472)	(P 80,823,064)
Net cash from operating activities	**P 53,165,566**	P 15,419,085	P 20,594,729
Net cash from (used in) investing activities	**6,197,492**	18,593	(22,400,754)
Net cash used in financing activities	**(16,870,962)**	-	(4,151,564)
Net cash inflow (outflow)	**P 42,492,096**	P 15,437,678	(P 5,957,589)

	PNX SG
	2022
Non-current assets	**P 1,170,921,636**
Current assets	**6,617,231,015**
Total assets	**P 7,788,152,651**
Non-current liabilities	**P 439,138,277**
Current liabilities	**4,418,374,960**
Total liabilities	**P 4,857,513,237**
Equity attributable to owners of the parent	**P 2,813,680,820**
Non-controlling interest	**P 279,833,001**
Revenue	**P84,952,691,490**
Profit for the year attributable to owners of the parent	**P 457,190,396**
Profit for the year attributable to NCI	**80,680,658**
Profit for the year	**537,871,054**

	PNX SG 2022
Other comprehensive income for the year	241,852,904
Total comprehensive income for the year attributable to owners of the parent	205,574,969
Total comprehensive income for the year attributable to NCI	36,277,936
Total comprehensive income for the year	P 241,852,904
Net cash from operating activities	P 409,525,899
Net cash used in investing activities	(32,233,550)
Net cash used in financing activities	(882,121,214)
Net cash outflow	(P 504,828,865)

1.4 Subsidiaries, Joint Ventures and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, presented below and in the succeeding pages, which are all incorporated and domiciled in the Philippines or otherwise stated:

Subsidiaries/Joint Ventures	Explanatory Notes	Percentage of Ownership 2022	2021
Direct interest:			
Subsidiaries			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100.00%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100.00%**	100.00%
SPTT	(c)	**100.00%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	**100.00%**	100.00%
Duta	(f)	**100.00%**	100.00%
PFM	(g)	**100.00%**	100.00%
PNX Energy	(h)	**100.00%**	100.00%
Phoenix Pilipinas Gas and Power, Inc.	(i)	**100.00%**	100.00%
Phoenix Road Transport Pilipinas, Inc. (PNXRT)	(j)	**100.00%**	100.00%
PNX SG	(d)	**85.00%**	100.00%
AAI	(k)	**74.90%**	74.90%
TAL	(l)	**74.90%**	74.90%
Direct interest:			
Joint venture			
PAPI[2]	(m)	**40.00%**	40.00%
Indirect interest:			
Subsidiaries			
Kaparangan[1, 3]	(n)	**100.00%**	100.00%
PNX Vietnam[4]	(o)	**100.00%**	100.00%
PNX Indonesia[6]	(p)	**100.00%**	100.00%
PGV LLC[5]	(q)	**75.00%**	75.00%
Joint ventures			
Galaxi[7]	(r)	**51.00%**	51.00%
PSPC[7]	(s)	**49.00%**	49.00%
Top Concord Quality Petroleum Corp. (TCQPC)[7]	(t)	**-**	49.00%

Subsidiaries/Joint Ventures	Explanatory Notes	Percentage of Ownership 2022	2021
CJI Fuels Corp. (CJIFC)[7]	(u)	**49.00%**	49.00%
Firebird Evzon Fuels Corp. (FEFC)[7]	(v)	**49.00%**	49.00%
Eastan Prime Development Corporation (EPDC)[7]	(w)	**49.00%**	49.00%
Zae Falco Energy Corp. (ZFEC)[7]	(x)	**49.00%**	49.00%
Tarlac Black Gold Petroleum Corporation[7]	(y)	**49.00%**	49.00%
Abound Business Ventures Corporation[7]	(z)	**49.00%**	49.00%
F1rstEnergy Corp. (FEC)[7]	(aa)	**49.00%**	49.00%
JHTC[8]	(bb)	**49.00%**	49.00%
NGTV[9]	(cc)	**49.00%**	49.00%
RFJTI[8]	(dd)	**49.00%**	49.00%
PEC[7]	(ee)	**51.00%**	-

Notes:
1 Wholly-owned subsidiary of Duta
2 Joint venture of Parent Company
3 Duta and Kaparangan, collectively known as Duta Group
4 Subsidiary of PNX Energy
5 Subsidiary of PNX Vietnam
6 Subsidiary of PGMI
7 Joint venture of PPMI
8 Joint venture of PNXRT
9 Joint venture of PLPI

(a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

(b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).

(c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

(d) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark “FamilyMart” either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses.

(i) Incorporated on March 14, 2019 to engage in, conduct and carry on the business of selling, trading, on wholesale basis, natural gas and liquefied natural gas (LNG).

(j) Incorporated on February 19, 2020 to engage in and carry on the business of organizing, managing, administering, running, and supervising the operations and marketing of various kinds of services-oriented companies, such as petroleum service stations, hauling companies and such other companies desirous of strengthening and establishing their operation process, except management of funds, securities and portfolio of similar assets in managed entities.

(k) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(l) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(m) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

(n) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(o) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses.

(p) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia.

(q) Formerly known as Origin LPG (Vietnam) Limited Liability Company, was incorporated and licensed to conduct business under the laws of Vietnam on August 6, 2008 to engage in wholesale of solid, liquid, gas fuels and other related products.

(r) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(s) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

(t) Incorporated on July 15, 2019 to operate petroleum service stations in areas of Cotabato.

(u) Incorporated on July 31, 2019 to operate petroleum service stations in areas of Iloilo.

(v) Incorporated on August 28, 2019 to operate petroleum service stations in areas of South Luzon.

(w) Incorporated on August 28, 2019 to operate petroleum service stations in areas of Metro Manila.

(x) Incorporated on November 6, 2019 to operate petroleum service stations in Northern part and other areas of Luzon.

(y) Incorporated on February 20, 2020 to buy and sell on retail basis, refined petroleum, LPG, and various kinds of products; to operate, manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business.

(z) Incorporated on June 10, 2020 to buy and sell on retail basis, refined petroleum, LPG, and various kinds of products; to operate, manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business.

(aa) Incorporated on July 10, 2019 to buy and sell, on a retail basis, refined petroleum, LPG, and various kinds of products; , manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business, in the areas of Cebu.

(bb) Incorporated on November 21, 2019 to engage in the business of hauling services including but not limited to fuel products; to do and perform such other acts as necessary or incidental to the accomplishment of the foregoing corporate business.

(cc) Incorporated on January 29, 2021 to buy, refill, and sell LPG and various kinds of products; to operate, manage and carry out LPG refilling plants, selected dealership within an area as authorized by PLPI, and such other services necessary, incidental and complementary to the business; and to operate other LPG-related businesses that may complement the business of operating an LPG Plant Facility and, buy and sell such other merchandise, wares, goods, and services that may complement the business activities of the NGTVI. NGTVI started its commercial operation in May 2021.

(dd) Incorporated on November 26, 2020 to primarily engage in the business of hauling services including but not limited to fuel and petroleum products; To do and perform such other acts as necessary or incidental to the accomplishment of the foregoing corporate business and objects insofar as may be allowed by applicable laws and rules and regulations, including without limitation, to invest, own, or hold interest in similar business. In 2021, PNXRT paid the subscribed 8.9 million common shares and 18.8 million preferred shares of RFJTI.

(ee) Incorporated on January 29, 2021 to engage in, conduct and carry on the business of buying and selling, on retail basis, refined petroleum, LPG, and various kinds of products. PEC started its operations in January 16, 2022.

1.5 Impact of Russia-Ukraine Conflict on the Group's Business

In early January 2022, heightened volatility was noted in the oil and gas markets with the growing geopolitical tension between Russia and Ukraine. The feared risk materialized in late February 2022 when Russia invaded Ukraine, which caused the imposition of heavy economic sanctions on Russia by other nations. As Russia is the second largest crude oil exporter next to Saudi Arabia, expectedly these developments had significant consequence on markets. At its peak in the first half, crude oil benchmarks had risen more than 60% to historic highs, and as of the date of issuance of the consolidated financial statements, these volatile movements continue. Overall, the impact of the Russia and Ukraine conflict is far-reaching for world economies, markets, and businesses.

From historical lows in 2020 during the peak of the pandemic, global and domestic oil prices had begun to rebound in 2022. Advances in COVID-19 vaccines allowed economies and markets to re-open worldwide. However, the geopolitical tensions between Russia and Ukraine brought about oil and gas price volatility anew. By mid-2022, Brent crude climbed to a high of $123.70 per barrel from $87.22 per barrel at the start of the year. By the fourth quarter of 2022, prices dove and dropped erratically, before closing at $81.12 per barrel in December 2022.

The war between Russia and Ukraine only compounded what was already a significant time in history where the world was only emerging from an unprecedented COVID-19 pandemic. As the situation escalated through 2022, the crisis heavily weighed on global economies and highly affected interest rates, foreign exchange, commodities, and more. In the Philippines, the increase in oil prices drove up the value of foreign exchange as well, as the country imports approximately 90% of its oil requirements. The Philippine Peso has hit an all-time low of close to Php59 to $1 in late October 2022, dropping all the way from Php51 at the start of the year. In effect, as the peso plummets, imported goods become much more expensive.

Furthermore, domestic pump prices were seen to go up to as much as 30% this year – the highest since 2008. The skyrocketing fuel prices have impacted the country's inflation rate, which closed at a staggering 8.1% in December 2022, coming from 3.0% in January 2022. This will only further dampen consumption even as COVID-19 restrictions are eased to Alert Level 1 in the country.

As an independent trader and importer of fuel and oil, the Group, particularly the Parent Company, is heavily affected by the increasing prices of oil in the global market. While the high oil prices are expected to further drive the cost of sales and working capital requirements higher, its volatility has likewise driven losses in the Group's inventory management in 2022. Moving forward, the Group continues to exercise risk management measures in order to mitigate the impact. In addition, there are ongoing initiatives that will reduce the working capital requirement for the Group as well as by actively managing inventories and optimizing volume to maximize sales and profitability.

1.6 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic and the containment measures implemented by the Philippine Government disrupted domestic businesses and trade. Although the spread of the virus has abated, and most health and safety restrictions have been relaxed and businesses have re-opened, as of the end of 2022, the threat of new variants of the virus still remains. Just when the economic restrictions relaxes and recovery was on its way, in early 2022, the escalating geopolitical tensions in Europe caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines.

The double blow of the lingering effects of COVID-19 outbreak and the rising fuel prices hampered the anticipated economic and business recovery of the Group during the year. In response to these matters, the Group has taken the following actions:

- Kept most of its employees on a work from home (WFH) arrangement. However, staff at terminal and depot operations have now started to report to duty on a full-time basis. The HSE (Health, Safety, and Environment) Group, along with the Leadership, monitor and look after the physical and mental wellbeing of the employees;
- The Group sought preservation of its resources by keeping inventory at an optimal level while pursuing capital light supply models in order to mitigate the volatility of fuel prices. In 2022, the Group likewise scaled back its capital expenditures spending by 61%, while benefiting from the structural cost actions implemented years prior, which included streamlining supply chains and rationalization of road transport operations;
- Continued to build on its digital presence to further capture its customer needs under the 'new normal', banking on cashless payments at retail stations and PFM stores and online ordering and delivery for LPG, as well as the LIMITLESS app, the Group's lifestyle rewards program enjoyed through a free downloadable mobile application;
- Reduce non-essential capital expenditures and defer or cancel discretionary spending;
- Freeze non-urgent recruitment; and,
- Restructuring of debt with the Liability Management Exercise (LME) conducted by the Group with bankers and other financial institutions to refinance or restructuring and payment deferral of debt service.

Unfortunately, despite the Group's efforts to minimize the impact of the lingering effects of the pandemic and geopolitical tensions, in addition to streamlining its operations, there was a significant dip in revenue and volumes for 2022, driven by pricing volatility and constraints with its working capital. Drop in total domestic volumes by 57% was noted in 2022 against the previous year.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would start to churn in positive results of operations, as additional funds are raised and access to working capital is restored. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

1.7 Increasing Liquidity Risk Arising from the Group's High Debt-leveraged Status

The Group's current liabilities exceeded its current assets by P16,628.4 million and P8,619.0 million as of December 31, 2022 and 2021, respectively. To address the Group's increasing liquidity risk arising from its debt-leveraged status, the Group is pursuing various fundraising options, including private placements, stock rights and follow-on offerings. Also, the Group has been actively looking to sell and/or dispose of certain assets in order to generate the necessary cash to pay down its current and outstanding obligations. Part of the proceeds from these fundraising activities will be used to repay interest-bearing loans thus reducing annual principal and interest. Furthermore, the Group is currently conducting a liability management exercise with bankers, other financial institutions and suppliers for the refinancing or restructuring of existing obligations, which exercise is expected to be completed in the second half of 2023. Finally, UC is committed to providing additional capital from its own fundraising exercises, where part of the proceeds will be infused to the Group to address its working capital requirements.

1.8 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020), were authorized for issue by the Parent Company's Board of Directors (BOD) on August 16, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

In 2022, the Group made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2021 and 2020 comparative consolidated statements of financial position and 2021 and 2020 comparative consolidated statements of comprehensive income. Accordingly, the Group presents a third statement of financial position as of January 1, 2021, without related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

These adjustments were taken due to the following:

- Change in the Group's accounting policy to measure the cost of its fuels and by-products and LPG inventories from weighted average cost to first-in first-out (FIFO) method to accurately reflect the flow of the Group's fuels and LPG inventories. With the government mandating a weekly price adjustment, the FIFO method would best match the change in fuel prices;
- Recognition of previously unrecognized right-of-use assets and lease liabilities from periods 2019 to 2021 for several leases related to store outlets of PFM;
- Accrual of various expenses amounting to P137.0 million as of December 31, 2021; and,
- Reclassification to Trade and Other Receivables - net account of advances to certain supplier amounting to P3,209.7 million, which was previously recognized as deduction from the Trade and Other Payables account, and recognition of allowance for impairment on the full amount of the advances as of January 1, 2020, which is the beginning of the earliest period presented.

(i) The analysis of the impact on the affected accounts due to prior period adjustments in the Group's consolidated statements of financial position is presented below.

			Adjustments		
	Notes	As Previously Reported	Errors	Change in Policy	As Restated
December 31, 2021					
Changes in assets and liabilities:					
Inventories	8	P 4,991,935,017	P -	P 107,931,583	P 5,099,866,600
Right-of-use assets - net	12.1	1,009,821,339	233,415,374	-	1,243,236,713
Trade and other payables	21	(15,494,590,564)	(3,408,246,156)	-	(18,902,836,720)
Deferred tax liabilities – net	29	(917,125,517)	20,116,863	-	(897,008,654)
Lease liabilities	12.2	(1,108,664,678)	(270,856,432)	-	(1,379,521,110)
Net increase in assets and liabilities			(P 3,425,570,351)	P 107,931,583	
Change in equity:					
Retained earnings		(P 5,763,700,576)	P 3,425,570,351	(P 107,931,583)	(P 2,446,061,808)
December 31, 2020					
Changes in assets and liabilities:					
Inventories	8	P 4,769,315,701	P -	P 339,886,342	P 5,109,202,043
Right-of-use assets - net	12.1	792,829,159	256,593,014	-	1,049,422,173
Trade and other payables	21	(9,107,280,269)	(3,229,924,991)	-	(12,337,205,260)
Deferred tax liabilities – net	29	(1,053,700,775)	16,032,358	-	(1,037,668,417)
Lease liabilities	12.2	(984,401,017)	(280,815,830)	-	(1,265,216,847)
Net increase in assets and liabilities			(P 3,238,115,449)	P 339,886,342	
Change in equity:					
Retained earnings		(P 6,815,756,881)	P 3,238,115,449	(P 339,886,342)	(P 3,917,527,774)

(ii) The analysis of the affected line items in the consolidated statement of comprehensive income of the Group is shown below and in the succeeding page.

			Adjustments		
	Notes	As Previously Reported	Errors	Change in Policy	As Restated
December 31, 2021					
Changes in profit or loss:					
Sale of goods	24	P 130,578,125,203	(P 27,248,756)	P	P 130,550,876,447
Cost of sales and services	24.2	(124,416,021,170)	-	(231,954,759)	(124,647,975,929)
Selling and administrative expenses	25	(5,539,045,929)	(142,218,672)	-	(5,681,264,601)
Finance costs	26.1	(3,698,952,190)	(22,071,979)	-	(3,721,024,169)
Tax income	29	718,767,200	4,084,505	-	722,851,705
Increase in net loss			(P 187,454,902)	(P 231,954,759)	
Basic loss per share	29	(P 0.73)	(P 0.13)	(P 0.16)	(P 1.02)
Diluted loss per share	29	(P 0.73)	(P 0.13	(P 0.16)	(P 1.02)

	Notes	As Previously Reported	Adjustments: Errors	Adjustments: Change in Policy	As Restated
December 31, 2020					
Changes in profit or loss:					
Cost of sales and services	24.2	(P 71,253,970,239)	P -	P 339,886,342	(P 70,914,083,897)
Selling and administrative expenses	25	(5,719,729,358)	(6,549,163)	-	(5,726,278,521)
Finance costs	26.1	(2,036,728,910)	(23,893,679)	-	(2,060,622,589)
Tax income	29	226,846,303	11,785,061	-	238,631,364
Increase in net profit			(P 18,657,781)	(P 339,886,342)	
Basic earnings per share	29	P 0.34	(P 0.02)	(P 0.30)	P 0.02
Diluted earnings per share	29	P 0.34	(P 0.02)	(P 0.30)	P 0.02

(iii) The analysis of the affected line items in the consolidated statement of cash flows of the Group is shown below.

	As Previously Reported	Adjustments: Errors	Adjustments: Change in Policy	As Restated
December 31, 2021				
Changes in cash flows from operating activities:				
Loss before tax	P 1,184,969,179	P 191,539,407	P 231,954,759	P 1,608,463,345
Depreciation and amortization	(1,330,595,696)	(9,363,860)	-	(1,339,959,556)
Interest expense from lease liabilities	(67,612,428)	(22,071,979)	-	(89,684,407)
Decrease in inventories	(27,192,277,299)	-	(231,954,759)	(27,424,232,058)
Increase in trade and other payables	(6,387,219,530)	(178,321,166)	-	(6,565,540,696)
		(P 18,217,598)	P -	
Change in cash flow from financing activities:				
Repayments of interest-bearing loans and borrowings and lease liabilities	P 57,621,411,570	P 18,217,598	P -	P 57,639,629,168
Net effect on cash and cash equivalents		P -	P -	
December 31, 2020				
Changes in cash flows from operating activities:				
Loss (profit) before tax	P 164,285,799	P 30,442,841	(P 339,886,342)	(P 145,157,702)
Depreciation and amortization	(1,361,592,449)	(12,749,417)	-	(1,374,341,866)
Interest expense from lease liabilities	(159,714,001)	(23,893,679)	-	(183,607,680)
Decrease in inventories	(26,235,449,246)	-	339,886,342	(25,895,562,904)
		(P 6,200,255)	P -	
Change in cash flow from financing activities:				
Repayments of interest-bearing loans and borrowings and lease liabilities	(P 52,758,976,358)	P 6,200,255	P -	(P 52,765,176,613)
Net effect on cash and cash equivalents		P -	P -	

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.16), and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2022 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations - Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ’10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these amendments.

- PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no significant impact to the Group’s consolidated financial statements.

- PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group’s consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

- PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group’s policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group’s consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

- Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact are relevant to the Group’s consolidated financial statements:

    - PFRS 9 (Amendments), *Financial Instruments – Fees in the ’10 per cent’ Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other’s behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that are not Relevant to the Group

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Group's consolidated financial statements:

i. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments are not relevant to the Group:

   - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

   - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

i. PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

ii. PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

iii. PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

iv. PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

v. PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, joint ventures and non-controlling interests as follows.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when (i) it has power over the investee; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. The acquisition method is applied to account for acquired subsidiaries (see Note 2.13).

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) Investments in Joint Ventures

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to an entity whose economic activities are controlled jointly by the Group and by other venturers independent of the Group (joint venturers). Investment in a joint venture is accounted for under the equity method of accounting. Under this method, on initial recognition the investment in joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The Group's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The investments in joint ventures are subject to impairment testing (see Note 2.17).

(c) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and joint ventures as presented in Notes 1.2 and 14, respectively.

2.4 Current versus Non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Group is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Group's financial assets measured at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers, advances subject to liquidation and other receivables), Due from Related Parties, Restricted Deposits, Security deposits and Refundable rental deposits (presented as part of Prepayments and Other Current Assets and Other Non-Current Assets in the consolidated statement of financial position).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of comprehensive income as part of Other Charges (Income).

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the collectability of the future cash flows of the financial assets.

For trade and other receivables, and due from related parties, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

The Group determines whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), derivative financial liabilities, security deposits, customers' cylinder deposits and cash bond deposits (which are presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income, except for interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) which are capitalized as part of the cost of such asset (see Note 2.19).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognized in profit of loss. Derivative financial assets are set off against derivative financial liabilities and the net financial instruments are presented as either Derivative Financial Assets or Derivative Financial Liabilities in the consolidated statement of financial position (see Note 5.6).

Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as Unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent Income in the consolidated statement of comprehensive income.

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00%-79.00% of the acquisition cost of the cylinders. At the end of each reporting period, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.8). The reduction is recognized directly in the consolidated statement of comprehensive income as part of Fuel Service and Other Revenues.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. Effective January 1, 2022, the Group changed its accounting policy to measure the cost of its fuels and by-products and LPG inventories using the FIFO method. Previously, the Group measured the cost of these inventories using weighted average cost. For the remaining inventories, such as lubricants, merchandise and other inventories, cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.7 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

2.8 Property, Plant and Equipment

Land is measured at fair value less any impairment in value. As no finite useful life for land can be determined, related carrying amount are not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amounts, which are the fair values at the date of the revaluation, as determined by independent appraisers, less any accumulated impairment losses. Appraisal is made once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.5).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the consolidated statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves account is transferred to Retained Earnings account for the impairment, if any, relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves account relating to them are transferred to Retained Earnings account.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

LPG cylinders	30 years
Buildings, depot, plant and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Gasoline and LPG station equipment	1-5 years
Hauling and heavy equipment	1-5 years
Office furniture and equipment	1-3 years

LPG cylinders, which are circulating and are utilized by customers in their households or business premises, are presented at cost less accumulated depreciation and provision for losses on lost LPG cylinders. The Group performs an internal simulation and assessment of the quantity of LPG cylinders circulating and being stored in the market. A provision is provided for lost assets in accordance with the computed quantities. The assessment is conducted every other year and when the lost LPG cylinders are ascertained, the lost cylinders will be written-off.

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.19) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values' estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties, which include parcels of land and lot improvements, are properties held to earn rental income under operating lease, but not for sale in the ordinary course of business, use in services or for administrative purposes.

Land classified as investment property is accounted for under the fair value model. It is revalued every two years and is reported in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 5.5).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains (losses) from investment property as part of Other Charges (Income) in the consolidated statement of comprehensive income.

Lot improvements is stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs, less accumulated depreciation (except for land) and any impairment losses.

Depreciation of lot improvements is computed on a straight-line basis over the estimated useful life of five years. The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transfers from other accounts (such as property, plant and equipment) are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Gain or loss on disposal of investment property is recognized based on the difference between proceeds and carrying amount.

2.10 Intangible Assets

Intangible assets include acquired computer software licenses, software development costs, store franchise and basketball franchise, which are measured at cost less accumulated amortization and impairment in value, if any. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

The Group assessed the useful life of basketball franchise to be indefinite because this is expected to contribute to net cash flows indefinitely. The basketball franchise is not amortized but is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.17.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The store franchise relates to asset acquired from business combination with PFM. Such is for taking in the name and management know-how of the FamilyMart mark. Amortization is computed on a straight-line method over its estimated useful life of 10.50 years.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Non-current Asset Classified as Held for Disposal

Non-current asset classified as held for disposal includes retail service stations, depot, and land that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a non-current asset (or disposal group) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for disposal is measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for disposal are not subject to depreciation.

If the Group has classified an asset as held for disposal, but the criteria for it to be recognized as held for disposal are no longer satisfied, the Group shall cease to classify the asset as held for disposal.

The gain or loss arising from the disposal or remeasurement of held for disposal assets is recognized in profit or loss and included as part of Other Charges (Income) in the consolidated statements of comprehensive income.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting and pooling-of-interest method.

The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expenses as incurred and subsequent changes in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of the acquiree’s identifiable assets.

In cases wherein the accounting for the acquisition is not yet complete as of the end of the year, the fair value of the identifiable assets and liabilities are presented as provisional amounts and will be adjusted upon finalization of the valuation, which is expected to be completed within 12 months from the date of acquisition.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group’s interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

On the other hand, business combinations arising from acquisition and disposal of an entity under common control are accounted for under the pooling-of-interest method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, of if later, at the date that common control was established; for this purpose, comparative periods presented are restated. The assets and liabilities acquired are recognized in the consolidated financial statements at their carrying amounts; accordingly, no goodwill or gain on bargain purchase is recognized for the acquisition. Similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves.

2.14 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods (fuels and by-products, lubricants, LPG, and merchandise inventories) and from rendering into-plane, terminalling and hauling services.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(1) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(2) each party's rights regarding the goods or services to be transferred or performed can be identified;
(3) the payment terms for the goods or services to be transferred or performed can be identified;
(4) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(5) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

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

(a) *Sale of goods* – Sale of goods include fuel and by-products (such as CME), lubricants, LPG, and merchandise inventories. Revenue is recognized when the Group transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer.

(b) *Fuel service and other revenues* – Fuel service and other revenues mainly consist of hauling, into-plane services, management services, and transport services, is recognized over time and is based on a fixed agreed fee. These services are generally performed within the day. Invoices for services transferred are due upon receipt by the customer.

The Group presents a contract asset when performing services to a customer before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15*,* and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

The Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.16 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for PNX SG, PNX Energy, PNX Vietnam, which use the United States (U.S.) Dollars, PTPPI, which uses Indonesian Rupiah, and PGV LLC, which uses Vietnamese Dong, as functional currencies, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates that approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries, in which their functional currency are measured as stated in Note 2.16(a), are translated to Philippine pesos, to the Group's functional currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Revaluation Reserves account [see Note 2.23(d)].

On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are recognized under Translation Adjustment Related to Foreign Subsidiaries in the consolidated statements of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

The translation of the consolidated financial statements into Philippine peso should not be construed as a representation that the Singapore Dollar, Indonesian Rupiah and Vietnamese Dong amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.17 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, goodwill, investments in joint venture, right-of-use assets and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill and franchise with indefinite useful lives that are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The cash-generating units or groups of cash-generating units are identified according to operating segment.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and franchise with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.13), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and a defined contribution plan, and other employee benefits which are recognized as follows:

a) *Post-employment Defined Benefit Plan*

    A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets, if any, for funding the defined benefit plan have been acquired. Plan assets, if any, may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.
Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

d) *Profit-sharing and Bonus Plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group’s shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

f) Share-based Payments

The Parent Company grants share options to its qualified employees eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The share-based remuneration, if any, is recognized as an expense in profit or loss and the corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.20 Income Taxes

Tax income or expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities, the carrying amount of such properties is presumed to be recovered entirely through sale, unless the presumption is rebutted, that is when the land held for sale and development costs are held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.21 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies,* transactions amounting to 10% or more of the Group's total assets that were entered into with related parties, either individually or in aggregate over a twelve-month period, are considered material. All material related party transactions shall be approved by the majority of the BOD and shareholders. Attendance and votes of directors with personal interest in the transactions shall not be counted for the purposes of assessing the quorum and determining majority approval, respectively.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD and management committee responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 33, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.23 Equity

The components of the Group's equity include the following:

(a) Preferred and common stock represents the nominal value of shares that have been issued.

(b) Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

(c) Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. Additional paid-in capital is reduced by the amount in excess of par value of redeemed shares.

(d) Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's parcels of land under property, plant and equipment, remeasurements of post-employment defined benefit obligation, net of applicable taxes, and adjustments resulting from the translation of foreign currency-denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency (see Note 2.16).

(e) Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

(f) Non-controlling interests represent the portion of the net assets and profit not attributable to the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and changes in equity.

2.24 Deposit on Future Stock Subscription

Deposit on future stock subscription refers to the payment made by the Parent Company's stockholders that is intended to subscribe to the increase in the authorized capital. The said deposit cannot be directly credited to capital stock issued yet due to the pending approval by the SEC of the approved amendment to the Articles of Incorporation by increasing its authorized capital stock. Such payment is treated as part of Liabilities unless the Parent Company has complied with all the requirements set forth by the SEC under the Financial Reporting Bulletin No. 006 (as revised in 2022). Such requirements are as follows:

i. The unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract;
ii. There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Parent Company).;
iii. There is stockholders' approval of said proposed increase; and,
iv. The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

2.25 Earnings or Loss per Share

Basic earnings or loss per share is computed by dividing net profit attributable to common shareholders by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted earnings or loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements.
Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Fuel Services and Other Revenues

The Group determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. However, significant services are generally performed within the day.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

c) Determination of ECL of Financial Assets at Amortized Cost

The Group uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD (see Note 4.2).

The Group's internal credit rating for each customer is re-assessed when there are changes in credit limit and payment terms.

d) Evaluation of Business Model Applied in Managing Financial Instruments

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

e) Distinction between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as lessor. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant contingencies are presented in Note 34.

g) Determination of Qualifying Assets on Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its planned use when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

h) Distinction between Investment Properties and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

i) Joint Control of Entity in which the Group Holds More than 50%

Management considers that the Group does not have control of Galaxi and PEC even though the Group holds more than 50% each of the ordinary shares of these entities. In making judgment regarding its involvement in Galaxi and PEC management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Even though the Group has 51% shareholdings and appoints three out of five members of the directors for both entities, all decisions shall require affirmative votes of at least 75% and 80% of the directors and any variation in the business of Galaxi and PEC, respectively, shall require the mutual consent of the parties. Moreover, the joint venture (JV) partners of the Group are responsible in managing the day-to-day operations of the Galaxi and PEC.

j) *Impairment of Goodwill and Basketball Franchise*

The determination when the Group's goodwill is considered impaired requires significant judgment. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Based on the recent evaluation of information and circumstances affecting the Group's goodwill, management has determined that impairment loss is required to be recognized on the Group's goodwill in 2022, which is detailed in Note 15. In 2021 and 2020, the management has assessed that no impairment of goodwill is required to be recognized.

The determination when the Group's basketball franchise is considered impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the continuity and going concern status of the Philippine Basketball Association, changes in viewership of basketball leagues and the period over which the Group expects to benefit from holding the franchise, which include but are not limited to marketing and publicity, brand awareness and media mileage. Based on the recent evaluation of information and circumstances affecting the Group's basketball franchise, management has assessed that the basketball franchise is impaired, and an impairment loss amounting to P62.9 million is required to be recognized on the Group's basketball franchise in 2022. No impairment loss is required to be recognized in 2021 and 2020. Future changes in those information and circumstances might significantly affect the carrying amount of the basketball franchise disclosed in Note 13.

k) *Sale and leaseback transaction that does not qualify as sale per PFRS 15*

The Group applies the requirements in PFRS 15 in determining whether the sale in a sale and leaseback arrangement constitutes a sale of asset. The sale and leaseback agreement entered into by PNX SG contains a right to repurchase the vessel (call option), which does not give the buyer control over the asset due to its limited ability to direct the use of the vessel, and obtain substantially all of the remaining benefits from the vessel. PFRS 15 stipulates that if the contact of sale with call option is part of a sale and leaseback transaction, the transaction is accounted as financial liability in accordance with PFRS 9.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract, for new lease contracts. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, credit risk of the Group and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(*b*).

c) *Determination of Net Realizable Value of Inventories*

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories, as presented in Note 8, is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-use Assets, Intangible Assets and Investment Properties*

The Group estimates the useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties (land improvements) are reviewed periodically 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.

The carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and investment properties are analyzed in Notes 11, 12, 13 and 16, respectively. Based on management's assessment as of December 31, 2022 and 2021, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

e) *Fair Value Measurement of Property, Plant and Equipment and Investment Properties*

The Group's property, plant and equipment and investment properties include parcels of land, that are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

The amounts of revaluation and fair value gains recognized on parcels of land under property, plant and equipment and investment properties are disclosed in Notes 11 and 16, respectively.

f) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2022 and 2021 is disclosed in Note 29.

g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 27.3.

h) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that impairment losses are required to be recognized on the Group's goodwill, and intangible assets in 2022. There are no similar transactions in 2021 and 2020. However, no impairment losses are required to be recognized on the Group's investments in joint ventures, property, plant and equipment, investment properties and right-of-use assets in 2022, 2021 and 2020.

i) *Provision for Losses on Lost LPG Cylinders*

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

Provision for losses on lost LPG cylinders amounted to P50.5 million and P42.5 million in 2021 and 2020, respectively (see Note 11). There is no similar transaction in 2022 as management assessed that no provision for losses is required to be recognized.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

4.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

a) *Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars. The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents. The Group also has trade receivables and payables primarily denominated in Vietnamese Dong, as a result of the Group's acquisition of PGV LLC, which is situated in Vietnam. Financial instruments that are Indonesian Rupiah denominated are considered immaterial, hence, not included in the analyses in the succeeding page.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored. Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate follow:

	2022		
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**
Financial assets	**P 13,328,819,613**	**P5,764,460,943**	**P 587,823,828**
Financial liabilities	**(42,980,858,789)**	**(419,430,789)**	**(164,658,146)**
Net exposure	**(P 29,652,039,176)**	**P 5,345,030,154**	**P 423,165,682**

	2021		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Financial assets	P 19,123,020	P4,847,440,999	P 394,652,184
Financial liabilities	(6,334,675,463)	-	(166,465,089)
Net exposure	(P 6,315,552,443)	P4,847,440,999	P 228,187,095

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore dollar, and Vietnamese Dong exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99.00% confidence level.

	2022		
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**
Reasonably possible change in rate	**15.94%**	**21.74%**	**21.07%**
Effect in loss before tax	**(P 4,726,535,045)**	**P1,162,009,556**	**P 89,161,009**
Effect in equity after tax	**(3,544,901,284)**	**871,507,167**	**66,870,757**

	2021		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Reasonably possible change in rate	7.22%	12.04%	9.00%
Effect in profit before tax	(P 455,982,886)	P 583,631,896	P 25,936,839
Effect in equity after tax	(341,987,164)	437,723,922	19,452,629

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2022 and 2021, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 19). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-1.97% and +/-2.87% in 2022 and 2021, respectively for Philippine Peso. Short-term money placements and time deposits are tested on a reasonably possible change of +/-1.92% and +/-1.44% in 2022 and 2021. Banks loans subject to variable interest rates (or repricing) are tested on a reasonably possible change of +/-1.37% and +/-0.13% for Philippine peso in 2022 and 2021, respectively, and +/-0.89% and +/-0.14% in 2022 and 2021, respectively for U.S. dollar. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P587.2 million and +/-P37.6 million for the years ended December 31, 2022 and 2021, respectively, and equity after tax by +/-P436.4 million and +/-P26.3 million for the years ended December 31, 2022 and 2021, respectively.

c) *Other Price Risks*

The Group's market price risk arises from its purchases of fuels. It manages its risk arising from changes in market prices by monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts to manage the fluctuation of the fuel price.

The Group is also exposed to price risk arising from the current non-qualifying hedges – forward contracts entered into by PNX SG. Such instruments are used to mitigate the fluctuations of expected physical oil sales and purchases contracts. These instruments are fair valued by third-party brokers/banks using observable market data and other sources. In 2022 and 2021, fair value of the open derivative positions recorded within the financial instruments amounted to P96.5 million and P82.5 million, respectively (see Note 22). The impact of increase in prices, based on the volatility of global oil market prices, on profit or loss, net of Singapore statutory tax rate of 17%, in 2022 and 2021 is presented below.

	2022	2021
Reasonably possible increase in prices	**1.78%**	3.01%
Effect in loss before tax	**P 1,715,192**	P 2,483,991
Effect in equity after tax	**1,423,610**	2,061,713

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

The Group employs a range of policies and practices to mitigate credit risk. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, collaterals such as cash bonds, standby letter of credits, real estate mortgage and retail stations are received to mitigate credit risk. Estimates of fair values are based on the value of collaterals assessed at the time of first dealing with the customer and are updated and monitored periodically, e.g., annually for real estate properties and retail stations.

There is no change on the quality of the collateral held against the credit exposures, except for the fair value of the collaterals driven by the change in market conditions.

Estimate of the fair value of collateral held against trade and other receivables (excluding due from related parties) as of December 31 follows:

	2022	2021
Retail stations	**P 460,842,441**	P 460,261,245
Cash bond	**222,271,220**	245,352,846
Standby letter of credits	**112,942,353**	485,709,344
Real estate mortgage	**74,192,730**	74,192,730
	P 870,248,744	P 1,265,516,165

Retail stations held as collateral as of December 31, 2022 and 2021, relate to disposed retail stations to certain JVs in the following year. Based on the agreement of the parties, the Group's management has the discretion to reclaim the unpaid sold retail stations in the event that JVs are unable to pay the outstanding balances.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	6	**P 4,180,736,772**	P 4,903,236,346
Trade and other receivables – net*	7	**16,857,947,152**	15,160,567,319
Due from related parties - net	30.4	**2,861,779**	2,949,357
Construction bond**	10	**6,777,664**	6,777,664
Restricted deposits	9	**78,069,076**	77,399,689
Security deposits	10	**14,312,020**	249,647,969
Refundable rental deposits	10, 17	**844,431,730**	337,296,642
		P21,985,136,193	P20,737,874,986

**excluding certain advances to suppliers, advances subject to liquidation and other receivables*
***included as part of Others under Prepayments and Other Current Assets*

a) Cash and Cash Equivalents and Restricted Deposits

The credit risk for cash and cash equivalents and restricted deposits are considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corp. up to a maximum coverage of P0.5 million for every depositor per banking institution.

b) Trade and Other Receivables and Due from Related Parties

The Group applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all Trade and Other Receivables and Due from Related Parties. The Group's trade and other receivables and due from related parties are assessed individually or on a per customer basis.

The Group computes expected losses using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative loss rate. The Group's definition of Trade and Other Receivables and Due from Related Parties classification [known as Phoenix Risk Rating (PRR)] and corresponding credit risk ratings are presented below and in the succeeding page.

Phoenix Risk Rating (PRR)	**Description**		**Equivalent S&P Rating**	**S&P Loss Rate (%)**	
	Financial and Business Profiles	**Other Information**		**2022**	2021
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market.	BBB	**0.10 – 0.46**	0.11 – 0.47
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	**0.10 – 0.46**	0.11 – 0.47
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	**0.10 – 0.46**	0.11 – 0.47
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	**0.58 – 1.64**	0.54 – 1.58
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	**0.58 – 1.64**	0.54 – 1.58

<table>
<tr><th rowspan="2">Phoenix Risk Rating
(PRR)</th><th colspan="2">Description</th><th rowspan="2">Equivalent S&P
Rating</th><th colspan="2">S&P
Loss Rate (%)</th></tr>
<tr><th>Financial and Business Profiles</th><th>Other Information</th><th>2022</th><th>2021</th></tr>
<tr><td>PRR 1B</td><td>Counterparties with both average financial and business profile.</td><td>Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.</td><td>B</td><td>3.16 – 6.58</td><td>3.06 – 6.42</td></tr>
<tr><td>PRR 3C</td><td>Counterparties with an average financial profile and adequate business profile.</td><td rowspan="2">This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.</td><td>B</td><td>3.16 – 6.58</td><td>3.06 – 6.42</td></tr>
<tr><td>PRR 2C</td><td>Counterparties with a weak financial profile and adequate business profile.</td><td>B</td><td>3.16 – 6.58</td><td>3.06 – 6.42</td></tr>
<tr><td>PRR 1C</td><td>Counterparties with a weak financial profile and sustainable business profile.</td><td rowspan="3">Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.</td><td>CCC/C</td><td>100</td><td>100</td></tr>
<tr><td>PRR D</td><td>Counterparties with a weak financial profile and average business profile.</td><td>CCC/C</td><td>100</td><td>100</td></tr>
<tr><td>PRR F</td><td>Counterparties with both weak financial profile and business profiles.</td><td>CCC/C</td><td>100</td><td>100</td></tr>
</table>

The credit loss allowance provided as of December 31, 2022 and 2021 are as follows:

December 31, 2022

Trade and Other Receivables

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	**0.10 – 0.46**	**P 1,164,447,345**	**P 2,923,127**
PRR 2A	BBB	**0.10 – 0.46**	**870,222,571**	**1,016,458**
PRR 1A	BBB	**0.10 – 0.46**	**5,360,743,458**	**21,834,755**
PRR 3B	BB	**0.58 – 1.64**	**2,131,041,000**	**14,809,697**
PRR 2B	BB	**0.58 – 1.64**	**197,422,084**	**2,213,668**
PRR 1B	B	**3.16 – 6.58**	**6,276,431,258**	**211,362,485**
PRR 3C	B	**3.16 – 6.58**	**781,791,047**	**26,802,347**
PRR 2C	B	**3.16 – 6.58**	**373,732,542**	**16,921,616**
PRR 1C/D/F	CCC/C	**100**	**3,730,710,108**	**3,730,710,108**
			P 20,886,541,413	**P 4,028,594,261**

Due From Related Parties

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 1A	BBB	**0.10 – 0.46**	**P 285,700**	**P 286**
PRR 3B	BB	**0.58 – 1.64**	**634,077**	**5,094**
PRR 2B	BB	**0.58 – 1.64**	**544,643**	**8,932**
PRR 3C	B	**3.16 – 6.58**	**1,511,102**	**99,431**
			P 2,975,522	**P 113,743**

December 31, 2021 [As Restated – see Note 2.1*(b)*]

Trade and Other Receivables				
PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.11 – 0.47	P 2,296,349,501	P 2,515,958
PRR 2A	BBB	0.11 – 0.47	5,037,352,035	23,634,911
PRR 1A	BBB	0.11 – 0.47	3,627,747,553	16,996,328
PRR 3B	BB	0.54 – 1.58	1,235,336,412	15,627,669
PRR 2B	BB	0.54 – 1.58	237,892,754	2,993,016
PRR 1B	B	3.06 – 6.42	2,256,644,506	115,850,360
PRR 3C	B	3.06 – 6.42	656,992,314	37,205,649
PRR 2C	B	3.06 – 6.42	28,725,935	1,649,800
PRR 1C/D/F	CCC/C	100	3,671,589,131	3,671,589,131
			P 19,048,630,141	P 3,888,062,822

Due From Related Parties				
PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3B	BB	0.54 – 1.58	P 624,077	P 3,370
PRR 2B	BB	0.54 – 1.58	381,158	2,973
PRR 1B	B	3.06 – 6.42	286,919	11,620
PRR 3C	B	3.06 – 6.42	1,763,333	88,167
			P 3,055,487	P 106,130

During 2020, certain assumptions and estimation technique have been reviewed to consider the unprecedented impact of the COVID-19 pandemic. In this regard, the Group performed a credit review of certain customer accounts, particularly those belonging from the marine and power industries, to assess vulnerability arising from current economic conditions. The management has assessed these customers to lower credit rating to reflect the impact of COVID-19 in the assessment of ECL in 2020. Loss rates used in 2020 were also adjusted to consider the impact of the COVID-19 pandemic. Further, the Group has implemented strict collection policy, such as cash before delivery transactions, to its customers to minimize risk of not recovering receivables.

In 2022 and 2021, the management has assessed that the published S&P Global Rating already considered the continuing effects of COVID-19 on economic conditions and credit.

c) *Security Deposits*

The credit risk for security deposits is considered negligible due to low credit risk, as these pertain to the refundable foreign-currency-denominated cash collateral placed in relation to the forward contracts entered into by PNX SG (see Notes 10 and 22).

d) *Refundable Rental Deposits*

The credit risk for refundable rental deposits is considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

4.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2022, the Group's financial liabilities (except lease liabilities – see Note 12.2) have contractual maturities, which are summarized as follows:

	Current		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans and borrowings	P 29,173,486,432	P 2,082,422,427	P 19,711,935,489	P 3,300,430,733
Trade and other payables (excluding tax-related payables)	2,143,729,883	17,141,728,542	-	-
Security deposits	62,269,739	31,141,570	72,913,060	-
Customers' cylinder deposits	-	-	-	864,858,470
Cash bond deposits	-	-	-	62,356,616
	P 31,379,486,054	**P 19,255,292,539**	**P 19,784,848,549**	**P 4,227,645,819**

As of December 31, 2021, the Group's financial liabilities (except lease liabilities – see Note 12.2) have contractual maturities, which are summarized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P 25,527,000,149	P 887,091,159	P 16,082,643,912	P 4,538,913,612
Trade and other payables (excluding tax-related payables)	698,126,662	13,344,929,959	-	-
Derivative financial liabilities	82,524,602	-	-	-
Security deposits	-	-	205,221,552	-
Customers' cylinder deposits	-	-	-	839,688,099
Cash bond deposits	-	-	-	60,655,443
	P 26,307,651,413	P 14,232,021,118	P 16,287,865,464	P 5,439,257,154

5. CATEGORIES, FAIR VALUE MEASUREMENTS AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are presented below.

		2022		2021	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values [As Restated – See Note 2.1(b)]	Fair Values [As Restated – See Note 2.1(b)]
Financial Assets					
Financial assets at FVTPL –					
Derivative financial assets	22	**P 96,513,941**	**P 96,513,941**	P -	-
Loans and receivables:					
Cash and cash equivalents	6	**4,180,736,772**	**4,180,736,772**	4,903,236,346	4,903,236,346
Trade and other receivables-net*	7	**16,857,947,152**	**16,857,947,152**	15,160,567,319	15,160,567,319
Due from related parties	30.4	**2,861,779**	**2,861,779**	2,949,357	2,949,357
Construction bond**	10	**6,777,664**	**6,777,664**	6,777,664	6,777,664
Restricted deposits	9	**78,069,076**	**78,069,076**	77,399,689	77,399,689
Security deposits	10	**14,312,020**	**14,312,020**	249,647,969	249,647,969
Refundable deposits	10,17	**844,431,730**	**844,431,730**	337,296,642	337,296,642
		P 22,081,650,134	**P 22,081,650,134**	P 23,947,617,477	P 23,947,617,477
Financial Liabilities					
Financial liabilities at FVTPL –					
Derivative financial liabilities	22	**P -**	**P -**	P 82,524,602	P 82,524,602
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	19	**48,828,008,410**	**47,687,230,205**	46,136,602,910	44,633,730,434
Trade and other payables***	21	**19,092,493,737**	**19,092,493,737**	18,902,836,720	18,902,836,720
Lease liabilities	12	**1,351,342,522**	**1,388,644,173**	1,379,521,110	1,127,379,011
Customers' cylinder deposits	23	**864,858,470**	**644,614,320**	839,688,099	611,635,184
Security deposits	21,23	**166,324,369**	**154,390,227**	205,221,552	167,091,835
Cash bond deposits	23	**62,356,616**	**45,678,323**	60,655,443	44,181,885
Contract liability	23	**22,694,681**	**20,355,250**	-	-
		P 70,388,078,805	**P 69,033,406,235**	P 67,607,050,436	P 65,569,379,671

** Excluding certain advances to suppliers, advances subject to liquidation and other receivables*
*** Included as part of Others under Prepayments and Other Current Assets*
****Excluding tax-related payables*

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3 Financial Instruments Measurement at Fair Value

PNX SG entered into forward contracts which are not traded in active markets. These contracts have been fairly valued using observable forward commodity rates corresponding to the maturity of the contracts by third party broker or banks. The effects of non-observable inputs are not significant for forward contracts.

The fair value of derivative financial assets amounting to P96.5 million and financial liabilities amounting to P82.5 million as of December 31, 2022 and 2021, respectively, is included in Level 2.

5.4 Fair Value Hierarchy of Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

		2022			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 4,180,736,772	P -	P -	P 4,180,736,772
Trade and other receivables	7	-	-	16,857,947,152	16,857,947,152
Due from related parties	30.4	-	-	2,861,779	2,861,779
Construction bond	10	-	-	6,777,664	6,777,664
Restricted deposits	9	78,069,076	-	-	78,069,076
Security deposits	10	-	-	14,312,020	14,312,020
Refundable deposits	10,17	-	-	844,431,730	844,431,730
		P 4,258,805,848	**P -**	**P 17,726,330,345**	**P 21,985,136,193**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	19	P -	P -	P 47,687,230,205	P 47,687,230,205
Trade and other payables	21	-	-	19,092,493,737	19,092,493,737
Lease liabilities	12	-	-	1,388,644,173	1,388,644,173
Customers' cylinder deposits	23	-	-	644,614,320	644,614,320
Security deposits	23	-	-	154,390,227	154,390,227
Cash bond deposits	23	-	-	45,678,323	45,678,323
Contract liability	23	-	-	20,355,250	20,355,250
		P -	**P -**	**P 69,033,406,235**	**P 69,033,406,235**

		2021 [As Restated – See Note 2.1(b)]			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 4,903,236,346	P -	P -	P 4,903,236,346
Trade and other receivables	7	-	-	15,160,567,319	15,160,567,319
Due from related parties	30.4	-	-	2,949,357	2,949,357
Construction bond	10	-	-	6,777,664	6,777,664
Restricted deposits	9	77,399,689	-	-	77,399,689
Security deposits	10	-	-	249,647,969	249,647,969
Refundable deposits	10,17	-	-	337,296,642	337,296,642
		P 4,980,636,035	P -	P 18,966,981,442	P 23,947,617,477
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	19	P -	P -	P 44,633,730,434	P 44,633,730,434
Trade and other payables	21	-	-	18,902,836,720	18,902,836,720
Lease liabilities	12	-	-	1,127,379,011	1,127,379,011
Customers' cylinder deposits	23	-	-	611,635,184	611,635,184
Security deposits	23	-	-	167,091,835	167,091,835
Cash bond deposits	23	-	-	44,181,885	44,181,885
		P -	P -	P 65,486,855,069	P 65,486,855,069

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates their fair values.

5.5 Fair Value Measurement for Non-financial Assets

The fair values of the Group's parcels of land, included as part of Property, Plant and Equipment and Investment Properties accounts, were determined based on the appraisal reports of Asian Appraisal Company, Inc. and Cuervo Appraisers, Inc., respectively, who are professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the properties. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of the parcels of land for both recognized under property, plant and equipment and investment properties was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

5.6 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2022					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables*	P 16,857,947,152	P -	P 16,857,947,152	(P 630,181,837)	(P 62,356,616)	P 16,165,408,699
Derivative financial asset	1,592,172,046	(1,495,658,104)	96,513,941	96,513,941	-	-
Security deposits	14,312,020	-	14,312,020	(14,312,020)	-	-
Total	**P 18,464,431,218**	**(P1,495,658,104)**	**P 16,968,773,113**	**(P 547,979,916)**	**(P 62,356,616)**	**P 16,165,408,699**

	December 31, 2021					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables*	P 15,160,567,319	P -	P 15,160,567,319	(P 907,821,505)	(P 60,655,443)	P 14,192,090,371
Derivative financial asset	215,585,359	(215,585,359)	-	-	-	-
Security deposits	249,647,969	-	249,647,969	(249,647,969)	-	-
Total	P 15,625,800,647	(P 215,585,359)	P 15,410,215,288	(P 1,157,469,474)	(P 60,655,443)	P 14,192,090,371

* *Excluding certain advances to suppliers, advances subject to liquidation and other receivables*

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2022					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 48,828,008,410	P -	P 48,828,008,410	(P 630,181,837)	P -	P 48,197,826,573
Derivative financial liabilities	1,495,658,104	(1,495,658,104)	-	-	-	-
Security deposits	72,913,060	-	72,913,060	-	(72,913,060)	-
Cash bond deposits	62,356,616	-	62,356,616	-	(62,356,616)	-
Total	**P 50,458,936,190**	**(P1,495,658,104)**	**P48,963,278,086**	**(P 630,181,837)**	**(P 135,269,676)**	**P 48,197,826,573**

	December 31, 2021					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 46,136,602,910	P -	P 46,136,602,910	(P 907,821,505)	P -	P 45,228,781,405
Derivative financial liabilities	298,109,961	(215,585,359)	82,524,602	(82,524,602)	-	-
Security deposits	205,221,552	-	205,221,552	-	(205,221,552)	-
Cash bond deposits	60,655,443	-	60,655,443	-	(60,655,443)	-
Total	P 46,700,589,866	(P 215,585,359)	P46,485,004,507	(P 990,346,107)	(P 265,876,995)	P 45,228,781,405

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements presented above, each agreement between the Group and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2022	2021
Short-term placements	**P 2,138,251,986**	P 3,429,201,162
Cash in banks	**2,020,092,157**	1,457,430,275
Revolving fund	**7,986,790**	10,107,567
Cash on hand	**14,405,839**	6,497,342
	P 4,180,736,772	P 4,903,236,346

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P23.3 million, P22.6 million, and P48.7 million in 2022, 2021 and 2020, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.2).

The balances of cash in banks as of December 31, 2022 and 2021 exclude restricted time deposits totalling to P78.1 million and P77.4 million, respectively, which are shown as Restricted Deposits account (see Note 9) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the trust receipt agreements (see Notes 9 and 19.1).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2022**	2021 [As Restated - see Note 2.1*(b)*]
Trade receivables:			
Third parties		**P 4,789,789,664**	P 5,467,332,789
Related parties	30.1	**3,456,503,840**	3,399,454,659
		8,246,293,504	8,866,787,448
Advances to suppliers:			
Third parties		**4,329,541,948**	4,083,512,277
Related parties	30.2, 30.11	**712,184,376**	2,376,381,083
		5,041,726,324	6,459,893,360
Non-trade receivables:			
Third parties	14.2, 34.4(*b*)	**3,333,967,368**	2,405,845,389
Related parties	17, 30.1, 30.6, 30.9, 30.10, 30.12	**6,096,538,050**	4,566,254,813
		9,430,505,418	6,972,100,202
Advances subject to liquidation		**7,943,166**	8,824,371
Other receivables		**21,040,204**	45,633,253
		22,747,508,616	22,353,238,634
Allowance for impairment		**(4,028,594,261)**	(3,888,062,822)
		P 18,718,914,355	P18,465,175,812

Trade and other receivables generally do not bear any interest. All receivables are subject to credit risk (see Note 4.2).

As of December 31, 2022 and 2021, the trade receivables of PLPI amounting to P630.2 million and P907.8 million, respectively, are included as security for loan availed by PLPI in 2020 [see Note 19.2*(a)*]. These receivables are due within 10 to 60 days after the date of delivery. Portion of the collateralized trade receivables amounting to P95.8 million and P141.8 million as of December 31, 2022 and 2021, respectively, were assessed to be impaired.

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through installments as stated in the terms and conditions of the agreement. As of December 31, 2022 and 2021, the balances of receivables under DPA amounted to P52.5 million and P110.5 million, respectively, and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the consolidated statements of financial position. There are no non-current trade receivables as of those years.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions enumerated below.

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtains any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

A reconciliation of the allowance for impairment of trade and other receivables (excluding advances to suppliers and advances subject to liquidation) at the beginning and end of 2022 and 2021 is shown below.

	Notes	2022	2021 [As Restated – see Note 2.1*(b)*]
Balance at beginning of year		**P 3,888,062,822**	P 3,944,126,918
Impairment loss for the year	25	**186,132,765**	-
Written-off during the year		**(45,773,985)**	(1,714,165)
Reclassification	30.4	**172,659**	(139,078)
Recovery of bad debts		**-**	(54,210,853)
Balance at end of year	4.2	**P 4,028,594,261**	P 3,888,062,822

Impairment losses amounting to P186.1 million and P81.5 million in 2022 and 2020, respectively, are presented as part of Impairment losses on financial assets in the 2022 and 2020 consolidated statements of comprehensive income (see Note 25). No similar transaction in 2021. In 2021, recovery of bad debts amounting to P54.2 million, net of impairment losses of P77.8 million, is presented as part of Others – net under Other Charges (Income) in the statements of comprehensive income.

The written-off accounts are not subject to any enforcement activity, nor the Group expects any collections from these accounts.

8. INVENTORIES

The breakdown of inventories, which are all stated at cost, are as follows:

	Note	2022	2021 [As Restated - see Note 2.1*(b)*]
Fuels and by-products		**P 1,070,876,702**	P 4,692,691,632
LPG		**196,017,305**	173,625,260
Lubricants		**53,487,350**	110,360,901
Merchandise		**20,912,491**	63,709,858
Others		**107,679,292**	59,478,949
	24.2*(b)*	**P 1,448,973,140**	P 5,099,866,600

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P1,070.0 million and P4,740.8 million as of December 31, 2022 and 2021, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 19.1).

There was no inventory write-down in 2022 and 2021.

An analysis of the cost of inventories included in the cost of fuels, lubricants, LPG and merchandise sold in each year is presented in Note 24.2*(b)*.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities and trust receipts covered by hold-out agreements (see Notes 6 and 19.1) amounting to P78.1 million and P77.4 million as of December 31, 2022 and 2021, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities and trust receipts by the Group are used for the purpose of purchasing liquefied petroleum products.

Interest rates for this type of deposit range from 0.80% to 3.68% per annum for 2022, 2021 and 2020. Interest income earned from restricted deposits amounted to P7.1 million, P19.6 million, and P1.7 million in 2022, 2021 and 2020, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 26.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31 is shown below.

	Notes	2022	2021
Prepayments	30.3	**P 1,273,809,320**	P 751,434,389
Creditable withholding tax		**1,166,473,695**	877,804,862
Supplies		**229,235,033**	290,741,707
Refundable rental deposits	17	**184,945,200**	191,793,238
Security deposits		**14,312,020**	249,647,969
Others		**27,489,993**	116,264,843
		P 2,896,265,261	P 2,477,687,008

Security deposits pertain to the foreign currency-denominated cash collateral placed by PNX SG with Admis Singapore Pte. Ltd., in case unrealized loss on fuel-related derivatives exceeds the credit line and minimum transfer amount of PNX SG, in connection with the forward contracts entered into by PNX SG (see Note 22).

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2022 and 2021 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Vessel	Land	Construction in Progress	Total
December 31, 2022											
Cost or revalued amount	P 19,619,896,387	P 1,306,081,160	P 8,279,847,921	P 3,511,615,847	P 616,201,560	P 1,106,079,803	P 142,845,596	P 677,338,728	P 7,375,558,102	P 2,102,833,007	P 44,738,298,111
Accumulated depreciation, amortization and impairment	(5,235,109,160)	(440,480,424)	(3,186,063,198)	(1,522,269,511)	(479,009,653)	(719,412,982)	(108,888,101)	(250,013,428)	-	-	(11,941,246,457)
Net carrying amount	**P 14,384,787,227**	**P 865,600,736**	**P 5,093,784,723**	**P 1,989,346,336**	**P 137,191,907**	**P 386,666,821**	**P 33,957,495**	**P 427,325,300**	**P 7,375,558,102**	**P 2,102,833,007**	**P 32,797,051,654**
December 31, 2021											
Cost or revalued amount	P 14,858,389,165	P 1,004,192,418	P 5,924,907,799	P 3,470,950,316	P 615,833,198	P 1,000,624,377	P 121,052,064	P 677,338,729	P 7,483,681,469	P 8,840,697,449	P 43,997,666,984
amortization and impairment	(4,364,740,478)	(390,841,689)	(2,840,686,461)	(1,177,609,248)	(430,318,571)	(627,314,074)	(104,797,528)	(146,841,620)	-	-	(10,083,149,669)
Net carrying amount	P 10,493,648,687	P 613,350,729	P 3,084,221,338	P 2,293,341,068	P 185,514,627	P 373,310,303	P 16,254,536	P 530,497,109	P 7,483,681,469	P 8,840,697,449	P 33,914,517,315
January 1, 2021											
Cost or revalued amount	P 11,408,286,921	P 457,259,882	P 5,726,398,945	P 3,235,596,774	P 642,272,955	P 729,226,293	P 121,639,917	P 677,338,728	P 7,036,426,556	P 11,613,844,380	P 41,648,291,351
Accumulated depreciation, amortization and impairment	(3,836,412,742)	(292,723,549)	(2,527,271,325)	(1,084,081,008)	(392,405,005)	(583,951,354)	(101,038,817)	(122,857,491)	-	-	(8,940,741,291)
Net carrying amount	P 7,571,874,179	P 164,536,333	P 3,199,127,620	P 2,151,515,766	P 249,867,950	P 145,274,939	P 20,601,100	P 554,481,237	P 7,036,426,556	P 11,613,844,380	P 32,707,550,060

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of property, plant and equipment is shown below and in the succeeding page.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Vessel	Land	Construction in Progress	Total
Balance at January 1, 2022 net of accumulated depreciation and amortization	P 10,493,648,687	P 613,350,729	P 3,084,221,338	P 2,293,341,068	P 185,514,627	P 373,310,303	P 16,254,536	P 530,497,109	P 7,483,681,469	P 8,840,697,449	P33,914,517,315
Additions	5,932,476	1,014,274	281,100,992	69,579,000	1,240,913	8,110,497	-	-	72,828,116	706,152,446	1,145,958,714
Revaluation increments	-	-	-	-	-	-	-	-	474,602,884	-	474,602,884
Transfers (see Note 18)	(290,358,502)	-	62,647,504	-	(965)	(3,219,570)	-	-	(365,649,000)	-	(596,580,533)
Impairment losses on non-financial assets (see Notes 18 and 25)	(166,856,826)	-	(9,464,021)	-	(555)	(1,850,152)	-	-	-	-	(178,171,554)
Cost of asset retired	-	(1,024,187)	(256,360,634)	-	(5,724,868)	(17,873,692)	-	-	-	(3,366,556)	(284,349,937)
Accumulated depreciation of asset retired	-	-	37,091,419	-	5,631,234	11,757,684	-	-	-	-	54,480,337
Depreciation and amortization charges for the year	(703,511,856)	(49,462,649)	(373,004,135)	(119,914,697)	(53,779,154)	(102,006,440)	(4,090,573)	-	-	-	(1,405,769,504)
Translation adjustment		(176,086)	-	(223,745,566)	(542,607)	-	-	(103,171,809)	-	-	(327,636,068)
Reclassification	5,045,933,248	301,898,655	2,267,552,260	(29,913,469)	4,853,282	118,438,191	21,793,532	-	(289,905,367)	(7,440,650,332)	-
Balance at December 31, 2022 net of accumulated depreciation and amortization	**P 14,384,787,227**	**P 865,600,736**	**P 5,093,784,723**	**P 1,989,346,336**	**P 137,191,907**	**P 386,666,821**	**P 33,957,495**	**P 427,325,300**	**P 7,375,558,102**	**P 2,102,833,007**	**P32,797,051,654**

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Vessel	Land	Construction in Progress	Total
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 7,571,874,179	P 164,536,333	P 3,199,127,620	P 2,151,515,766	P 249,867,950	P 145,274,939	P 20,601,100	P 554,481,237	P 7,036,426,556	P 11,613,844,380	P32,707,550,060
Additions	29,673,507	233,580,292	65,904,741	119,539,902	11,262,237	291,170,165	1,280,575	-	2,232,608	1,082,844,861	1,837,488,888
Revaluation increments	-	-	-	-	-	-	-	-	445,022,305	-	445,022,305
Transfers (see Note 18)	-		83,190,141	-	-	-	-	-	-	-	83,190,141
Cost of asset disposed	-	(12,500)	(11,836,043)	(3,101,694)	(38,205,373)	(32,595,577)	(2,330,535)	-	-	-	(88,081,722)
Accumulated depreciation of asset disposed of	-	8,229	6,150,274	1,751,017	24,592,139	29,743,105	462,017	-	-	-	62,706,781
Depreciation and amortization charges for the year	(528,327,736)	(26,883,590)	(319,565,410)	(106,967,523)	(62,663,276)	(73,105,825)	(3,758,711)	(53,945,397)	-	-	(1,175,217,468)
Translation adjustment	-	51,224	-	62,163,028	157,571	-	-	29,961,269	-	-	92,333,092
Reclassification	3,420,428,737	242,070,741	61,250,015	118,915,334	503,379	12,823,496	90	-	-	(3,855,991,792)	-
Provision for loss on lost cylinders	-	-	-	(50,474,762)	-	-	-	-	-	-	(50,474,762)
Balance at December 31, 2021 net of accumulated depreciation and amortization	P10,493,648,687	P 613,350,729	P 3,084,221,338	P 2,293,341,068	P 185,514,627	P 373,310,303	P 16,254,536	P 530,497,109	P 7,483,681,469	P 8,840,697,449	P 33,914,517,315

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P557.8 million, P721.1 million and P1,183.5 million in 2022, 2021 and 2020, respectively (see Note 19.4), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 6.30% 6.06%, 6.03% in 2022, 2021 and 2020, respectively.

11.2 Depreciation and Amortization

The Group retired in its books fully depreciated assets with a total cost of P53.5 million and P839.4 million in 2022 and 2021, respectively. As of December 31, 2022 and 2021, the cost of fully depreciated assets that are still being used in the Group's operations amounted to P1,891.2 million and P1,577.0 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2022**	2021	2020
Cost of sales and services	24.2*(b)*	**P 7,757,650**	P 3,267,007	P 16,778,562
Selling and administrative expenses		**1,398,011,854**	1,171,950,641	1,153,751,155
	25	**P 1,405,769,504**	P 1,175,217,468	P 1,170,529,717

11.3 Fair Value of Land

The Group's parcels of land are stated at their revalued amounts as of December 31, 2022 and 2021, being the fair value at December 31, 2022 and 2021, the date of appraisal reports, less any subsequent impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the 2022 and 2021 consolidated statement of financial position.

The information on the fair value measurement and disclosures related to the revalued parcels of land are presented in Note 5.5.

If the parcels of land were carried at cost model as of December 31, 2022 and 2021, the cost would be P5,363.1 million and P4,815.7 million, respectively.

11.4 Assets under Real Estate Mortgage and Security Interest Agreement

As of December 31, 2022 and 2021, certain land, buildings, depot, plant and pier facilities, leasehold and land improvements, gasoline and LPG station equipment, LPG cylinders, hauling and heavy equipment of the Group, amounting to P29,258.7 million and P28,711.3 million, respectively, are subject to real estate mortgage security interest agreement with BDO [see Note 19.2*(a)*].

12. LEASES

The Group has leases for land where stations are built, store premises, office and warehouse. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over store premises, warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Land	Vessel	Office	Warehouse	Store Premises
December 31, 2022					
Number of right-of-use assets leased	71	2	1	1	33
Range of remaining term	5 to 20 years	0	0	8 years	1-12 years
Average remaining lease term	15 years	0	0	8 years	6
Number of leases with extension options	5	0	0	1	1
Number of leases with options to purchase	71	0	0	1	0
Number of leases with termination options	71	0	0	1	0
December 31, 2021					
Number of right-of-use assets leased	66	2	2	1	33
Range of remaining term	5 to 20 years	5 months	2 years	10 years	1 to 13 years
Average remaining lease term	15 years	5 months	2 years	10 years	3 years
Number of leases with extension options	4	-	-	-	1
Number of leases with options to purchase	66	-	-	1	-
Number of leases with termination options	66	-	-	1	-

12.1 Right-of-use Assets

The gross carrying amounts and accumulated amortization of the Group's right-of-use assets at the beginning and end of 2022 and 2021 are shown below and in the succeeding page.

	Land	Vessel	Office	Warehouse	Store Premises	Total
December 31, 2022						
Cost						
Balance at beginning of year						
As previously reported	P1,078,645,612	P 69,363,647	P 55,674,808	P 50,687,341	P 142,736,467	P1,397,107,875
Restatement	-	-	-	-	318,903,636	318,903,636
As restated [see Note 2.1(b)]	1,078,645,612	69,363,647	55,674,808	50,687,341	461,640,103	1,716,011,511
Additions	-	-	-	-	69,114,185	69,114,185
Balance at end of year	P1,078,645,612	P 69,363,647	P 55,674,808	P 50,687,341	P 530,754,288	P 1,785,125,696
Accumulated amortization						
Balance at beginning of year	P 170,229,927	P 69,363,647	P 32,810,651	P 12,820,994	P 187,549,579	P 472,774,798
Amortization for the year	74,137,661	-	9,061,577	4,223,945	33,804,352	121,227,535
Balance at end of year	P 244,367,588	P 69,363,647	P 41,872,228	P 17,044,939	P 221,353,931	P 594,002,333
Carrying amount at December 31, 2022	**P 834,278,024**	**P -**	**P 13,802,580**	**P 33,642,402**	**P 309,400,357**	**P1,191,123,363**

	Land	Vessel	Office	Warehouse	Store Premises	Total
December 31, 2021						
Cost						
Balance at beginning of year						
As previously reported	P 731,258,664	P 68,477,298	P 55,674,808	P 50,687,341	P 173,910,034	P1,080,008,145
Restatement	-	-	-	-	304,326,736	304,326,736
As restated [see Note 2.1*(b)*]	731,258,664	68,477,298	55,674,808	50,687,341	478,236,770	1,384,334,881
Additions	347,386,948	886,349	-	-	14,576,901	362,850,198
Terminations	-	-	-	-	(31,173,568)	(31,173,568)
Balance at end of year	P1,078,645,612	P 69,363,647	P 55,674,808	P 50,687,341	P 461,640,103	P 1,716,011,511
Accumulated amortization						
Balance at beginning of year						
As previously reported	P 105,703,055	P 65,586,330	P 18,100,085	P 8,447,890	P 89,341,626	P 287,178,986
Restatement	-	-	-	-	47,733,722	47,733,722
As restated [see Note 2.1*(b)*]	105,703,055	65,586,330	18,100,085	8,447,890	137,075,348	334,912,708
Amortization for the year	64,526,872	3,777,317	14,710,566	4,373,104	63,776,412	151,164,271
Terminations	-	-	-	-	(13,302,181)	(13,302,181)
Balance at end of year	P 170,229,927	P 69,363,647	P 32,810,651	P 12,820,994	P 187,549,579	P 472,774,798
Carrying amount at December 31, 2021 [As restated see Note 2.1*(b)*]	P 908,415,685	P -	P 22,864,157	P 37,866,347	P 274,090,524	P1,243,236,713

12.2 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2022	2021 [As Restated - See Note 2.1*(b)*]
Current	**P 91,730,809**	P 104,937,775
Non-current	**1,259,611,713**	1,274,583,335
	P 1,351,342,522	P 1,379,521,110

Additional information on the lease liabilities and amounts in respect of possible future lease extension options not recognized as a liability are as follows:

	Land	Vessel	Office	Warehouse	Store Premises	Total
December 31, 2022						
Lease liabilities	**P 978,888,344**	**P -**	**P 54,545,962**	**P 38,893,152**	**P 279,015,064**	**P 1,351,342,522**
Number of leases with an extension option that is not considered reasonably certain of exercise	-	-	-	-	-	-
Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised	P -	P -	P -	P -	P -	P -

	Land	Vessel	Office	Warehouse	Store Premises	Total
December 31, 2021						
Lease liabilities						
As previously reported	P 982,615,844	P -	P 34,364,747	P 42,309,660	P 49,374,427	P 1,108,664,678
Restatement	-	-	-	-	270,856,432	270,856,432
As restated [see Note 2.1*(b)*]	P 982,615,844	P -	P 34,364,747	P 42,309,660	P 320,230,859	P 1,379,521,110
Number of leases with an extension option that is not considered reasonably certain of exercise	-	-	1	-	-	-
Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised	P -	P -	P -	P -	P -	P -

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The Group has pre-termination options on leases of land and warehouse. The termination is at the option of the Group without any need of judicial action. The Group is not subject to any penalties, should the Group exercise pre-termination of the lease.

As at December 31, 2022 and 2021, the Group is not committed to leases which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31 are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 15 years	Total
December 31, 2022								
Lease Payments	P172,701,268	P198,496,323	P188,269,492	P195,653,096	P194,699,694	P846,323,235	P167,112,054	P1,963,255,162
Finance charges	(80,970,459)	(82,253,773)	(79,725,958)	(76,699,035)	(69,368,538)	(209,036,112)	(13,858,765)	(611,912,640)
Net present values	**P 91,730,809**	**P116,242,550**	**P108,543,534**	**P118,954,061**	**P125,331,156**	**P637,287,123**	**P153,253,289**	**P1,351,342,522**
December 31, 2021								
Lease Payments	P189,867,323	P180,419,596	P156,237,695	P143,365,040	P160,222,157	P872,832,997	P305,203,002	P2,008,147,810
Finance charges	(84,929,548)	(77,060,709)	(70,286,718)	(66,650,304)	(65,679,084)	(231,301,246)	(32,719,091)	(628,626,700)
Net present values	P104,937,775	P103,358,887	P 85,950,977	P 76,714,736	P 94,543,073	P641,531,751	P272,483,911	P1,379,521,110

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets are as follows :

	2022	2021 [As Restated - see Note 2.1*(b)*]
Low-value assets	**P 12,987,533**	P 11,530,885
Short-term leases	**517,280,558**	494,233,473
	P 530,268,091	P 505,764,358

These expenses are presented as Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

At December 31, 2022 and 2021, the Group is committed to short-term leases, and the total commitment at that date is P422.4 million and P383.2 million, respectively.

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P198.9 million, P109.5 million and P247.4 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P106.4 million, P89.7 million and P183.6 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.1).

13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2022 and 2021 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
December 31, 2022						
Cost	P 176,861,660	P 41,078,000	P 275,008,251	P 87,129,819	P 1,773,276	P 581,851,006
Accumulated amortization	-	(39,132,329)	(261,809,711)	(75,671,942)	(45,335)	(376,659,317)
Allowance for impairment loss	(62,861,660)	-	-	-	-	(62,861,660)
Net carrying amount	**P 114,000,000**	**P 1,945,671**	**P 13,198,540**	**P 11,457,877**	**P 1,727,941**	**P 142,330,029**
December 31, 2021						
Cost	P 176,861,660	P 41,078,000	P 269,353,193	P 79,975,823	P 1,585,143	P 568,853,819
Accumulated amortization	-	(35,240,987)	(234,309,383)	(61,151,184)	-	(330,701,554)
Net carrying amount	P 176,861,660	P 5,837,013	P 35,043,810	P 18,824,639	P 1,585,143	P 238,152,265
January 1, 2021						
Cost	P 176,861,660	P 41,078,000	P 269,557,033	P 78,426,806	P 1,585,143	P 567,508,642
Accumulated amortization	-	(31,349,645)	(215,929,978)	(41,498,729)	-	(288,778,352)
Net carrying amount	P 176,861,660	P 9,728,355	P 53,627,055	P 36,928,077	P 1,585,143	P 278,730,290

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2022 and 2021 is shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
Balance at January 1, 2022, net of accumulated amortization	P 176,861,660	P 5,837,013	P 35,043,810	P 18,824,639	P 1,585,143	P 238,152,265
Additions	-	-	405,422	3,330,101	-	3,735,523
Amortization for the year (see Note 25)	-	(3,891,342)	(14,133,709)	(14,463,525)	(19,404)	(32,507,980)
Impairment loss for the year (see Note 25)	(62,861,660)	-	-	-	-	(62,861,660)
Adjustments	-	-	(8,116,983)	3,766,662	162,202	(4,188,119)
Balance at December 31, 2022, Net of accumulated amortization	**P 114,000,000**	**P 1,945,671**	**P 13,198,540**	**P 11,457,877**	**P 1,727,941**	**P 142,330,029**
Balance at January 1, 2021, net of accumulated amortization	P 176,861,660	P 9,728,355	P 53,627,055	P 36,928,077	P 1,585,143	P 278,730,290
Additions	-	-	-	1,549,017	-	1,549,017
Amortization for the year (see Note 25)	-	(3,891,342)	(18,424,703)	(19,652,455)	-	(41,968,500)
Adjustments	-	-	(158,542)	-	-	(158,542)
Balance at December 31, 2021, Net of accumulated amortization	P 176,861,660	P 5,837,013	P 35,043,810	P 18,824,639	P 1,585,143	P 238,152,265

14. INVESTMENTS IN JOINT VENTURES

14.1 Joint Venture of the Parent Company

The Parent Company has entered into a JV agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV – PAPI. PAPI was incorporated on March 23, 2018 primarily to import, store, manufacture, sell, market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots. PAPI started commercial operations in 2019.

Under the JV agreement, PAPI's authorized share capital is P275.0 million divided into 275.0 million shares with par value of P1 per share. The Parent Company owns P110.0 million shares or 40.00% of the outstanding capital stock of PAPI. The JV has no restrictions as to transfer of funds in the forms of cash dividend, or to pay advances made by PAPI. Moreover, the Parent Company shall be responsible to enter into a lease agreement for land identified as part of a certain industrial park in Batangas for the construction of terminal at fair rental value, and to cause to provide a minimum of 20 to 30 years' access rights to the oil, gas and chemical jetty for receiving and importing bulk bitumen cargo and other rights necessary for the construction and operations of terminal.

14.2 JVs of PPMI

PPMI has entered into various JV agreements with certain individuals for the management and operation of companies which are primarily established to operate petroleum service stations in certain areas in the Philippines. PPMI has joint control on the entities with co-venturers and has no significant commitments relating to the companies.

Presented below are the company percentage of ownership interest and amounts of additional investments of PPMI in 2022 and 2021.

Companies	Percentage of interest	Amount of Investment
2022		
CJI	49.00%	P 9,837,959
PEC	51.00%	10,000,000
Total additional investments in joint ventures		**P 19,837,959**

Companies	Percentage of interest		Amount of Investment
2021			
CJIFC	49.00%	P	15,000,000
TCQPC	49.00%		8,136,433
Total additional investments in joint ventures		P	23,136,433

In 2022, PPMI withdrew its investment in TCQPC and PNMC amounting to P9.5 million. Further, the remaining investment of P15.3 million was reclassified to receivables from the JV partners as a result of TCQPC's and PNMC's liquidation.

Meanwhile in 2021, PPMI withdrew its investment in TCQPC and PNMC amounting to P4.5 million. Further, the remaining investment of P5.6 million was reclassified to receivables from the JV partners as a result of TCQPC's and PNMC's liquidation.

The amounts are presented as part of Non-trade receivables under the Trade and Other Receivables account in the consolidated statement of financial position (see Note 7).

PPMI received dividends from certain joint ventures amounting to P26.4 million and P22.5 million in 2022 and 2021, respectively, for its convertible preferred shares and common shares from these companies.

14.3 JV of PNXRT

In 2021, PNXRT paid the subscribed 8.9 million and 18.8 million of the total common and preferred shares, respectively, of RFJTI. The investment amounting P0.1 million acquired 49% ownership interest in the RFJTI, which was incorporated on November 26, 2020 primarily to engage in the business of hauling services.

Following the incorporation of PNXRT in 2020, PNXRT entered into a JV agreement with a certain individual by subscribing 43.2 million and 11.8 million of the total common and preferred shares, respectively, of JHTC. The investment amounting to P59.1 million acquired 49% ownership interest in the PNXRT. The PNXRT was incorporated on November 21, 2019 primarily to engage in the business of hauling services.

14.4 JV of PLPI

In 2021, PLPI entered into a JV agreement with a certain individual by subscribing 2.4 million and 28.0 million of the total common and preferred shares, respectively, of NGTVI. The investment amounting to P117.4 million acquired 49% ownership interest in the NGTVI, which was incorporated on January 29, 2021 primarily to buy, refill, and sell LPG and various products.

14.5 JVs Financial Information and Reconciliation to Carrying Amount of Investments

Presented below are the financial information of the Group's joint ventures and the reconciliation to the carrying amount of the investments in JV as of December 31, 2022:

Joint Ventures	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Total revenues	Total other comprehensive income	Net income (loss)	Percentage of ownership	Equity Share in net income (loss) during the year
PAPI	P 327,413,057	P 215,112,545	P 211,130,391	P -	P1,076,764,550	P -	P 25,630,771	40%	P 10,252,309
Galaxi	141,719,849	590,269,790	933,260,602	75,959,810.87	2,368,730,369	-	(216,963,074)	51%	(110,651,168)
FEC	93,441,352	272,893,616	295,138,990	-	913,790,101	-	(21,486,949)	49%	(10,528,605)
TCQPC	14,388,350	22,973,364(	10,699,954)	11,521,120	196,037,603	-	8,575,844	49%	4,202,164
PSPC	1,101,574,838	1,810,379,707	1,212,658,972	637,407,349	5,177,987,798	-	3,046,063	49%	1,492,571
PEC	433,702,944	410,983,513	266,343,299	-	2,199,810,694	-	(7,255,533)	51%	(3,700,322)
CJIFC	303,171,218	3,300,840	283,838,918	-	426,049,200	-	12,730,051	49%	6,237,725
TBGPC	64,503,166	50,217,648	100,261,353	-	426,049,200	-	5,850,439	49%	2,866,715
EPDC	50,561,867	41,611,705	64,441,837	-	876,011,878	-	10,647,812	49%	5,217,428
ZFEC	4,982,021	48,338,947	2,436,225	44,255,556	192,791,323	-	(7,516,606)	49%	(3,683,137)
FEFC	3,219,772	10,114,345	9,961,377	-	100,826,279	-	(146,744)	49%	(71,904)
ABVC	31,613,898	22,302,460	45,359,930	-	106,447,324	-	3,639,825	49%	1,783,514
JHTC	159,169,288	172,437,978	149,433,925	-	321,667,799	-	7,278,534	49%	3,566,482
RFJTI	52,820,337	11,192,498	20,429,700	1,981,224	39,698,555	-	(1,952,882)	49%	(956,912)
NGTVI	57,076,803	148,305,016	80,939,740	121,868,213	471,152,779	-	2,373,866	49%	1,163,194

Total equity share in net loss during the year	**(92,809,946)**
Carrying value as of January 1, 2022	**1,763,313,036**
Additional investments during the year	**19,837,959**
Dividends received during the year	**(27,149,397)**
Reclassification of investment (see Note 7)	**(8,763,496)**
Return of investment during the year	**(9,530,830)**
Carrying Value as of December 31, 2022	**P 1,644,897,326**

Joint Ventures	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Total revenues	Total other comprehensive income	Net income (loss)	Percentage of ownership	Equity Share in net income (loss) during the year
PAPI	P 86,303,905	P 208,315,061	P 50,160,318	P -	P 686,256,336	P -	P 17,322,187	40%	P 6,928,875
Galaxi	676,411,700	721,934,558	867,833,096	463,262,119	2,333,295,130	-	(64,710,627)	51%	(33,002,420)
FEC	67,888,512	338,196,452	311,897,457	-	814,556,642	-	7,878,698	49%	3,860,562
TCQPC	66,786,789	31,540,724	76,554,940	-	236,522,435	-	21,903,084	49%	10,732,511
PSPC	485,430,712	1,989,048,702	729,589,610	652,384,094	3,506,009,089	-	6,756,945	49%	3,310,903
PNMC	83,952,765	9,741,812	72,301,727	-	192,812,212	-	8,303,784	49%	4,068,854
CJIFC	31,363,163	3,190,670	21,854,038	-	245,510,538	-	9,350,682	49%	4,581,834
TBGPC	66,181,862	56,936,053	111,508,060	-	426,049,200	-	5,883,185	49%	2,882,760
EPDC	54,167,800	33,188,711	65,504,745	2,358,641	462,533,735	-	3,712,838	49%	1,819,291
ZFEC	14,993,261	13,883,576	24,657,616	-	117,174,717	-	(5,247,065)	49%	(2,571,062)
FEFC	4,126,705	2,132,570	4,863,886	-	82,494,111	-	(640,490)	49%	(313,840)
ABVC	18,882,672	22,295,898	31,995,557	2,058,824	107,253,214	-	4,302,531	49%	2,108,240
JHTC	137,187,575	187,153,166	143,828,132	55,000,000	290,085,433	331,236	22,127,890	49%	10,842,666
RFJTI	17,999,687	6,662,503	9,420,697	5,202,913	55,404,955	-	10,032,967	49%	4,916,154
NGTVI	70,707,112	20,048,121	83,959,377	1,598,024	376,691,588	-	(619,570)	49%	(303,589)

Total equity share in net income during the year	19,861,739
Carrying value as of January 1, 2021	1,635,399,566
Additional investment during the year	140,631,790
Dividends received during the year	(22,520,000)
Reclassification of investment (see Note 7)	(5,552,910)
Return of investment during the year	(4,507,149)
Carrying Value as of December 31, 2021	P 1,763,313,036

There are no share of contingent liabilities for all of the JVs. As of December 31, 2022 and 2021, management believes that the investments in joint ventures are not impaired.

14.6 Financial Information of Significant JVs

Presented below are the financial information of significant JVs as at December 31, 2022.

	PAPI	Galaxi	PSPC	FEC
Cash and cash equivalents*	P 124,466	P 29,689,482	P 63,141,787	P 2,7640,561
Current financial liabilities**	211,130,391	933,260,602	1,212,658,972	295,138,991
Non-current financial liabilities***	-	75,959,811	637,407,392	-
Depreciation and amortization	13,564,456	42,537,807	151,968,043	24,122,461
Interest income	141,186	-	51,393	-
Interest expense	1,227,356	10,313,072	8,206,395	-
Tax expense	-	6,030	-	1,570,435

**included in the total current assets disclosed in Note 14.5.*
*** included in the total current liabilities disclosed in Note 14.5, excluding advances from customers and other payables.*
****included in the total non-current liabilities disclosed in Note 14.5, excluding deferred tax liabilities*

Presented below are the financial information of significant JVs as at December 31, 2021.

	PAPI	Galaxi	PSPC	FEC
Cash and cash equivalents*	P 12,928,583	P 62,618,539	P187,567,446	P 50,026,644
Current financial liabilities**	50,160,318	708,348,050	642,834,161	267,399,137
Non-current financial liabilities***	-	463,262,119	652,384,093	-
Depreciation and amortization	12,347,742	33,794,176	132,375,396	24,122,461
Interest income	77,966	-	89,605	12,745
Interest expense	1,542,898	-	-	-
Tax expense (income)	1,713,183	(1,149,156)	-	2,655,111

**included in the total current assets disclosed in Note 14.5.*
*** included in the total current liabilities disclosed in Note 14.5, excluding advances from customers and other payables.*
****included in the total non-current liabilities disclosed in Note 14.5, excluding deferred tax liabilities*

15. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to the growth and expansion footprint of the Group.

Goodwill is subject to annual impairment testing and whether or not there is an indication of impairment. For the purpose of annual impairment testing, goodwill is allocated to the trading segment expected to benefit from the synergies of the business combinations in which the goodwill arises as set out and is compared to its recoverable value as detailed below.

	2022		2021	
	Carrying Amount	**Recoverable Amount**	Carrying Amount	Recoverable Amount
LPG trading	**P 4,193,999,344**	**P 23,521,506,076**	P 4,193,999,344	P 50,310,555,794
CVS	**160,940,000**	**160,940,000**	273,130,868	63,590,118,626
Digital platform	**46,873,015**	**46,873,015**	155,045,359	1,423,639,337
Others	**10,221,847**	**10,221,847**	10,221,847	10,221,847
	P 4,412,034,206	**P 23,739,540,938**	P 4,632,397,418	P 115,334,535,604

Based on the above, management has assessed that goodwill arising from the acquisition of CVS and Digital platform totaling to P220.4 million is impaired as of December 31, 2022. The amount is presented as part of Impairment Losses on Non-financial Assets in the 2022 consolidated statement of comprehensive income (see Note 25). There is no similar transaction in 2021 and 2020.

The recoverable amount of the cash generating units [identified as PLPI, PGV LLC (LPG), PFM (CVS), and AAI Group (Digital platform)] was determined based on the value-in-use calculation which requires the use of assumptions. The calculations use cash flow projections based on budgets approved by the management covering a five-year period with assumed terminal growth rate and are discounted using the internal corporate hurdle rate. The growth rates reflect the long-term growth rates for the industries of the trading segment. Budgeted earnings before interest, taxes, depreciation, and amortization (EBITDA) were based on expectations of future outcomes taking into account past experience of five years, adjusted for anticipated revenue growth. It is also further assumed that revenues coming from sales volume and sales price would grow at a constant margin above forecasted inflation over the next five years.

	2022		2021	
	Average Discount Rate	**Terminal Growth Rate**	Average Discount Rate	Terminal Growth Rate
LPG trading	**7.32%**	**3.70%**	6.27%	2.83%
CVS	**12.00%**	**0.00%**	3.24%	2.83%
Digital platform	**12.00%**	**0.00%**	8.91%	2.83%
Others	**12.00%**	**3.70%**	12.00%	2.83%

16. INVESTMENT PROPERTIES

The Group's investment properties consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment property amounted to P14.4 million in 2022, P13.5 million in 2021 and P11.3 million in 2020 and is presented as part of Rent Income in the consolidated statements of comprehensive income (see Note 34.3).

Related real property taxes amounted to P1.8 million, P0.8 million and P0.1 million was recognized as a related expense in 2022, 2021 and 2020, respectively, and are presented as part of Taxes and Licenses under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Land	Lot Improvements	Total
December 31, 2022			
Revalued amount / cost	P 913,579,640	P 3,500,390	P 917,080,030
Accumulated depreciation	-	(3,500,390)	(3,500,390)
Net carrying amount	**P 913,579,640**	**P -**	**P 913,579,640**
December 31, 2021			
Revalued amount / cost	P 687,151,965	P 3,500,390	P 690,652,355
Accumulated depreciation	-	(3,500,390)	(3,500,390)
Net carrying amount	P 687,151,965	P -	P 687,151,965
January 1, 2021			
Revalued amount / cost	P 595,990,275	P 3,500,390	P 599,490,665
Accumulated depreciation	-	(3,500,390)	(3,500,390)
Net carrying amount	P 595,990,275	P -	P 595,990,275

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2022 and 2021 is shown below.

	Land	Lot Improvements	Total
Balance at January 1, 2022, net of accumulated depreciation	P 687,151,965	P -	P 687,151,965
Fair value gains	119,011,357	-	119,011,357
Additions	107,416,318	-	107,416,318
Balance at December 31, 2022, net of accumulated depreciation	**P 913,579,640**	**P -**	**P 913,579,640**
Balance at January 1, 2021, net of accumulated depreciation	P 595,990,275	P -	P 595,990,275
Fair value gains	86,838,000	-	86,838,000
Additions	4,323,690	-	4,323,690
Balance at December 31, 2021, net of accumulated depreciation	P 687,151,965	P -	P 687,151,965

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 5.5.

17. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 are shown below.

	Note	**2022**	2021
Advances to suppliers:			
Related parties	30.2, 30.11	**P 5,237,502,665**	P 3,182,819,569
Third parties		**3,573,422,834**	3,150,010,155
		8,810,925,499	6,332,829,724
Advances for future subscription		**674,080,674**	634,080,674
Refundable rental deposits	30.3	**659,486,530**	145,503,404
Other prepayments		**86,151,547**	191,983,703
Deferred minimum lease payments		**31,802,387**	38,886,674
Others	30.1	**448,599,585**	409,994
		P10,711,046,222	P 7,343,694,173

Advances to suppliers pertain to advances made for future acquisitions of real estate properties and for acquisition of materials to be used in construction of retails stations in the following year which are to be managed by various joint ventures. In 2021, reclassifications were made to the Property and Equipment and Non-current Asset Classified as Held for Disposal accounts upon delivery of materials from the suppliers (See Notes 11, 18 and 30). There are no capital commitments outstanding as of December 31, 2022 and 2021 related to these acquisitions.

Advances for future subscription pertain to advances made to prospective co-venturers for future subscriptions in various JVs that are still in the process of incorporation and advances to existing JVs with stock issuance that are still in process.

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease using BVAL as reference rate. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P46.1 million in 2022, P35.9 million in 2021, and P28.3 million in 2020 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 26.2).

Refundable deposits amounting to P184.9 million and P191.8 million as of December 31, 2022 and 2021, respectively, which pertain to rental deposits of expired or terminated leases and short-term rental deposits, are presented under Prepayments and Other Current Assets (see Note 10).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P3.5 million and P22.4 million in 2022 and 2021, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

In 2022, PPPI entered into a memorandum of agreement with PSPC to settle the outstanding trade receivables of PSPC by the issuance of an interest-bearing loan and a non-interest-bearing loan. The interest-bearing loan was agreed to be settled monthly from July 2022 to December 2023, while the non-interest-bearing loan was agreed to be settled monthly from January 2024 to June 2026. The amount of the interest-bearing loan, which represents the current portion, is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7). The amount of the non interest bearing loan, which represents the non-current portion of the receivables, is presented as part of Others under Other Non-Current Assets in the consolidated statements of financial position.

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL

On January 27, 2020, the BOD of the Parent Company authorized the management to assign and transfer 72 Company-Owned Dealer-Operated (CODO) retail stations from the Parent Company to PPMI as part of additional investment in PPMI. The retail stations will then be used by PPMI as payment for investments in JVs. The movement of this account is shown below.

	Notes	**2022**	2021
Balance at beginning of year		**P 79,116,467**	P 197,783,908
Reclassified from property and equipment	11	**675,697,000**	-
Reclassified to property and equipment	11	**(79,116,467)**	(83,190,141)
Disposals during the year	30.12	**-**	(57,747,748)
Additions during the year		**-**	12,569,420
Reclassified from advances to suppliers	17	**-**	9,701,028
Balance at end of year		**P 675,697,000**	P 79,116,467

The sale of certain retail stations amounting to P79.1 million and P83.2 million classified as part of Non-Current Asset Classified as Held for Disposal account did not materialize in 2022 and 2021, respectively, and the prospective buyers cancelled the transaction. As of December 31, 2022 and 2021, these stations still have no intended buyers; hence, the Group reclassified the assets back to the Property, Plant, and Equipment account (see Note 11).

In 2022, the Group reclassified certain assets, including a terminal property and parcels of land previously held for rental, that are previously classified as part of Property, Plant, and Equipment to Non-current Assets Held for Disposal, as these group of assets were discounted and identified to be for sale in 2023. The carrying value of these assets, which is equivalent to its net recoverable amount, amounted to P675.7 million as of December 31, 2022. The Group recognized impairment loss amounting to P178.2 million as a result of the reclassification (see Note 11).

In 2021, the carrying value of the asset classified as held for disposal immediately prior to its classification as held for disposal is higher than its fair value less costs to sell. Accordingly, the Company recognized loss of P0.2 million, presented as part of Others under Other Charges (Income) in the 2021 consolidated statement of comprehensive income.

19. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are broken down as follow:

	2022	2021
Current:		
Liabilities under LC and TR	**P 9,491,363,349**	P 6,314,559,412
Short-term loans	**17,386,828,315**	17,433,243,178
Current portion of long-term loans	**2,325,596,702**	880,730,477
	29,203,788,366	24,628,533,067
Non-current term loans	**19,624,220,044**	21,508,069,843
	P 48,828,008,410	P 46,136,602,910

19.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 7.15% and 5.81% per annum in 2022 and 2021, respectively.

In 2022 and 2021, the Group incurred finance charges amounting to P961.9 million and P946.2 million, respectively, due to the extension of payment terms with the Bank for the settlement of liability in connection with the purchase of inventory. The interest and other bank charges were presented as part of Finance Cost in the 2022 and 2021 statements of comprehensive income (see Note 26.1). There was no similar transaction in 2020.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8, 9 and 30.5).

19.2 Term Loans

The breakdown of the outstanding balances of the term loans per creditor as at December 31 are as follows:

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2022	Outstanding Balance 2021
BDO Unibank Inc. (BDO)					
i. Term Loan Agreements	*(a)*	5 to 10 years	5.00% - 6.05%	**P 11,214,980,067**	P 12,944,606,661
ii. Notes Facility Agreement	*(b)*	5 years	7.75%	**1,741,000,000**	-
				12,955,980,067	12,944,606,661
Bank of Philippine Islands (BPI)	*(h)*	3 years	10.00%	**1,131,123,011**	1,176,412,447
Philippine National Bank (PNB)					
i. Notes Payable	*(b)*	2 months to 3 years	7.00%	**1,837,874,243**	1,922,748,564
ii. Term Loan Agreement	*(c)*	5 years	7.00%	**170,000,000**	170,000,000
				2,007,874,243	2,092,748,564
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(d)*	7 years	4.00% - 6.50%	**4,856,250,000**	4,925,000,000
	(d)	3 years	4.85% - 6.50%	**-**	328,200,171
ii. Notes Payable	*(b)*	2 to 3 months	6.50% - 7.00%	**3,828,019,022**	2,690,334,894
iii. Notes Payable arranged by MIB	*(e)*	2 to 3 months	6.50% - 7.00%	**789,489,200**	827,300,000
				9,473,758,222	8,770,835,065
Robinsons Bank Corporation (RBC)	*(b)*	2 to 6 months	7.00%	**900,000,000**	900,000,000
Development Bank of the Philippines (DBP)	*(b)*	3 months	7.75%	**2,933,405,000**	3,000,000,000
Asia United Bank (AUB)					
i. Notes Payable	*(b)*	1 to 2 months	7.00%	**405,892,200**	987,510,900
ii. Term Loan Agreement	*(k)*	5 years	7.20%	**588,930,963**	-
				994,823,163	987,510,900

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2022	2021
China Banking Corporation					
i. Notes Payable	*(b)*	3 to 6 months	6.25%	**400,000,000**	400,000,000
ii. Notes Payable arranged by MIB	*(e)*	3 to 12 months	10.00%	**35,492,000**	37,360,000
				435,492,000	437,360,000
Rizal Commercial Banking Corporation	*(b)*	1 to 2 months	7.50%	**2,030,969,657**	2,096,969,657
BDO Private Bank, Inc.	*(e)*	2 to 11 months	5.00% - 7.75%	**2,042,799,817**	2,101,438,983
Bank of China (BOC)					
i. Notes Payable	*(b)*	3 months	5.25%	**-**	470,132,913
ii. Term Loan Agreement	*(i)*	2 years	6.15%	**1,405,365,631**	1,493,825,342
				1,405,365,631	1,963,958,255
Maybank Philippines, Inc. (MPI)	*(j)*	3 years	6.75%	**648,000,000**	648,000,000
CTBC Bank (Philippines)	*(b)*	6 months	8.00%	**647,881,803**	710,324,444
Penta Capital Investment Corporation	*(b)*	6 months to 2 years	5.50% - 7.50%	**215,000,000**	350,000,000
Union Bank of the Philippines (UBP)	*(b)*	3 months	8.25%	**998,680,261**	979,283,787
Financing Agreement of PNX SG	*(f)*	7 years	6.76%	**364,167,075**	426,215,963
CN Industrial Co., Ltd	*(g)*	3 years	0.00%	**-**	76,539,736
Vietnam Joint Stock Commercial Bank for Industry and Trade	*(l)*	1 year	6.5%	**23,886,074**	-
Various Entities	*(e)*	6 months	6.50%	**127,439,037**	159,839,036
				P 39,336,645,061	P 39,822,043,498

a. *TLAs with BDO*

(i) Push-down of P1,000.0 million and P6,000.0 million loans to PLPI

In 2016, the Parent Company signed with BDO a five-year term clean loan amounting to P1,000.0 million. The loan proceeds were used to support the Parent Company's continuous expansion program, and other general corporate purposes. The loan is subject to an interest rate of 4.0179%, with a maturity date of August 18, 2021.

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month BVAL and 150 basis points divided by 0.95, or 4.00% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

Both TLAs require the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1.1, borrower's ratio of not more than 6.0 and interest coverage ratio of at least 1.5. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the TLA, maintenance of adequate records and prohibition to make any material change in the present nature of business of the Parent Company, PLPI and Duta, among others.

The Parent Company entered into a debt push-down agreement with PLPI involving TLAs with BDO. These include the P1,000.0 million term loan entered in 2016, the P4,125.0 million outstanding loan out of the P6,000.0 million seven-year loan entered in 2017 and the P259.0 million promissory notes. The pushed down loans were generally used by the Parent Company to acquire PLPI thus, the push down will match the debt servicing of investment in PLPI as originally planned.

The Parent Company and PLPI agreed with BDO to enter into an Omnibus Loan and Security Agreement (OLSA) for a ten-year term loan amounting to P5,400.0 million. The net proceeds of the loan were used by PLPI to pay the assumed loans of the Parent Company with BDO, as agreed in the debt push-down. The loan is subject to an interest rate of 5.81%, which is the higher of the (i) PHP BVAL Reference Rate for the 5-year Benchmark Tenor on November 27, 2020 (working day prior to drawdown on December 1, 2020) plus 250 basis points, and (ii) 5.75% divided by the Interest Premium Factor of 0.99 since the remaining tenor is more than five years. The interest rate shall be repriced at the start of the fifth year up to the final repayment date based on the (i) PHP BVAL Reference Rate for the 5-year Benchmark Tenor plus 250 basis points, or (ii) 5.75% divided by 0.95, whichever is higher. The principal of the loan is payable in equal quarterly instalments on each repayment date to commence on the 20th quarter from the drawdown date. Each repayment shall be in a minimum principal amount of P100 million and in multiple of P100 million thereafter.

The OLSA requires PLPI to maintain on each testing date, commencing drawdown, date debt to equity ratio of not more than 2.5 times, and a minimum debt service coverage ratio of 1.10x. Further, should the earnings before interest, taxes and depreciation and amortization (EBITDA) of PLPI reach P600 million and debt service coverage ratio of 1.10, a mandatory prepayment shall be made equivalent to all funds in the one-way depository account set up for the purpose. The OLSA also requires PLPI to comply with affirmative and negative covenants including use of proceeds for intended purpose, notice to BDO of any event of default, change in ownership and structure, among others. Moreover, the OLSA indicated the grant of security by the Parent Company, PLPI and the individual sureties by two stockholders in favor of BDO, the following: (i) real estate mortgage on real properties of PLPI amounting to P555.8 million, (ii) security interests over the personal properties and leasehold rights amounting to P2,417.1 million, and trade and subscription receivables of PLPI and collateral shares of the Parent Company, (iii) assignment of collateral accounts of PLPI in favor of BDO, (iv) any and all assets of PLPI as reflected in the audited financial statements, (v) all future collateral to be acquired by the Parent Company and PLPI and (vi) all proceeds of the aforementioned.

In 2021, PLPI has secured a letter of redefinition where terms of the affirmative covenants were revised. Debt-to-Equity was redefined to specifically include interest-bearing loans only and such requirement was lowered from 2.5 times to 2.1 times. The redefinition is effective March 8, 2022.

PLPI has complied with the financial, affirmative and negative covenants in 2022 and 2021.

As of December 31, 2022 and 2021, the carrying amount of this term loan amounts to P5,293.9 million and P5,282.6 million, respectively.

(ii) TLA on P2,000.0 million loan

In 2017, the Parent Company obtained a five-year loan amounting to P2,000.0 million. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher.

In 2020, the TLA was amended to extend the term of the loan for another five years, provided that if the EBITDA and debt service coverage ratio of the Parent Company, based on its 2021 audited separate financial statements, is at least P5,000.0 million and 1.1x, respectively, the Parent Company shall make mandatory repayment of P500.0 million within six months of testing date. The amendment is in relation to the Parent Company's qualification to avail the loan term extension under Section 4 (uu) of RA No. 11494.

It was further amended to remove the current ratio as negative covenants and to add affirmative covenants to maintain debt-to-equity ratio of not more than 3.0 and minimum debt service coverage ratio of 1.10x provided that the Parent Company will issue certification showing the compliance of the covenants. In case of noncompliance, the Parent Company will execute a formal written request for a waiver to the bank. The annual testing date is every April 30 and commences on April 30, 2023 using the audited separate financial statements of the Parent Company as of December 31, 2022.

The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had higher than indicated debt-to-equity ratio and lower than minimum debt service coverage ratio. While the Parent Company did not meet these financial ratio requirements, the loan agreement provides that the loan will only become due and demandable upon receipt of written notice by the Parent Company from the bank relating to non-compliance of the said covenant. The Parent Company did not receive any written notice as of the date of issuance of these consolidated financial statements. Consequently, the Group did not reclassify this loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Parent Company executed a formal written request for a waiver to the bank. The Parent Company has not yet received any response from the bank as of the date of issuance of the consolidated financial statements.

As of December 31, 2022 and 2021, the carrying amount of this term loan amounts to P1,980.0 million and P2,000.0 million, respectively.

(iii) TLA on P4,000.0 million loan

In 2020, the Parent Company obtained a five-year term loan amounting to P4,000.0 million for the purpose of refinancing its third-party obligation on settlement of P3,000.0 million STCP series C, and redemption of its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share amounting to P1,250.0 million (see Notes 31.1 and 31.4). The term of the loan shall be the period commencing on the initial drawdown date until five years thereafter, which shall in no case be later than 4 December 2025, and the principal of the loan is payable on the Final Repayment Date.

In consideration of the commitment made by BDO and to secure the payments of all secured obligations, the Parent Company has granted, conveyed, assigned, transferred, set over, and confirm unto BDO, the Parent Company executed a real estate mortgage and security interest agreement on the personal properties of the Parent Company. Moreover, the TLA indicated the grant of security by the Parent Company, and individual sureties by two stockholders in favor of BDO, the following: (i) real estate mortgage on real properties of the Parent Company amounting to P11,062.5 million; and, (ii) security interests over the leasehold rights and personal properties of the Parent Company, including machinery, equipment and other assets amounting to P2,233.7 million.

The TLA requires the Parent Company to maintain a debt-equity ratio of not more than 3.0x and a minimum debt service coverage of 1.10x. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the TLA, maintenance of adequate records, and prohibition to make any material change in the present nature of business of the Parent Company. The annual testing date is every April 30 and commences on April 30, 2023 using the audited separate financial statements of the Parent Company as of December 31, 2022.

The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had higher than indicated debt-to-equity ratio and lower than minimum debt service coverage ratio. While the Parent Company did not meet these financial ratio requirements, the loan agreement provides that the loan will only become due and demandable upon receipt of written notice by the Parent Company from the bank relating to non-compliance of the said covenant. The Parent Company did not receive any written notice as of the date of issuance of these consolidated financial statements. Consequently, the Group did not reclassify this loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Parent Company executed a formal written request for a waiver to the bank. The Parent Company has not yet received any response from the bank as of the date of issuance of the consolidated financial statements.

As of December 31, 2022 and 2021, the carrying amount of this loan amounts to P3,941.1 million and P3,921.0 million, respectively.

b. Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 5.00% to 10.00% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 30.5).

As of December 31, 2022 and 2021, carrying amount of all notes payable by the Group amounts to P15,938.7 million and P14,507.3 million, respectively.

In 2020, an outstanding note facility agreement with BDO Unibank, Inc. amounting to P1,741.0 million in 2019, are further extended up to five years based on the benefit of a loan term extension under RA No. 11494, including the exemption from payment of documentary stamp taxes. Mandatory payment of P500.0 million is required provided that if the EBITDA and debt service coverage ratio of the Parent Company, based on its 2021 audited separate financial statements, is at least P5,000.0 million and 1.1x, respectively.

The PN require the Parent Company to maintain a debt-equity ratio of not more than 3.0x and a minimum debt service coverage of 1.10x. The PN also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the PN, maintenance of adequate records, and prohibition to make any material change in the present nature of business of the Parent Company.

The annual testing date is every April 30 and commences on April 30, 2023 using the audited separate financial statements of the Parent Company as of December 31, 2022.

The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had higher than indicated debt-to-equity ratio and lower minimum debt service coverage ratio. The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had lower than indicated current ratio. While the Parent Company did not meet these financial ratio requirements, the loan agreement provides that the loan will only become due and demandable upon receipt of written notice of acceleration of loan payments by the bank. As of the date of issuance of consolidated financial statements, the Parent Company did not receive any such written notice from the bank. Consequently, the Group did not reclassify the loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Parent Company executed a formal written request for a waiver to the bank. The Parent Company has not yet received any response from the bank as of the date of issuance of the consolidated financial statements.

As of December 31, 2022 and 2021, the carrying amount of this note facility agreement with BDO amounts to P1,741.0 million.

c. TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. This TLA is due on January 31, 2023 after approval of rollover by the bank.

As of December 31, 2022 and 2021, the carrying amount of this term loan amounts to P170.0 million.

d. TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum subject to repricing semi-annually. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2021, the carrying amount of this term loan amounts to P328.2 million. The loan was fully settled in 2022.

On July 5, 2018, the Parent Company signed with LBP a seven-year term loan with no grace period amounting to P5,000.0 million to partially finance the general corporate requirement of the Parent Company. The loan was approved on a clean basis and is subject to an interest rate of 4.85% and shall be repriced semi-annually. The principal loan is payable in semi-annually. The first 13 installments shall be for the amount of P25.0 million semi-annually while the last installment shall be P4.675.0 million.

The TLA requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to maintenance of adequate records, prohibition to engage in any business other than its registered activities and avoidance to enter into an agreement as guarantor of the loan of another company, business or person, among others.

The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had higher than indicated debt-to-equity ratio. While the Parent Company did not meet these financial ratio requirements, the loan agreement provides that the loan will only become due and demandable upon receipt of written notice by the Parent Company from the bank relating to non-compliance of the said covenant. The Parent Company did not receive any written notice as of the date of issuance of these consolidated financial statements. Consequently, the Group did not reclassify this loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Parent Company executed a formal written request for a waiver to the bank. The Parent Company has not yet received any response from the bank as of the date of issuance of the consolidated financial statements.

As of December 31, 2022 and 2021, the carrying amount of this term loan amounts to P4,856.3 million and P4,925.0 million, respectively.

e. Notes Payable arranged by Multinational Investment Bancorporation (MIB)

Certain promissory notes entered into by the Parent Company are arranged by the MIB with local banks and other entities. The promissory notes have interest ranging from 5.00% to 10.00% per annum and normally has a tenor of less than a year. These loans are clean and unsecured.

As of December 31, 2022 and 2021, the total carrying amount of these notes payables amounts to P2,995.2 million and P3,125.9 million, respectively.

f. Financing Agreement of PNX SG

On January 31, 2020, PNX SG entered into a sale and leaseback agreement with a certain entity to sell its vessel for $10.0 million or P509.0 million, and leaseback with option to purchase. The transaction is accounted as a financing transaction as the transfer of the vessel does not qualify as a sale [see Note 3.1*(k)*]. The vessel is presented as part of the Property, Plant and Equipment – net, in the consolidated statements of financial position. The consideration received on the sale is presented as part of Interest-Bearing Loans and Borrowings with annual internal rate of return of 6.76%.

As of December 31, 2022 and 2021, the carrying amount of this loan amounts to P364.2 million and P426.2 million, respectively.

g. TLA with CN Industrial Co., Ltd (CNI)

PGV LLC entered into a clean non-interest-bearing loan agreement with CNI, minority stockholder of the PGV LLC to cover its working capital requirement and to implement its business activities and plans. The loan is payable on a lumpsum basis on or before June 2023.

As of December 31, 2021, the carrying amount of this loan amounts to P76.5 million. This loan was fully settled in 2022.

h. TLA with BPI

In 2021, the Parent Company signed a long-term agreement for three-year loan with BPI amounting to P1,176.4 million. The loan was intended for general corporate purposes. The loan was approved on a clean basis and is subject to an annual interest rate of 10%.

As of December 31, 2022 and 2021, the carrying amount of this loan amounts to P1,131.1 million and P1,176.4 million, respectively.

i. TLA with BOC

In 2021, the Parent Company and Calaca Industrial Seaport, Corp. ("CISC" or "the mortgagor") agreed with BOC to enter into an Omnibus Loan and Security Agreement (OLSA) for a two-year term loan amounting to P1,500 million. The loan has maturity date of August 24, 2023. The net proceeds of the loan was used by the Parent Company to refinance the maturing Short Term Commercial Paper with PNB Capital Investment due by the end of July 2021.

The loan is subject to an interest rate which is based on the 3-month BVAL or LIBOR plus margin. For 2021 (from drawdown date until December 31, 2021), margin shall be 600 basis points (bps) if the debt-to-equity ratio is lower than 3x; or 700 bps if more than 3x. From January 1, 2022 until final maturity date, margin shall be at 800 bps if the debt-to-equity ratio is lower than 3x; or 900 bps if more than 3x. It also requires an upfront fee of 5bps based on the facility amount.

Further, the OLSA indicated the grant of security by the Parent Company and CISC in favor of BOC, the following:

i. Real Estate Mortgage on certain terminal assets (including land and improvements) under the name of the latter subject to maximum loanable amount of 50% of latest appraised value and/or third party mortgage on acceptable assets under the Udenna Group, subject to maximum loanable amount of 50% of latest appraised value. Loanable amount should include the existing loan outstanding at LBP under the same collateral. It is also added that in case the Loan-to-Value ratio fall below 50%, the mortgagor shall provide additional acceptable collateral to the bank, and/or pay down a portion of the principal within five (5) business days from notice; and,

ii. Debt service reserve account which must be maintained for interest payment for one interest period plus 5% of outstanding principal amount. The interest shall be paid in quarterly installments. The principal loan is payable in equal quarterly amortizations beginning on the second year or 13th month. Principal repayment is mandated and the Parent Company shall apply: (1) proceeds from any asset sold under "Project Crown", (2) shares under "Project Throne"; and/or (3) proceeds from the primary share issuance of Phoenix under "Project Flagship" towards the repayment of the Facility. Prepayment without prepayment penalty is allowed. In case of default, it will be charge of 3% per month on unpaid principal and interest due.

The OLSA requires the Parent Company to maintain on each testing date, commencing drawdown, debt-to-equity ratio of not more than 3.0 times. Moreover, it also requires to comply with affirmative and negative covenants including the use of proceeds strictly for its intended purpose, the total exposure shall peak at US$80.0 million upon drawdown and be reduced to US$ 69.0 million within 90 days from initial drawdown, additional committed cash flow of P200.0 million cash sweep weekly through BOC Manila with an aggregate amount of P400.0 million weekly, among others. Settlement must be done via debit account or check payment and/or via Philippine Domestic Dollar Transfer System.

The Parent Company has complied with the financial, affirmative and negative covenants in 2021 but in 2022 it had higher than indicated debt-to-equity ratio. While the Parent Company did not meet these financial ratio requirements, the loan agreement provides that the loan will only become due and demandable upon receipt of written notice by the Parent Company from the bank relating to non-compliance of the said covenant. The Parent Company did not receive any written notice as of the date of issuance of these consolidated financial statements. Consequently, the Group did not reclassify this loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Parent Company executed a formal written request for a waiver to the bank. The Parent Company has not yet received any response from the bank as of the date of issuance of the consolidated financial statements.

As of December 31, 2022 and 2021, the carrying amount of this loan amounts to P1,405.4 million and P1,493.8 million, respectively.

j. TLA with MPI

On April 30, 2021, the Parent Company obtained a three-year term clean loan amounting to P720.0 million with MPI . The loan was approved and intended for capital expenditures and general corporation purposes. The loan is subject to an annual interest rate of 6.75%. In case of default, the Parent Company shall bear a penalty charge of 24% per annum based on the defaulted principal or interest amortization or both.

As of December 31, 2022 and 2021, the carrying amount of this loan amounts to P648.0 million.

k. TLA with AUB

On December 29, 2022, P588.9 million worth of notes payable to AUB was converted to a P600.0 million term loan five years after effectivity of this conversion. The difference of P11.1 million was prepaid by the bank for loan origination costs. Although this was not received by the Parent Company as loan proceeds, this will effectively form part of the total principal payable in five years.

As of December 31, 2022, the carrying amount of this loan amounts to P588.9 million.

l. Short term loan with Vietnam Joint Stock Commercial Bank for Industry and Trade

This borrowing represents a short-term credit facility which can be withdrawn in Vietnamese Dong with a credit limit of P94.2 million. This borrowing is unsecured and bears interest at a rate of 6.5% per annum.

As of December 31, 2022, the carrying amount of the loan facility availed is P23.9 million.

19.3 Credit Line

The Group has an available credit line under LC/TR of P3,364.4 million and P11,569.6 million as of December 31, 2022 and 2021, respectively. These lines obtained from various banks are being utilized for procurement of inventories. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

19.4 Interest Expense

Interest expense for 2022, 2021 and 2020, presented as part of Finance Costs in the consolidated statements of comprehensive income, amounted to P1,818.0 million, P2,265.0 million and P1,849.0 million, respectively (see Note 26.1) which is exclusive of the capitalized borrowing cost of P557.8 million, P721.1 million and P1,183.5 million for 2022, 2021 and 2020, respectively (see Note 11.1). Amortization of bond issue cost amounted to P35.1 million, P30.7 million, and P0.7 million in 2022, 2021 and 2020, respectively. As of December 31, 2022, 2021 and 2020, the unamortized portion of the bond issue costs amount to P162.5 million, P186.6 million and P95.1 million.

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 19)	Term Loans (see Note 19)	Liabilities under STCP (see Note 19)	Lease Liabilities (see Note 12)	Total
Balance as of January 1, 2022					
As previously reported	P 6,314,559,412	P 39,822,043,498	P -	P 1,108,664,678	P 47,245,267,588
Restatement	-	-	-	270,856,432	270,856,432
As reported [see Note 2.1*(b)*]	6,314,559,412	39,822,043,498	-	1,379,521,110	47,516,124,020
Cash flows from financing activities:					
Additional borrowings	-	6,840,228,072	-	-	6,840,228,072
Repayment of borrowings, TR, and lease liabilities	(16,161,310,216)	(7,360,749,915)	-	(198,921,742)	(23,720,981,873)
Non-cash financing activities:					
Availment of LC and TR	19,338,114,153	-			19,338,114,153
Additions to lease liability	-			10,972,761	10,972,761
Termination of leases		-	-	(13,353,096)	(13,353,096)
Amortization of discount and bond issue cost	-	35,123,406	-	173,123,489	208,246,895
Balance as of December 31, 2022	**P 9,491,363,349**	**P 39,336,645,061**	**P -**	**P 1,351,342,522**	**P 50,179,350,932**
Balance as of January 1, 2021					
As previously reported	P 12,136,837,643	P 33,139,170,987	P 2,967,368,503	P 984,401,017	P 49,227,778,150
Restatement	-	-	-	280,815,830	280,815,830
As reported [see Note 2.1*(b)*]	12,136,837,643	33,139,170,987	2,967,368,503	1,265,216,847	49,508,593,980
Cash flows from financing activities:					
Additional borrowings	-	27,433,284,850	-	-	27,433,284,850
Repayment of borrowings, TR, and lease liabilities	(33,776,923,971)	(20,750,412,339)	(3,002,829,029)	(109,463,829)	(57,639,629,168)
Non-cash financing activities:					
Availment of LC and TR	27,954,645,740	-	-	-	27,954,645,740
Additions to lease liability	-	-	-	165,394,207	165,394,207
Termination of leases	-	-	-	(17,496,743)	(17,496,743)
Amortization of discount and bond issue cost	-	-	35,460,526	75,870,628	111,331,154
Balance as of December 31, 2021	P 6,314,559,412	P 39,822,043,498	P -	P 1,379,521,110	P 47,516,124,020
Balance as of January 1, 2020					
As previously reported	P 6,206,767,833	P 37,498,222,490	P 6,191,197,740	P 1,250,213,075	P 51,146,401,138
Restatement	-	-	-	255,524,107	255,524,107
As reported [see Note 2.1*(b)*]	6,206,767,833	37,498,222,490	6,191,197,740	1,505,737,182	51,401,925,245
Cash flows from financing activities:					
Additional borrowings	-	28,947,985,757	2,967,368,503	-	31,915,354,260
Repayment of borrowings, TR, and lease liabilities	(12,704,524,751)	(33,307,037,260)	(6,500,000,000)	(253,614,602)	(52,765,176,613)
Non-cash financing activities:					
Availment of LC and TR	18,634,594,561	-	-	-	18,634,594,561
Additions to lease liability	-	-	-	40,724,111	40,724,111
Termination of leases	-	-	-	(187,343,845)	(187,343,845)
Amortization of discount and bond issue cost	-	-	308,802,260	159,714,001	468,516,261
Balance as of December 31, 2020	P 12,136,837,643	P 33,139,170,987	P 2,967,368,503	P 1,265,216,847	P 49,508,593,980

21. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2022	2021 [As Restated - see Note 2.1*(b)*]
Trade payables:			
Third parties		**P 16,376,463,967**	P 13,827,010,900
Related parties	30.2	**240,279,651**	32,672,884
		16,616,743,618	13,859,683,784
Accrued expenses	30.3	**1,867,131,173**	4,439,017,270
Contract liabilities	24.1*(b)*	**197,675,917**	133,518,955
Advances from customers		**151,387,768**	59,857,116
Non-trade payables		**150,337,763**	95,836,051
Retention payable		**72,456,635**	99,580,604
Others	34.4*(a)*	**229,725,551**	215,342,940
		P 19,285,458,425	P 18,902,836,720

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remain unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to charter hire cost, repairs and maintenance, interest expense arising from loans and professional fees.

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group. Moreover, significant portion of the retention payable pertains to the construction of gasoline and LPG stations equipment, which are expected to be completed within one year after the reporting period.

Non-trade payables pertain to liabilities to various suppliers of goods and services that are not related to primary business activities of the Group, such as, utility bills, travel expenses and purchase of office supplies, among others.

Advances from customers pertain to excess payments made by the customers which will be offset from the outstanding balances of the customer.

22. DERIVATIVE FINANCIAL LIABILITIES

PNX SG entered into forward contracts to mitigate the fluctuations of expected physical oil sales and purchase contracts. For purposes of estimating the fair value of the derivative contract, whenever possible, the Group utilizes quoted market price from third-party brokers or banks. These brokers' or banks' estimates are corroborated with multiple sources and/or other observable market data utilizing assumptions about risk and market liquidity.

As of December 31, 2022, derivative financial instruments with positive fair value related to forward contracts amounted to P96.5 million and is presented as Derivative Financial Assets in the consolidated statement of financial position.

As of December 31, 2021, derivative financial instruments with negative fair value related to forward contracts amounted to P82.5 million and is presented as Derivative Financial Liabilities in the consolidated statements of financial position.

The Group recognized fair value gains on derivative contracts amounting to P60.1 million in 2022 and P0.9 million in 2021, presented as part of Finance Income, under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.2).

23. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2022	2021
Customers' cylinder deposits		**P 864,858,470**	P 839,688,099
Post-employment defined benefit obligation	27.3	**116,765,999**	159,174,379
Advances for future stock subscription		**100,000,000**	100,000,000
Security deposits		**72,913,060**	205,221,552
Cash bond deposits		**62,356,616**	60,655,443
Contract liability	24.1*(b)*	**22,694,682**	-
Unearned rent		**6,816,860**	13,937,067
		P 1,246,405,687	P 1,378,676,540

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are noninterest-bearing and refunded to the dealers upon return of the cylinders. In 2022 and 2021, there were no refunds made to the dealers. The composition of this account as of December 31 is presented below.

	2022	2021
Deposits for cylinders	**P 839,688,099**	P 783,055,495
Additions	**59,643,921**	163,600,127
Amortization of cylinder deposits	**(34,473,550)**	(106,967,523)
	P 864,858,470	P 839,688,099

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P6.5 million, P14.7 million and P12.5 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 26.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P6.2 million, P1.2 million and P8.1 million in 2022, 2021 and 2020, respectively, and is presented as part of Rent Income in the consolidated statements of comprehensive income.

In 2021, the Parent Company received cash amounting to P100.0 million for the subscription of preferred shares. As of December 31, 2022 and 2021, the related Subscription Agreement was not yet finalized. As such, the advances for future stock subscription was classified as Liability presented under Other Non-Current Liabilities pending provision of the Subscription Agreement.

Cash bond deposits consist of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

Contract liability consists of payable for land acquisition that are not yet processed for payment at year-end. The Group will settle this liability at a future date beyond twelve months from year-end.

24. REVENUES AND COST OF SALES AND SERVICES

24.1 Revenues

a. Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services in the following primary geographical markets and major goods or service lines:

	Trading (point in time)	Depot and Logistics (over time)	Total
December 31, 2022			
Primary geographical markets			
Singapore	P 79,988,703,873	P 173,046,391	P 80,161,750,264
Philippines	40,583,558,785	1,754,977,875	42,338,536,660
Vietnam	4,831,988,123	13,364,520	4,845,352,643
	P 125,404,250,781	**P 1,941,388,786**	**P 127,345,639,567**
Major goods/service lines			
Fuel and by-products	P 111,326,905,310	P -	P 111,326,905,310
LPG	13,187,609,955	-	13,187,609,955
Management service	-	1,468,059,629	1,468,059,629
Merchandise	537,229,837	-	537,229,837
Lubricants	352,505,679	-	352,505,679
Hauling and into-plane	-	106,040,498	106,040,498
Others	-	367,288,659	367,288,659
	P 125,404,250,781	**P 1,941,388,786**	**P 127,345,639,567**
December 31, 2021 [As Restated – see Note 2.1*(b)*]			
Primary geographical markets			
Philippines	P 64,552,384,840	P 1,375,153,950	P 65,927,538,790
Singapore	61,800,943,206	120,027,874	61,920,971,080
Vietnam	4,197,548,401	26,778,396	4,224,326,797
	P 130,550,876,447	P 1,521,960,220	P 132,072,836,667
Major goods/service lines			
Fuel and by-products	P 116,889,228,746	P -	P 116,889,228,746
LPG	12,862,412,913	-	12,862,412,913
Lubricants	445,581,120	-	445,581,120
Merchandise	353,653,668	-	353,653,668
Management service	-	1,164,508,410	1,164,508,410
Hauling and into-plane	-	33,136,651	33,136,651
Others	-	324,315,159	324,315,159
	P 130,550,876,447	P 1,521,960,220	P 132,072,836,667

	Trading (point in time)	Depot and Logistics (over time)	Total
December 31, 2020			
Primary geographical markets			
Philippines	P 46,873,652,988	P 1,292,906,345	P 48,166,559,333
Singapore	26,683,147,632	103,825,922	26,786,973,554
Vietnam	3,214,557,782	1,864,456	3,216,422,238
	P 76,771,358,402	P 1,398,596,723	P 78,169,955,125
Major goods/service lines			
Fuel and by-products	P 66,782,179,516	P -	P 66,782,179,516
LPG	8,950,133,225	-	8,950,133,225
Merchandise	617,849,647	-	617,849,647
Lubricants	421,196,014	-	421,196,014
Management service	-	1,139,288,653	1,139,288,653
Hauling and into-plane	-	171,794,611	171,794,611
Others	-	87,513,459	87,513,459
	P 76,771,358,402	P 1,398,596,723	P 78,169,955,125

All of the Group's revenues except revenues from management service, hauling and into-plane services and franchise fees (insignificant in amount), which are presented as part of Fuel Services and Other Revenues are recognized at a point in time.

b. Contract Balances

A reconciliation of the movements of contract liabilities is shown below.

	Notes	2022	2021
Balance at beginning of year		**P 133,518,955**	P 269,430,381
Revenue recognized that was included in contract liabilities at the beginning of the year		**(133,518,955)**	(269,430,381)
Increase due to cash received excluding amount recognized as revenue during the year		**220,370,599**	133,518,955
Balance at end of year	21, 23	**P 220,370,599**	P 133,518,955

The Group recognizes contract assets, due to the timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. However, the management assess that contract assets, if any, are of insignificant amounts.

Changes in the contract assets and contract liabilities are recognized by the Group when the right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

24.2 Cost of Sales and Services

a. Costs of Sales and Services

This account is composed of the following:

	Note	2022	2021 [As Restated - See Note 2.1(b)]	2020 [As Restated - See Note 2.1(b)]
Cost of fuels and lubricants		**P 109,588,442,720**	P 119,908,915,825	P 68,103,782,340
Cost of LPG		**11,846,991,160**	4,464,274,180	2,654,744,531
Cost of merchandise		**397,905,017**	243,415,931	138,362,677
Cost of services		**31,202,455**	31,369,993	17,194,349
	25	**P 121,864,541,352**	P 124,647,975,929	P 70,914,083,897

b. Cost of Fuels, Lubricants, LPG and Merchandise Sold

The cost of inventories sold are broken down as follows:

	Note	2022	2021 [As Restated - See Note 2.1(b)]	2020 [As Restated - See Note 2.1(b)]
Inventories at beginning of year		**P 5,099,866,600**	P 5,109,202,043	P 11,679,616,905
Net purchases during the year		**118,198,564,630**	124,635,373,479	64,279,890,225
Overhead costs	11.2	**15,083,262**	3,267,007	63,778,810
Goods available for sale		**123,313,514,492**	129,747,842,529	76,023,285,940
Inventories at end of year	8	**(1,448,973,140)**	(5,099,866,600)	(5,109,202,043)
		P 121,864,541,352	P 124,647,975,929	P 70,914,083,897

25. COSTS AND EXPENSES BY NATURE

The details of the Group's costs and expenses by nature are shown below.

	Notes	2022	2021 [As Restated - See Note 2.1(b)]	2020 [As Restated - See Note 2.1(b)]
Cost of inventories sold		**P 121,864,541,352**	P 124,647,975,929	P 70,914,083,897
Depreciation and amortization	11.2,12.1,13	**1,559,505,019**	1,339,959,556	1,374,341,866
Salaries and employee benefits	27.1	**1,198,674,018**	1,087,852,304	1,139,766,868
Rent	12.3,17, 30.3	**530,268,091**	505,764,358	574,971,609
Freight and trucking charges		**529,935,846**	601,227,763	753,162,077
Impairment losses on non-financial assets	11,13,15	**461,396,426**	-	-
Taxes and licenses	16	**440,360,779**	603,936,314	449,446,715
Advertising and promotions		**321,175,589**	268,719,524	281,415,849
Balance forwarded		**P 126,905,857,120**	P 129,055,435,748	P 75,487,188,881

2021 2020

	Notes	2022	[As Restated - See Note 2.1*(b)*]	[As Restated - See Note 2.1*(b)*]
Balance carried forward		**P 126,905,857,120**	P 129,055,435,748	P 75,487,188,881
Repairs and maintenance		**227,799,781**	191,167,084	202,240,283
Professional fees		**218,441,940**	105,358,482	115,207,489
Outside services		**216,715,259**	119,758,387	66,165,722
Impairment losses on financial assets	7,30.4	**186,211,232**	-	82,210,745
Service fees		**134,041,209**	185,234,794	156,357,285
Utilities		**131,306,250**	120,482,271	118,165,596
Dues and subscriptions		**111,850,679**	105,831,546	88,366,775
Security fees		**108,193,031**	113,756,124	113,031,427
Fuel, oil and lubricants		**73,583,260**	17,264,560	29,945,028
Deficiency taxes		**72,054,251**	985,136	-
Representation		**55,038,016**	6,806,072	18,357,583
Insurance		**37,779,980**	52,402,545	64,385,856
Travel and transportation		**33,519,772**	4,853,157	26,671,570
Office supplies		**24,914,773**	16,721,332	30,329,153
Royalties	34.4*(a)*	**10,287,899**	4,720,342	7,137,623
Donations and contributions	30.13	**3,037,002**	7,440,424	14,310,775
Sales incentives		**1,326,968**	4,508,173	20,191,473
Provision for loss on lost cylinders	11	**-**	50,474,762	42,528,021
Management fee		**-**	7,700,000	11,299,286
Miscellaneous		**40,304,497**	158,339,591	28,482,592
		P 128,592,262,919	P 130,329,240,530	P 76,722,573,163

The expenses are classified in the consolidated statements of comprehensive income as follows:

	Notes	2022	2021 [As Restated - See Note 2.1*(b)*]	2020 [As Restated - See Note 2.1*(b)*]
Cost of sales and services	24.2*(a)*	**P121,864,541,352**	P124,647,975,929	P 70,914,083,897
Selling and administrative expenses		**6,080,113,909**	5,681,264,601	5,726,278,521
Impairment losses on non-financial assets	11,13,15	**461,396,426**	-	-
Impairment losses on financial assets	7,30.4	**186,211,232**	-	82,210,745
		P128,592,262,919	P130,329,240,530	P 76,722,573,163

26. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

26.1 Finance Costs

	Notes	2022	2021 [As Restated - see Note 2.1*(b)*]	2020 [As Restated - see Note 2.1*(b)*]
Interest expense on bank loans and other borrowings	19.4	**P 1,817,952,279**	P 2,265,042,096	P 1,849,005,676
Finance cost due to extended inventory settlement	19.1	**961,874,854**	946,210,274	-
Foreign currency exchange losses – net		**204,963,373**	309,893,436	-
Interest expense from lease liabilities	12.4	**106,414,221**	89,684,407	183,607,680
Bank charges		**105,661,705**	87,767,551	11,671,191
Interest expense on deficiency taxes		**40,564,537**	2,521,027	-
Interest expense from post-employment defined benefit obligation – net	27.3	**8,080,054**	5,158,412	3,872,848
Interest expense from security deposits	23	**6,534,583**	14,746,966	12,465,194
		P 3,252,045,606	P 3,721,024,169	P 2,060,622,589

26.2 Finance Income

	Notes	2022	2021	2020
Hedging and financing income	22	**P 60,148,126**	P 870,978	P 262,796,899
Interest income on amortization of rental deposits	17	**46,095,678**	35,902,130	28,349,080
Interest income from cash in banks and cash advances	6	**23,345,523**	22,645,865	48,663,207
Interest income from restricted deposits	9	**7,138,227**	19,643,840	1,740,335
Foreign currency exchange gains – net		**-**	-	18,244,247
Others		**17,204**	-	-
		P 136,744,758	P 79,062,813	P 359,793,768

27. EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2022**	2021	2020
Short-term benefits:				
Salaries and wages		**P 728,836,806**	P 708,560,889	P 902,964,671
Employee welfare and other benefits		**358,479,132**	276,325,792	142,259,025
13th month pay and bonuses		**68,470,077**	57,948,220	86,881,232
Post-employment defined benefit	27.3	**42,888,003**	41,916,804	-
Employee share options	27.2	**-**	3,100,599	7,661,940
	25	**P 1,198,674,018**	P 1,087,852,304	P 1,139,766,868

Negative past service cost, net of current service cost of post-employment defined benefit amounted to P0.3 million in 2020, and is presented as part of Others under Other Charges (Income) in the 2020 consolidated statement of comprehensive income (see Note 27.3).

27.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income amounted to nil, P3.1 million and P7.7 million in 2022, 2021 and 2020, respectively, (see Note 27.1), while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the consolidated statements of financial position. Other information related to the ESOP are presented in Note 31.7.

27.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2022, 2021 and 2020.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 23) in the consolidated statements of financial position, are determined as follow:

	2022	2021
Present value of obligation	**P 301,969,456**	P 351,236,775
Fair value of plan assets	**(185,203,457)**	(192,062,396)
	P 116,765,999	P 159,174,379

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2022	2021
Balance at beginning of year	**P 351,236,775**	P 319,468,558
Current service cost	**42,888,003**	42,223,574
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(72,134,574)**	(48,916,044)
Changes in demographic assumptions	**(30,815,864)**	(4,465,811)
Experience adjustments	**(4,757,457)**	30,628,455
Interest expense	**17,786,964**	12,604,813
Benefits paid from plan assets	**(2,234,391)**	-
Past service cost – plan curtailment	**-**	(306,770)
Balance at end of year	**P 301,969,456**	P 351,236,775

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 192,062,396**	P 190,118,443
Loss on plan assets (excluding amounts included in net interest)	**(14,331,458)**	(5,502,448)
Interest income	**9,706,910**	7,446,401
Benefits paid from plan assets	**(2,234,391)**	-
Balance at end of year	**P 185,203,457**	P 192,062,396

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2022	2021
Cash and cash equivalents	**P 21,695,120**	P 24,695,352
Quoted equity securities:		
Holding	**4,824,050**	4,968,600
Property	**2,940,000**	4,111,800
Manufacturing (Preferred)	**10,720,130**	16,664,510
	18,484,180	25,744,910
Government bonds	**69,298,380**	81,628,728
Unit investment trust funds (UITF)	**51,151,168**	33,664,147
Corporate Bonds	**24,247,224**	25,873,304
Others	**327,385**	455,955
	P 185,203,457	P 192,062,396

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy). Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2022	2021	2020
Reported in profit or loss:				
Current service cost	27.1	**P 42,888,003**	P 42,223,574	P 36,583,472
Past service cost – Plan curtailment	27.1	**-**	(306,770)	(36,905,335)
		42,888,003	41,916,804	(321,863)
Net interest expense (income)	26.1	**8,080,054**	5,158,412	3,872,848
		P 50,968,057	P 47,075,216	P 3,550,985

	2022	2021	2020
Reported in other comprehensive loss (income):			
Actuarial gains or losses arising from changes in:			
Financial assumptions	**(P 72,134,574)**	(P 48,916,044)	P 45,658,973
Demographic assumptions	**(30,815,864)**	(4,465,811)	29,756,060
Experience adjustments	**(4,757,457)**	30,628,455	(5,576,410)
Effect of asset ceiling	**-**	-	(3,830,918)
Return (loss) on plan assets (excluding amounts included in net interest expense)	**14,331,458**	5,502,448	(2,023,238)
	(P 93,376,437)	(P 17,250,952)	P 63,984,467

In 2021, there were curtailments on the plan of PFM and the Parent Company, respectively, which significantly reduced the headcount compared to that at the beginning of the year, in relation to the Group's rationalization of workforce (see Note 1.6) to which resulted in the recognition of past service cost. Negative past service cost, net of current service cost, is presented as part of Others – net under Other Charges (Income) in the 2020 consolidated statement of comprehensive income. There was no similar transaction in 2022.

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

The net interest expense in 2022, 2021 and 2020 is included as part of Finance Income and Finance Costs, respectively, under the Other Charges (Income) (see Note 26.1).

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021	2020
Discount rates	**7.20% to 7.22%**	5.08% to 5.09%	3.86% to 3.95%
Expected rate of salary increases	**2.00% to 5.00%**	2.00% to 5.00%	2.00% to 5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.6, 18.9 and 29.2 for the Parent Company, PLPI and PFM, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, quoted equity securities, government and corporate bonds, and UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described in the below.

Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

	2022		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 9,338,397)**	**P 31,170,033**
Salary increase rate	**+/- 1.00%**	**26,302,107**	**(8,701,126)**

	2021		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 33,283,454)	P 39,943,370
Salary increase rate	+/- 1.00%	36,315,651	(34,606,711)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(i) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. Large portion of the plan assets as of December 31, 2022 and 2021 are allocated to government and corporate bonds, UITF and equity securities.

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2022, the plan is underfunded by P115.5 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make no contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

	2022	2021
Within one year	**P 29,932,218**	P 20,582,948
More than one year to five years	**117,867,528**	89,748,075
More than five years to ten years	**191,276,774**	208,917,106
	P 339,076,520	P 319,248,129

The weighted average duration of the defined benefit obligation at the end of the reporting period is ten years.

28. REGISTRATION WITH THE BOARD OF INVESTMENTS

The Parent Company was registered with the Board of Investments (BOI) for certain terminal and facilities that entitled the entities certain tax and non-tax incentives. Terminal and facilities registered with the BOI are as follows:

Location of Project	Note	Entity Registered	Date of Registration	Income Tax Holiday (ITH) Period	Expiry
Tayud, Consolacion, Cebu	*28.1*	PPPI	Nov 24, 2017	5 Years	Nov 24, 2022
Calapan, Oriental Mindoro	*28.2*	PPPI	Sep 9, 2017	5 Years	Sep 9, 2022
Villanueva, Misamis Oriental	*28.3*	PPPI	Oct 12, 2017	5 Years	Oct 12, 2022
Calaca, Batangas Expansion	*28.4*	PPPI	Dec 22, 2017	5 Years	Dec 22, 2022
Calaca, Batangas Expansion 2	*28.4*	PPPI	April 3, 2019	5 Years	April 3, 2024
General Santos City	*28.5*	PPPI	March 14, 2019	5 Years	March 14, 2024

28.1 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

28.2 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from October 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

28.3 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from November 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

28.4 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calaca, Batangas Oil Terminal with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from January 2018 or date of registration whichever is earlier but in no case earlier than the date of registration.

On April 3, 2019, the Parent Company has registered with BOI under Registration No. 2019-068 its expansion for the Bulk Marketing of Petroleum Products in Calaca, Batangas Terminal, which pertains to the additional one storage tank with capacity of 16.1 million liters. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to the additional one storage tank are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from April 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

28.5 BOI Registration for New Investment in General Santos City Oil Depot

On March 14, 2019, the Parent Company has registered with BOI under Registration No. 2019-051 its new project for the Bulk Marketing of Petroleum Products in General Santos City Oil Depot. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to General Santos City Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from March 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

As of December 31, 2022 and 2021, the Parent Company has complied with the terms and conditions under its ITH registrations.

29. TAXES

The components of tax income (expense) reported in the consolidated profit or loss and in the consolidated other comprehensive income is presented below.

	2022	2021 [As Restated - See Note 2.1*(b)*]	2020 [As Restated - See Note 2.1*(b)*]
Reported in profit or loss:			
Current tax expense:			
Concessionary tax at 10.00%	**(P 78,059,540)**	P 3,464,615	(P 14,404,064)
Regular corporate income tax (RCIT) at 25.00% and 17.00% for 2022, 2021, and 30.00% and 17.00% for 2020	**(34,923,250)**	-	(66,735,254)
Minimum corporate income tax (MCIT) at 1.00% for 2022 and 2021, and 2.00% for 2020	**(10,265,499)**	(64,372,790)	(51,020,470)
Final tax at 20.00% and 7.50%	**(9,050,886)**	(8,106,971)	(13,436,906)
Effect of the change in income tax rates	**-**	10,674,902	-
	(132,299,175)	(58,340,244)	(145,596,694)
Deferred tax income arising from:			
Origination and reversal of temporary differences	**1,048,868,409**	877,348,678	384,228,058
Effect of the change in income tax rates	**-**	(96,156,729)	-
	1,048,868,409	781,191,949	384,228,058
	P 916,569,234	P 722,851,705	P 238,631,364
Reported in other comprehensive income:			
Deferred tax expense relating to arising from:			
Origination and reversal of temporary differences	**(P 141,994,830)**	(P 72,725,623)	(P 339,148,737)
Effect of the change in income tax rates	**-**	(42,842,691)	-
	(P 141,994,830)	(P 115,568,314)	(P 339,148,737)

A reconciliation of tax on pretax loss (profit) computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is presented below.

	2022	2021 [As Restated - See Note 2.1*(b)*]	2020 [As Restated - See Note 2.1(b)]
Tax on pretax loss (profit) at 25.00% and 17.00% in 2022 and 2021 and, 30.00% and 17.00% in 2020	**P 960,007,910**	P 261,539,657	(P 169,360,538)
Adjustment for income Subject to lower income tax rates	**3,248,094**	(59,183,467)	17,725,699
Tax effects of:			
Non-taxable income	**142,440,784**	77,736,450	31,244,482
Non-deductible expenses	**(134,657,153)**	(5,230,482)	(36,833,703)
Unrecognized deferred tax asset	**(125,201,103)**	(142,823,623)	(15,649,082)
Adjustment for income and expenses under ITH	**124,312,492**	676,188,523	481,255,974
Derecognition of previously Recognized deferred tax assets	**(50,028,173)**	-	13,058,596
Reversal of net operating loss carry over (NOLCO)	**(3,747,115)**	-	(81,744,810)
Share benefit expense on exercised stock options	**427,420**	3,518,902	3,571,819
Reversal of MCIT	**(233,922)**	(3,412,427)	(4,637,073)
Effect of the change in income tax rates	**-**	(85,481,828)	-
Tax income reported in consolidated statements of comprehensive income	**P 916,569,234**	P 722,851,705	P 238,631,364

The net deferred tax assets and liabilities as of December 31, 2022 and 2021 pertain to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income – Profit or Loss			Consolidated Statements of Comprehensive Income – Other Comprehensive Income (Loss)		
	2022	2021 [As Restated - See Note 2.1*(b)*]	2022	2021 [As Restated - See Note 2.1*(b)*]	2020 [As Restated - See Note 2.1*(b)*]	2022	2021	2020
Deferred tax assets:								
NOLCO	**P1,672,761,680**	P 803,257,299	**P 869,504,381**	P 503,716,790	P 281,080,061	**P -**	P -	P -
Unrealized foreign currency loss – net	**86,269,626**	44,544,450	**41,725,176**	4,955,897	(5,528,202)	**-**	-	-
MCIT	**77,252,772**	56,508,855	**20,743,917**	4,037,174	46,262,317	**-**	-	-
Provision for losses on lost cylinders	**63,775,399**	63,775,399	**-**	(12,755,080)	(2,384,022)	**-**	-	-
Post-employment benefit obligation	**16,327,835**	30,300,660	**9,371,284**	(3,997,107)	285,843	**(23,344,109)**	(4,312,738)	19,195,340
Unamortized past service cost	**13,894,024**	18,282,618	**(4,388,594)**	(3,985,795)	(314,900)		-	-
	1,930,281,336	1,016,669,281	**936,956,164**	491,971,879	319,401,097	**(23,344,109)**	(4,312,738)	19,195,340
Deferred tax liabilities:								
Impairment losses	**284,097,256**	157,183,963	**126,913,293**	(59,250,737)	17,879,173	**-**	-	-
Gain on revaluation of land	**(993,879,659)**	(1,033,249,189)	**158,020,251**	96,011,421	9,726,569	**(118,650,721)**	(111,255,576)	(358,344,077)
Fair value gains on investment property	**(317,404,009)**	(126,330,670)	**(191,073,339)**	152,635,217	(12,833,863)	**-**	-	-
Lease liabilities	**284,621,831**	306,199,830	**(21,577,999)**	44,208,721	(3,760,801)	**-**	-	-
Right-of-use assets	**(149,457,671)**	(186,354,425)	**36,896,754**	57,274,315	(112,725,112)	**-**	-	-
Accrued rent income	**(13,809,538)**	(21,447,345)	**7,637,807**	3,470,309	(338,928)	**-**	-	-
Unrealized foreign currency gains – net	**2,084,660**	6,989,182	**(4,904,522)**	(5,129,176)	21,283,229	**-**	-	-
	(903,747,130)	(897,008,654)	**111,912,245**	289,220,070	(80,769,733)	**(118,650,721)**	(111,255,576)	(358,344,077)
Net deferred assets	**P1,026,534,206**	P 119,660,627						
Net deferred tax income (expense)			**P 1,048,868,409**	P 781,191,949	P 238,631,364	**(P 141,994,830)**	(P 115,568,314)	(P 339,148,737)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2022	P 3,749,698,664	P 937,424,666	2025
2021	1,620,033,472	405,008,368	2026
2020	1,101,095,487	330,328,646	2025
	P 6,470,827,623	P 1,672,761,680	

Ordinarily, the Group's NOLCO is allowed as a deduction form taxable income in the next three consecutive years. However, pursuant to Section 4 (bbb) of the R.A. No. 11494 and as implemented under Revenue Regulation 25-2020, the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five years following the year of such loss.

Except for foreign subsidiaries, which are governed by taxes as prescribed by tax authorities of the countries they are domiciled, in 2022, the Group is subject to MCIT, which is computed at 1.00% (2.00% in 2020 and 2019), of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. MCIT was higher than RCIT for all the years presented for PGMI, PPMI and SPTT, respectively.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2022	P -	P 24,846,650	P 24,846,650	P 24,846,650	2025
2021	-	1,494,335	1,494,335	1,494,335	2024
2020	-	50,911,787	50,911,787	50,911,787	2023
	P -	P 77,252,772	P 77,252,772	P 77,252,772	

As of December 31, 2022, certain subsidiaries did not recognize deferred tax asset on MCIT amounting to P13.8 million, which management does not expect to recover. This compares to the unrecognized deferred tax asset on MCIT amounting to P11.7 million as of December 31, 2021.

In 2022, 2021 and 2020, the Group claimed itemized deductions in computing for its income tax due.

30. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate Parent Company, PPHI, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent Company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2022, 2021, and 2020 is presented in the succeeding pages.

Related Party Category	Notes	Amount of Transactions 2022	2021	2020	Outstanding Balance 2022	2021
Other related parties under common ownership						
Sale of goods	7,30.1	**P 6,059,817,550**	P8,507,658,731	P11,650,256,159	**P4,016,607,938**	P 3,339,166,472
Purchase of goods	21,30.2	**5,513,603,778**	3,257,918,757	1,169,220,884	**238,835,826**	24,726,647
Purchase of services	21,30.2	**275,275,771**	265,809,393	59,115,314	**-**	-
Advances to suppliers	7,17,30.2 30.11	**435,828,360**	2,653,361,471	15,400,370	**3,842,614,665**	3,343,433,441
Rentals	10,17,30.3	**100,590,558**	58,830,197	63,090,812	**-**	-
Due from related parties	30.4	**(372,992)**	(27,953,834)	29,033,906	**2,576,365**	2,949,357
Management fees	7,30.6	**40,526,269**	139,300,446	(15,174,900)	**82,813,548**	101,674,322
Sale of subsidiaries	7,30.9	**-**	-	-	**500,000,000**	500,000,000
Sale of services	7,30.10	**870,311,308**	419,715,150	1,204,678,839	**2,524,933,134**	2,148,899,278
Prepaid rent	10, 30.3	**(12,020,426)**	12,020,426	2,492,132	**-**	12,020,426
Advances for option to purchase properties	30.11	**-**	(2,364,361,471)	-	**-**	-
Transfer of retail stations	7, 18, 30.12	**(40,397,488)**	57,747,748	438,589,421	**328,141,552**	368,539,040
Donations	25,30.13	**3,037,002**	7,440,424	14,310,775	**-**	-
Ultimate parent						
Sale of goods	7,30.1	**1,995,995**	943,946	860,099	**373,599**	288,187
Advances to suppliers	17,30.2	**1,093,534,737**	813,537,639	259,121,861	**1,907,072,376**	2,015,794,376
Lease liability	12,25,26.1,30.3	**-**	-	126,000,000	**-**	-
Rentals	10,17,30.3	**12,170,466**	10,593,725	-	**776,442**	776,442
Purchase of services	21, 30.2	**(6,502,412)**	7,946,237	-	**1,443,825**	7,946,237
Sale of services	7,30.10	**499,774,427**	446,950,967	1,329,954,835	**2,413,634,319**	1,837,833,232
Due from related parties	30.4	**285,414**	-	-	**285,414**	-
Advances for option to purchase properties	17, 30.11	**-**	-	-	**200,000,000**	200,000,000
Key management personnel						
Salaries and employee benefits	25,30.7	**278,164,935**	278,164,935	264,918,985	**-**	-

30.1 Sale of Goods

The Group sells products to certain related parties under common ownership and its ultimate parent. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

In 2022, the outstanding receivable from the sale of goods to PSPC was reclassified from trade receivables to non-trade receivables due to the signing of a memorandum of agreement by both parties to settle the outstanding trade receivable through a long-term payment plan. The current portion of P247.0 million is presented as part of Non-trade receivables under Trade and Other Receivables in the 2022 consolidated statement of financial position (see Note 7). The non-current portion of P313.5 million is presented as part of Others under Other Non-Current Assets in the 2022 consolidated statement of financial position (see Note 17).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. Impairment loss of P186.4 million is recognized during the year. No impairment loss was recognized in 2021 and 2020 based on management's assessment.

30.2 Purchases of Goods and Services

The Group purchased goods and services from related parties under common ownership and ultimate parent on the basis of price lists in force with non-related parties. Total purchase of goods and services from related parties is presented as part of Cost of Sales and Services in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 21). The outstanding balances are unsecured, noninterest-bearing, payable on demand and normally settled in cash.

In addition, the Group advances certain amount to certain related parties under common ownership and also to the ultimate parent for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. The outstanding balances amounting to P238.8 million and P24.7 million are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7). Further, the Group has also made advances to certain related parties for future acquisition of real properties and materials for the construction of retail stations and is presented as part of Advances to suppliers under Other Non-Current Assets (see Note 17).

30.3 Rentals

The Group has the following lease agreements with the following related parties under common ownership:

(a) Udenna Corporation – of which total rent expense incurred in 2022 and 2021 amounted to P12.2 million and 10.6 million, respectively. There was no rent expense incurred in relation to rentals with Udenna Corporation in 2020. Refundable rental deposits amounted to P0.8 million as of both December 31, 2022 and 2021, and is presented as part of Refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

(b) Udenna Land, Inc. (ULI) – there were no rent expense incurred in relation to rentals with Udenna Land, Inc. in 2022, 2021, and 2020. However, rental deposit for the lease amounted to P6.9 million as of December 31, 2022, and 2021, is presented as part of Refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

(c) Valueleases, Inc. (VLI) – of which total rent expense on short-term leases in the years 2022, 2021 and 2020 amounted to P21.2 million, P30.5 million and P63.0 million, respectively. Prepaid rent amounted to P6.7 million and P12.0 million as of December 31, 2022 and 2021, respectively (see Note 10). Refundable rental deposits amounted to P6.7 million and P12.0 million as of December 31, 2022 and 2021, respectively, and is presented as part of refundable rental deposits under Prepayments and Other Current Assets and Other Non-current Assets, respectively, in the consolidated statements of financial position (see Note 17).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25) and the related outstanding rent payables are presented as part of Accrued Expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 21).

In 2019, PFM entered into lease agreement with Udenna Corporation for 15 years. PFM recognized lease liability of P166.7 million at initial recognition. PFM also recognized depreciation expense amounting to P11.1 million, P11.1 million and P11.1 million and interest expense amounting to P12.5 million, P12.7 million and P12.9 million in 2022, 2021 and 2020, respectively (see Notes 12, 25 and 26.1).

30.4 Due from Related Parties

The Group grants unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2022 and 2021, the outstanding receivable from related parties are shown as Due from Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2022	2021
PSPC		**P 990,161**	P 990,161
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**634,077**	624,077
FEC		**520,941**	520,941
UC		**285,700**	-
CJI		**277,871**	277,871
NGT		**266,772**	-
PNMC		**-**	388,159
TCQPC		**-**	254,278
		2,975,522	3,055,487
Allowance for impairment	4.2(*b*)	**(113,743)**	(106,130)
		P 2,861,779	P 2,949,357

The movement of Due from Related Parties as of December 31 is as follows:

	Notes	2022	2021
Balance at beginning of year		**P 2,949,357**	P 30,903,191
Additions		**11,263,349**	100,053
Collections		**(10,802,682)**	(27,914,809)
Reclassified to (from) trade and other receivables:			
Gross receivable		**(642,437)**	(278,156)
Allowance for impairment	7	**172,659**	139,078
Impairment loss for the year	25	**(78,467)**	-
Balance at end of year		**P 2,861,779**	P 2,949,357

30.5 Loan Collaterals

The OLSA with BDO and loan agreements with LBP, MPI, PNB and AUB of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 19.2).

In 2021, the TLA with BOC was secured by a real estate mortgage on certain terminal assets (including land and improvements) of CISC [see Note 19.2(i)].

In 2022, the TLA with AUB was secured by 81.9 million common shares of stock in the Parent Company.

30.6 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7) and are unsecured, non-interest bearing, payable on demand and normally settled in cash.

30.7 Key Management Compensations

The compensation of key management personnel are broken down as follows:

	2022	2021	2020
Salaries and wages	**P 219,957,161**	P 219,957,161	P 209,483,010
13th month pay and bonuses	**22,873,035**	22,873,035	21,783,843
Post-employment benefits	**17,642,762**	17,642,762	16,802,630
Honoraria and allowances	**13,772,969**	13,772,969	13,117,113
Share-based payment	**3,919,008**	3,919,008	3,732,389
	P 278,164,935	P 278,164,935	P 264,918,985

30.8 Retirement Plan

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2022 and 2021 is shown in Note 27.3. As of December 31, 2022 and 2021, the retirement plan has no investment in shares of stocks of the Parent Company and other listed related parties.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 27.3.

30.9 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC), and in CISC to ULI. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total P500.0 million is still receivable as of both December 31, 2022 and 2021. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statement of financial position (see Note 7) and is unsecured, noninterest-bearing and expected to be collected in 2023.

30.10 Sale of Services

The Group entered into a service agreement with certain related parties to temporarily operate and manage the related parties' operations. Total service income recognized in 2022, 2021 and 2020 amounted to P1,377.3 million, P866.7 million and P1,139.3 million, respectively. The outstanding balance from services rendered to related parties amounted to P4,882.4 million and P3,986.7 million in 2022 and 2021, respectively.

The service income is presented as part of Fuel Service and Other Revenues in the consolidated statements of comprehensive income and the related outstanding receivables are presented as part of Non-trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (Note 7). The outstanding balances are unsecured, noninterest-bearing, payable on demand and normally settled in cash.

30.11 Advances for Option to Purchase Properties

In 2020, DUTA entered into a Reservation with Option Agreement with Global Gateway Development Corporation (GGDC), a related party under common ownership, for the purchase of the leasehold rights over the 22,000 sqm. property of GGDC in Clark Global City. The advances for option to purchase properties made by the Parent Company to GGDC will be applied to the payment for the future purchase of property. The full amount of advances to suppliers amounting to P2,364.4 million remained outstanding as of December 31, 2022 and was reclassified to Advances to suppliers under Other Non-Current Assets in the 2022 consolidated statement of financial position (see Note 7).

Certain advances to the Group's ultimate parent amounting to P200.0 million were also made in 2019 for the purchase of properties and is presented as part of Advances to suppliers under Other Non-current Assets in the consolidated statement of financial position (see Note 17).

30.12 Transfer of Retail Stations

In 2020, the Group transferred retail stations to certain JVs amounting to P438.6 million (see Note 18), part of which amounting to P14.9 million was invested in FEC (see Note 14.2). In 2021, certain retail stations of the Group with carrying amount of P57.7 million were transferred to the JVs at cost (see Note 18).

The related receivable from the sale of the retail stations amounting to P328.1 million and P368.6 million is still outstanding as of December 31, 2022, and 2021, respectively, and is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7). The receivable is noninterest-bearing, due on demand, to be settled in cash, and is secured by the related retail stations.

30.13 Donation

The Group granted P3.0 million, P7.4 million and P14.3 million donations to Udenna Foundation, Inc. in 2022, 2021 and 2020, respectively. These are presented as Donations and Contributions under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 25).

31. EQUITY

31.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**24,500,000**	24,500,000	37,000,000	**P 24,500,000**	P 24,500,000	P 37,000,000
Redemption	**-**	-	(12,500,000)	**-**	**-**	(12,500,000)
Balance at end of year	**24,500,000**	24,500,000	24,500,000	**24,500,000**	24,500,000	24,500,000
Treasury shares	**(10,000,000)**	(10,000,000)	(10,000,000)	**(10,000,000)**	(10,000,000)	(10,000,000)
Issued and outstanding	**14,500,000**	14,500,000	14,500,000	**P 14,500,000**	P 14,500,000	P 14,500,000

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Common – P1 par value						
Authorized:	2,500,000,000	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning of year	**1,441,915,332**	1,438,977,232	1,437,204,232	**P1,441,915,332**	P1,438,977,232	P1,437,204,232
Issuance during the year	**301,000**	2,938,100	1,773,000	**301,000**	2,938,100	1,773,000
Balance at end of year	**1,442,216,332**	1,441,915,332	1,438,977,232	**1,442,216,332**	1,441,915,332	1,438,977,232
Treasury shares						
Balance at beginning of year	**-**	-	(31,000,000)	**-**	-	(344,300,000)
Sale of treasury shares	**-**	-	31,000,000	**-**	-	344,300,000
Balance at end of year	**-**	-	-	**-**	-	-
Issued and outstanding	**1,442,216,332**	1,441,915,332	1,438,977,232	**P1,442,216,332**	P1,441,915,332	P1,438,977,232
				P1,456,716,332	P1,456,415,332	P1,453,477,232

(a) On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

(b) In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

(c) In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 31.4).

(d) In 2018, the Parent Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

(e) On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 (1st and 2nd tranche) and re-issued the same amount of P5.0 million (5.0 million shares at P1 par value).

The preferred shares shall have the following features as provided in the subscription agreement:

- Non-convertible into common shares;
- Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;
- No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,
- The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.
- Dividends on the preferred shares shall have a fixed rate of 8.25% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

- Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

- The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a debt-to-equity ratio of 3:1 throughout the life of the preferred shares. The Parent Company complied with this requirement in all applicable years presented.

(f) On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 31.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

Dividend rates:	PNX3A	7.43% per annum
	PNX3B	8.11% per annum
Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	

The subscription agreement does not include financial, affirmative and negative covenants.

(g) On December 3, 2018, the Parent Company entered into a Subscription Agreement for a perpetual preferred shares with RCBC Capital Corporation, which was taken from the unissued portion of the authorized capital stock of the Parent Company. The preferred shares with the same features under Note 31.1*(e)* were issued on December 5, 2018. The issuance was by way of private placement of P2,000.0 million, consisting of 2,000.0 million preferred shares at an offered price of P1,000.0 per share. Initial dividend rate is at 8.25% per annum. The subscription agreement does not include financial, affirmative and negative covenants.

(h) On November 7, 2019, the Parent Company issued and listed its 7.0 million perpetual preferred shares (P1.0 par value) Series 4 with the PSE. The preferred shares' offer price is P1,000.00 per share and issued to various subscribers (see Note 31.2).

The Series 4 of preferred shares have the same features with the 3 tranches of preferred shares except for the following:

Dividend rates:	PNX4	7.5673% per annum (Initial dividend rate)
	Unless the preferred shares are redeemed by the Parent Company on the 3rd anniversary of the issue date, the applicable dividend rate shall be adjusted to the higher of the initial dividend rate and the simple average of the yield designated as “Final BVAL YTM” for the 7-year Republic of the Philippines peso-denominated domestic government bonds, for three (3) business days immediately preceding (and including) the 3rd anniversary of the issue date plus 850 basis points.	
Dividend payment dates:	Dividends shall be payable on February 7, May 7, August 7 and November 7 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company’s BOD.	

(i) On December 18, 2020, the Parent Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 31.2 and 31.4).

The subscription agreement does not include financial, affirmative and negative covenants.

31.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company’ successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 31.1).

On November 7, 2019, the Parent Company has listed its Series 4 preferred shares with the PSE (see Note 31.1).

On December 18, 2020, the Parent Company redeemed is listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 31.1 and 31.4).

The market prices of the shares as of December 31 are as follows:

	2022	2021	2020
PNX (Common)	**P 8.60**	P 10.86	P 12.50
PNX 3A (Preferred)	**-**	-	-
PNX 3B (Preferred)	**65.30**	102.50	103.60
PNX 4 (Preferred)	**374.00**	998.00	1,007.00

31.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2022	2021	2020
Common	**59**	60	65
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**-**	-	-
d) PNX 3B	**4**	4	4
e) PNX 4	**5**	5	5

In accordance with the Revised Securities Regulation Commission Rule 68, Annex 68-K; presented below is a summary of the Parent Company's track record of registration of securities.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		**2,550,000,000**				**P1,436,248,632**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,436,248,632**
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		**2,550,000,000**			**P1,406,233,932**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,406,233,932**
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Amounts carried forward)		**2,550,000,000**			**P1,456,538,232**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000				P1,456,538,232
Issuance	Common		1		5/23/2018	73,000
Issuance	Common		1		6/30/2018	2,128,000
Redeemed treasury shares	Common		1		9/12/2018	(25,000,000)
Issuance	Common		1		9/30/2018	447,000
Redeemed treasury shares	Common		1		11/21/2018	(3,500,000)
Redeemed treasury shares	Common		1		11/21/2018	(2,500,000)
Issuance	Preferred		1	Par value	12/5/2018	2,000,000
			1,000	Issue price		
Issuance	Common		1		12/31/2018	118,000
Redeemed treasury shares	Treasury Shares		1		12/20/2018	(5,000,000)
Issuance	Common		1	Par value	7/1/2019	2,572,000
Redeemed treasury shares	Preferred		1	Par value	8/15/2019	(500,000)
			1,000	Issue price		
Issuance	Common		1	Par value	11/4/2019	328,000
Redeemed treasury shares	Preferred		1	Par value	11/6/2019	(1,500,000)
			1,000	Issue price		
Issuance	Preferred		1	Par value	11/8/2019	7,000,000
			1,000	Issue price		
Issuance	Common		1	Par value	7/31/2020	1,773,000
Sale of treasury shares	Treasury Shares		1		12/1/2020	31,000,000
Redeemed preferred shares	Preferred		1	Par value	12/18/2020	(12,500,000)
Issuance	Common		1	Par value	3/31/2021	811,000
Issuance	Common		1	Par value	9/22/2021	1,773,900
Issuance	Common		1	Par value	12/29/2021	353,200
Issuance	Common		1	Par value	3/3/2022	155,600
Issuance	Common		1	Par value	8/5/2022	145,400
Total		2,550,000,000				P 1,456,716,332

31.4 Additional Paid-in Capital

In 2022, the Parent Company issued 0.3 million of its common shares for a total consideration amounting to P1.7 million. Additional paid in capital as a result of the issuance amounted to P1.4 million. The fair value of stock options exercised in 2022, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P0.4 million, which is computed at P3.05 per stock option.

In 2021, the Parent Company issued 2.9 million of its common shares for a total consideration amounting to P25.6 million. Additional paid in capital as a result of the issuance amounted to P22.7 million. The fair value of stock options exercised in 2021, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P3.3 million, which is computed at P3.05 per stock option.

On December 18, 2020, the Parent Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share for a total consideration paid of P1,250.0 million (see Notes 31.1 and 31.2). The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P1,237.5 million.

On December 1, 2020, the Parent Company sold 31,000,000 treasury common shares at market price of P12.50 per share, at the exchange facilities, resulting to an additional premium of P43.2 million (see Note 31.1).

In 2020, the Parent Company issued 1.8 million of its common shares at exercise price of P5.68 per stock option resulting in additional premium of P13.7 million (Notes 31.1 and 31.7). The fair value of stock options exercised in 2020, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P5.4 million, which is computed at P3.05 per stock option.

In 2019, the Parent Company issued 7.0 million of its preferred shares at P1,000.00 per share. Premiums received in excess of the par value amounting to P6,784.7 million, net of stock issue cost of P208.3 million, were recorded as part of Additional Paid-in Capital account in the 2019 consolidated statement of financial position. In addition, the Parent Company also redeemed 2.0 million shares at P1,000.0 per share for a total consideration paid of P2,000.0 million. The payment in excess of the par value of the redeemed share was recognized as reduction under the Additional Paid-in Capital account amounting to P1,998.0 million.

In 2012, the Parent Company issued 171.3 million shares in favor of Udenna Management and Resources Corporation (UMRC) in relation to the share-for-share swap acquisition of Chelsea Shipping Corporation (CSC). The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

31.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below and in the succeeding page.

	Revaluation of Land	Actuarial Gain or Loss on Defined Benefit Obligation	Accumulated Translation Adjustment	Total
Balance as of January 1, 2022	P 2,557,068,997	(P 86,155,604)	(P 108,905,808)	P 2,362,007,585
Revaluation increment	474,602,884	-	-	474,602,884
Remeasurements of post-employment defined benefit obligation	-	93,376,437	-	93,376,437
Translation adjustment			280,256,183	280,256,183
Tax expense	(118,650,721)	(23,344,109)	-	(141,994,830)
Other comprehensive income (loss) after tax	2,913,021,160	(16,123,276)	171,350,375	3,068,248,259
Translation adjustment attributable to non-controlling interests	-	-	(66,933,093)	(66,933,093)
Balance as of December 31, 2022	**P 2,913,021,160**	**(P 16,123,276)**	**P 104,417,282**	**P 3,001,315,166**
Balance as of January 1, 2021	P 2,223,302,268	(P 99,093,818)	(P 131,737,522)	P 1,992,470,928
Revaluation increment	445,022,305	-	-	445,022,305
Remeasurements of post-employment defined benefit obligation	-	17,250,952	-	17,250,952
Translation adjustment	-	-	1,435,082	1,435,082
Tax expense	(111,255,576)	(4,312,738)	-	(115,568,314)
Other comprehensive income (loss) after tax	2,557,068,997	(86,155,604)	(130,302,440)	2,340,610,953
Translation adjustment attributable to non-controlling interests	-	-	21,396,632	21,396,632
Balance as of December 31, 2021	P 2,557,068,997	(P 86,155,604)	(P 108,905,808)	P 2,362,007,585

	Revaluation of Land	Actuarial Gain or Loss on Defined Benefit Obligation	Accumulated Translation Adjustment	Total
Balance as of January 1, 2020	P 1,387,166,088	(P 54,304,691)	(P 44,799,122)	P 1,288,062,275
Revaluation increment	1,194,480,257	-	-	1,194,480,257
Remeasurements of post-employment defined benefit obligation	-	(63,984,467)	-	(63,984,467)
Translation adjustment	-	-	(87,219,875)	(87,219,875)
Tax income (expense)	(358,344,077)	19,195,340	-	(339,148,737)
Other comprehensive income (loss) after tax	2,223,302,268	(99,093,818)	(132,018,997)	1,992,189,453
Translation adjustment attributable to non-controlling interests	-	-	281,475	281,475
Balance as of December 31, 2020	P 2,223,302,268	(P 99,093,818)	(P 131,737,522)	P 1,992,470,928

31.6 Retained Earnings (Deficit)

In 2022, a total of P576.6 million cash dividends were declared by the Parent Company's BOD and distributed to 2nd, 3rd and 4th tranche preferred stockholders. No cash dividends on common shares and stock dividends were declared and distributed in 2022.

In 2021, a total of P589.3 million cash dividends were declared by the Parent Company's BOD and distributed to 2nd, 3rd and 4th tranche preferred stockholders. No cash dividends on common shares and stock dividends were declared and distributed in 2021.

In 2020, a total of P683.3 million cash dividends were declared by the Parent Company's BOD and distributed to 2nd, 3rd and 4th tranche preferred stockholders. No cash dividends on common shares and stock dividends were declared and distributed in 2020.

The Group's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

31.7 ESOP

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options were granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year was computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 was based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Parent Company's shares over a period of time consistent with the option life.

A total of P3.1 million and P7.7 million share-based executive compensation is recognized in 2021 and 2020, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in the consolidated statements of comprehensive income, (see Note 27.2) with a corresponding credit to Retained Earnings account. No similar transaction in 2022.

31.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2022	2021 [As Restated - See Note 2.1*(b)*]
Total liabilities	**P 71,712,055,949**	P 68,777,170,536
Total equity	**14,079,931,864**	17,161,804,693
Debt-to-equity ratio	**5.1 : 1.0**	4.0 : 1.0

In 2022, the increase in total liabilities is attributable to the increase of trade and other payables and trust receipts amounting to P382.6 million and P3.17 million due to the increase in inventory levels and increase of interest. The decrease in equity is due to cash dividends declared to preference shares during the year and the absorption of net loss during the year.

The Group's goal in capital management is to maintain a debt-to-equity structure ratio that is in line with the Group's covenants related to its bank borrowings. As of December 31, 2022, the Group was not able to comply with the outstanding debt covenants with the banks using the separate audited financial statements of the Parent Company and PLPI (see Note 19.2).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

32. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share were computed as follows:

	2022	2021 [As Restated - See Note 2.1*(b)*]	2020 [As Restated - See Note 2.1*(b)*]
a) Net profit (loss) pertaining to common shares	**(P 3,872,183,280)**	(P 1,472,498,985)	P 35,446,404
b) Net profit (loss) attributable to common shares and potential common shares	**(3,872,183,280)**	(1,472,498,985)	35,446,404
c) Weighted average number of outstanding common shares	**1,440,265,058**	1,440,265,058	1,438,191,470
d) Weighted average number of outstanding common and potential common shares	**1,440,265,058**	1,440,791,113	1,438,435,515

	2022	2021 [As Restated - See Note 2.1(b)]	2020 [As Restated - See Note 2.1(b)]
Basic earnings (loss) per share (a/c)	**(P 2.69)**	(P 1.02)	P 0.02
Diluted earnings (loss) per share (b/d)	**(P 2.69)**	(P 1.02)	P 0.02

Net profit (loss) pertaining to common shares is the remaining net profit (loss) attributable to the Parent Company after deducting annual dividends on outstanding preferred shares.

The potential dilutive common shares totalling 526,055 and 244,045 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2021 and 2020. There are no potential dilutive common shares in 2022.

33. SEGMENT REPORTING

33.1 Business Segments

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Real estate segment is involved in real estate development, management and operations.

33.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

33.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2022 and 2021 and certain asset and liability information regarding industry segments as of December 31, 2022 and 2021 (in thousands).

	Sale of Goods – Trading			Fuel Service and Other Revenue – Depot and Logistics			Real Estate			Total		
	2022	2021 [As Restated − See Note 2.1(*b*)]	2020 [As Restated − See Note 2.1(*b*)]	2022	2021 [As Restated − See Note 2.1(*b*)]	2020 [As Restated − See Note 2.1(*b*)]	2022	2021 [As Restated − See Note 2.1(*b*)]	2020 [As Restated − See Note 2.1(*b*)]	2022	2021 [As Restated − See Note 2.1(*b*)]	2020 [As Restated − See Note 2.1(*b*)]
TOTAL REVENUES												
Sales to external customers	P125,404,251	P130,550,876	P 76,771,358	P 1,941,388	P 1,521,960	P 1,398,597	P 205,890	P 183,993	P 129,556	P 127,551,529	P 132,256,829	P 78,299,511
Intersegment sales	4,968,705	20,076,753	23,580,070	2,304	152,357	366,243	28,916	25,424	32,016	4,999,925	20,254,534	23,978,329
Total revenues	130,372,956	150,627,629	100,351,428	1,943,692	1,674,317	1,764,840	234,806	209,417	161,572	132,551,454	152,511,363	102,277,840
COSTS AND OTHER OPERATING EXPENSES												
Cost of sales and services excluding depreciation and amortization	129,904,449	147,604,130	97,656,482	1,736,061	1,475,082	1,674,917	203,372	173,966	7,910	132,032,682	149,253,178	99,339,309
Depreciation and amortization	1,485,671	1,303,621	1,312,584	67,110	24,146	48,844	6,724	2,829	165	1,559,505	1,330,596	1,361,593
	131,390,120	148,907,751	98,969,066	1,803,172	1,499,228	1,723,761	210,097	176,795	8,075	133,592,187	150,583,774	100,700,902
SEGMENT OPERATING PROFIT (LOSS)	(P 1,205,964)	P 1,719,878	P 1,382,362	P 140,519	P 175,089	P 41,079	P 24,709	P 32,622	P 153,497	(P 1,040,733)	P 1,927,589	P 1,576,938
ASSETS AND LIABILITIES												
Segment assets	P 94,732,447	P 98,633,428		P 3,986,389	P 1,820,097		P 9,295,300	P 5,504,055		P 108,014,136	P 105,957,580	
Segment liabilities	79,369,302	79,185,391		3,722,014	1,586,389		2,731,241	2,384,178		85,822,557	83,155,958	
OTHER SEGMENT INFORMATION												
Interest expense	P 2,972,898	P 2,339,251	P 2,025,572	P -	P -	P -	P 17	P -	P 312	P 2,972,915	P 2,339,251	P 2,025,884
Interest income	102,715	78,156	53,593	-	-	-	60	35	(122)	102,775	78,191	53,471
Income tax expense	1,696,677	698,300	64,038	99,754	18,122	-	(185,428)	2,368	8,357	1,611,003	718,790	72,395
Equity share in net income of joint venture	(95,420)	4,103	92,620	2,610	15,759	2,243	-	-	-	(92,810)	19,862	94,863
Fair value loss on financial liabilities at FVTPL	82,525	540,620	(262,797)	-	-	-	-	-	-	82,525	540,620	(262,797)

33.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statement (in thousands).

	2022	2021 [As Restated – See Note 2.1*(b)*]	2020 [As Restated – See Note 2.1*(b)*]
Revenues			
Total segment revenues	**P 132,551,454**	P 152,511,363	P 102,277,840
Elimination of intersegment revenues	**(4,999,925)**	(20,254,534)	(23,978,329)
Revenues as reported in profit or loss	**P 127,551,529**	P 132,256,829	P 78,299,511
Profit or loss			
Segment operating profit (loss)	**(P 1,040,733)**	P 1,927,589	P 1,576,938
Fair value gains (losses) on investment properties	**119,011**	86,838	42,780
Equity share in net income (loss) of joint ventures	**(92,810)**	19,862	94,863
Other unallocated income (expense)	**-**	(791)	131,406
Operating profit as reported in profit or loss	**(1,014,532)**	2,033,498	1,845,987
Finance costs	**(3,252,046)**	(3,721,024)	(2,060,623)
Finance income	**136,745**	79,063	359,794
Profit (loss) before tax as reported in profit or loss	**(P 4,129,833)**	(P 1,608,463)	P 145,158
Assets			
Segment assets	**P 108,014,136**	P 105,957,580	
Right-of-use assets – net	**1,191,123**	1,243,237	
Deferred tax assets – net	**1,930,281**	1,016,669	
Elimination of intercompany accounts	**(25,343,552)**	(22,278,511)	
Total assets reported in the consolidated statements of financial position	**P 85,791,988**	P 85,938,975	
Liabilities			
Segment liabilities	**P 85,822,557**	P 83,155,958	
Lease liabilities	**1,351,343**	1,379,521	
Deferred tax liabilities – net	**903,747**	897,009	
Elimination of intercompany accounts	**(16,365,591)**	(16,655,317)	
Total liabilities as reported in the consolidated statements of financial position	**P 71,712,056**	P 68,777,171	

33.5 Geographical Segments

The Group has identified three geographical areas as operating segments, which represent the location of the Group's operations in 2022, 2021 and 2020. The Group is operating in the Philippines, Singapore and Vietnam.

Presented below are the reportable geographical segments of the Group (in thousands).

	Philippines	Singapore	Vietnam	Total
December 31, 2022				
TOTAL REVENUES				
Sales to external customers	P 42,544,426	P 80,161,750	P 4,845,353	P 127,551,529
Intersegment sales	35,937	4,963,988	-	4,999,925
Total revenues	42,580,363	85,125,738	4,845,353	132,551,454
COSTS AND OTHER OPERATING EXPENSES				
Cost of sales and services excluding depreciation and amortization	42,930,500	84,297,998	4,804,184	132,032,682
Depreciation and amortization	1,468,930	76,368	14,207	1,559,505
	44,399,430	84,374,366	4,818,391	133,592,187
SEGMENT OPERATING PROFIT	**(P 1,819,067)**	**P 751,372**	**P 26,962**	**(P 1,040,733)**
ASSETS AND LIABILITIES				
Segment assets	P 98,395,612	P 8,588,854	P 1,029,670	P 108,014,136
Segment liabilities	79,084,543	5,809,150	928,864	85,822,557
December 31, 2021 [As Restated – see Note 2.1*(b)*]				
TOTAL REVENUES				
Sales to external customers	P 66,111,531	P 61,920,971	P 4,224,327	P 132,256,829
Intersegment sales	40,775	20,213,759	-	20,254,534
Total revenues	66,152,306	82,134,730	4,224,327	152,511,363
COSTS AND OTHER OPERATING EXPENSES				
Cost of sales and services excluding depreciation and amortization	63,029,724	82,038,689	4,184,765	149,253,178
Depreciation and amortization	1,242,982	70,146	17,468	1,330,596
	64,272,706	82,108,835	4,202,233	150,583,774
SEGMENT OPERATING PROFIT	P 1,879,600	P 25,895	P 22,094	P 1,927,589
ASSETS AND LIABILITIES				
Segment assets	P 95,641,130	P 9,529,612	P 786,838	P 105,957,580
Segment liabilities	74,989,691	7,405,567	760,700	83,155,958
December 31, 2020 [As Restated – see Note 2.1*(b)*]				
TOTAL REVENUES				
Sales to external customers	P 48,296,115	P 26,786,974	P 3,216,422	P 78,299,511
Intersegment sales	443,437	23,534,892	-	23,978,329
Total revenues	48,739,552	50,321,866	3,216,422	102,277,840
COSTS AND OTHER OPERATING EXPENSES				
Cost of sales and services excluding depreciation and amortization	46,122,638	50,004,900	3,211,771	99,339,309
Depreciation and amortization	1,221,662	74,708	65,223	1,361,593
	47,344,300	50,079,608	3,276,994	100,700,902
SEGMENT OPERATING PROFIT (LOSS)	P 1,395,252	P 242,258	(P 60,572)	P 1,576,938

34. COMMITMENTS AND CONTINGENCIES

34.1 Capital Commitments

As of December 31, 2022, the Group has commitments of more than P1,046.55 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 595 operating retail service stations as of December 31, 2022. An additional of three retail service stations are under various stages of completion as of December 31, 2022.

The Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

34.2 Unused LCs

As of December 31, 2022 and 2021, the Group has unused LCs amounting to P3,364.4 million and P11,569.6 million, respectively (see Note 19.3).

34.3 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2022	2021
Within one year	**P 130,102,918**	P 133,607,654
After one year but not more than two years	**97,378,739**	114,435,895
After two years but not more than three years	**55,771,228**	88,517,527
After three years but not more than four years	**27,116,449**	46,707,800
After four years but not more than five years	**21,866,464**	22,353,729
More than five years	**93,576,102**	72,844,642
	P 425,811,900	P 478,467,247

Rent income in 2022, 2021 and 2020 amounting to P205.9 million, P184.0 million and P129.6 million, respectively, is presented as Rent Income in the consolidated statements of comprehensive income.

Rent income recognized on lease of investment properties amounted to P14.4 million, P13.5 million and P11.3 million in 2022, 2021 and 2020, respectively (see Note 16), and rent income on sublease of right-of-use assets amounted to P191.5 million, P169.3 million and P118.3 million in 2022, 2021 and 2020, respectively. No impairment on right-of-use assets related to subleased properties was recognized in 2022, 2021 and 2020.

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimize these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term, the property was damaged and beyond repair, and/or the property was modified without the express consent conveyed in the contract.

34.4 PFM's Franchise

(a) PFM as Franchisee

PFM has area franchise agreement with FamilyMart Co. Ltd., whereby the latter will grant exclusive rights to the PFM for operating the FamilyMart stores in the Philippines as an Area Franchisor using the FamilyMart System for a period of ten years and six months, renewable at the option of the PFM. The agreement provides for an initial franchise fee of US$1.0 million and royalty fees amounting to 1.00% of gross sales, exclusive of VAT, of all FamilyMart stores computed at the end of every month. On January 2, 2013, the PFM paid the initial franchise fee amounting to P41.1 million.

On December 11, 2017, as part of the acquisition of PFM by the Parent Company, the franchise agreement was renewed for ten years starting on the date of renewal at no additional cost to PFM. As of December 31, 2022 and 2021, the carrying value of the franchise fee amounted to P1.9 million and P5.8 million, respectively, and is presented as part of Intangible Assets in the consolidated statements of financial position (see Note 13).

Royalty expense recognized by PFM in 2022, 2021 and 2020, amounted to P10.3 million, P4.7 million, and P7.1 million, respectively, and is presented under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25). As of December 31, 2022 and 2021, PFM recognized royalty payable amounting to P9.4 million and P3.0 million, respectively, as part of Others under Trade and Other Payables in the consolidated statements of financial position (see Note 21).

(b) PFM as Franchisor

In December 2014, PFM started entering into franchise agreements whereby, as an Area Franchisor, PFM grants exclusive rights to qualified persons and entities (Franchisees) to own and operate FamilyMart stores at locations in the Philippines approved by it. The agreement is for a term of five years unless earlier terminated by either party and provides for a one-time franchise fee plus monthly royalties to PFM equivalent to a percentage of gross profit. Cash receipts of the franchised stores from merchandise sales are initially deposited to PFM. Deductions are made from this fund for the cost of merchandise sales, share of PFM on the store's monthly gross profit and other costs. The remaining balance is subsequently remitted to the franchisees.

One-time franchise fees, which pertain to the initial investment of the franchisees are also presented as part of Non-trade Payables under Trade and Other Payables in the consolidated statements of financial position until PFM has performed initial services as franchisor as agreed under the agreement. As of December 31, 2022 and 2021, there are no outstanding liabilities. Revenues from franchise fees in 2022, 2021 and 2020 amounted to P28.5 million, P18.5 million and P37.2 million, respectively, and is presented as part of Fuel service and other revenues in the consolidated statements of comprehensive income with the corresponding outstanding receivable from the franchisees as of December 31, 2022 and 2021 amounting to P45.1 million and P14.7 million, presented as part of Non-trade Receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

34.5 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and its results of operations.

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated July 25, 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the Supreme Court (SC), seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the SC, Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

In a "Manifestation in Lieu of Reply" filed by the Office of the Solicitor General on July 10, 2019, the SOJ has prayed that their manifestation be duly considered and to dismiss all three (3) petitions without prejudice to the possible filing, if the Court desires, of supplemental memoranda from the parties.

On February 10, 2020, the case was set for the continuation of plaintiff's evidence. The counsel for the defendant, on the other hand, moves to defer his cross examination as they requested for an opportunity with the plaintiffs to discuss possible means of settling the case. The defendant's counsel requested for a June 2020 setting of the defendant to have ample time to exhaust this opportunity for amicable settlement, and the same was granted by the court.

Finally, on December 10, 2021, a final verdict has been issued by the Third Division of the Supreme Court on the petitions for Review on Certiorari filed by former DOJ Secretary Leila De Lima, BOC, and the People of the Philippines (De Lima, et. Al), wherefore, denying the petitions of the later parties and affirming the Court of Appeal Decisions and Resolutions in CA-G.R SP No. 129740 and CA-G.R. SP No. 131702 and CA-G.R. SP No. 06500-MIN for the dismissal of alleged violations of the Tariff and Customs Code.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2022 and 2021, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

35. EVENT AFTER THE END OF THE REPORTING PERIOD

On April 24, 2023, the Parent Company's BOD approved the amendment of payment date of the declared cash dividends amounting to P132.4 million or P18.92 per share to the holders of Series 4 redeemable preferred shares on record as of November 31, 2022. The dividends, which is payable on April 27, 2023, shall be taken out of the unrestricted earnings of the Company as of December 31, 2022.

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Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated August 16, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 16, 2023

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
List of Supplementary Information
December 31, 2022

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2022

Description		*Carrying Value*		*Fair Value*
Financial assets at FVTPL –				
Derivative financial assets	P	96,513,941	P	96,513,941
Loans and receivables:				
Cash and cash equivalents		4,180,736,772		4,180,736,772
Trade and other receivables - net		16,857,947,152		16,857,947,152
Due from related parties - net		2,861,779		2,861,779
Construction bond		6,777,664		6,777,664
Restricted deposits		78,069,076		78,069,076
Security Deposits		14,312,020		14,312,020
Refundable rental deposits		844,431,730		844,431,730
	P	**22,081,650,134**	**P**	**22,081,650,134**

Notes:
1) Trade and other receivables excludes certain advances to suppliers, advances subject to liquidation and other receivables.
2) Construction bond is included as part of Others under Prepayments and Other Current Assets.
3) Net of allowance for impairment losses on trade and other receivables and due from related parties is P818,851,770 and P113,743, respectively.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

					Ending Balance		
Name and Designation of debtor	***Balance at Beginning of Period***	***Additions***	***Amounts collected***	***Reclassification***	***Current***	***Non-current***	***Balance at End of Period***
P-H-O-E-N-I-X Philippines Foundation, Inc.	P 624,077	P 10,000	P -	P -	P 634,077	P -	P 634,077
Top Concord Quality Petroleum Corp.	254,278	-	-	(254,278)	-	-	-
F1rstEnergy Corp.	520,941	-	-	-	520,941	-	520,941
Phoenix Northern Mindanao Corp.	388,159	-	-	(388,159)	-	-	-
Phoenix Southern Petroleum Corp.	990,161	-	-	-	990,161	-	990,161
CJI Fuels Corp.	277,871	-	-	-	277,871	-	277,871
Udenna Corporation	-	285,700	-	-	285,700	-	285,700
NGT Ventures, Inc.	-	266,772	-	-	266,772	-	266,772
	P 3,055,487	**P 562,472**	**P -**	**(P 642,437)**	**P 2,975,522**	**P -**	**P 2,975,522**

Notes:

1) There are no amounts written-off and balance at end of period net of allowance for impairment losses amounted to P 2,861,779.

2) All are related parties under common ownership.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
December 31, 2022

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Reclassification	Amounts Written Off	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.									
Advances to Subsidiaries	Action.Able, Inc.	P 359,099,298	P 20,193,504	P -	P -	P -	P 379,292,802	P -	P 379,292,802
	Duta, Inc.	5,059,226,024	749,897	39,764,341	572,599,103	-	4,447,612,478	-	4,447,612,478
	P-F-L Management, Inc.	2,636,962,571	3,398,475,484	3,101,772,693	-	-	2,933,665,362	-	2,933,665,362
	PHILIPPINE FAMILYMART CVS, INC	1,259,806,902	68,569,574	1,399,463	-	-	1,326,977,013	-	1,326,977,013
	P-H-O-E-N-I-X Global Mercantile, Inc.	51,319,334	353,922	-	-	-	51,673,256	-	51,673,256
	Phoenix Pilipinas Gas and Power, Inc,	302,377,958	-	-	-	-	302,377,958	-	302,377,958
	Phoenix Road Transport Pilipinas	21,392,545	41,265,759	41,250,000	-	-	21,408,304	-	21,408,304
	PNX Energy International	896,306,167	195,554,494	56,601,797	-	-	1,035,258,864	-	1,035,258,864
	PHOENIX GAS (VIETNAM) LIMITED	30,549,290	8,454,860	-	-	-	39,004,150	-	39,004,150
	Subic Petroleum Trading & Transport Phils., Inc.	245,402,462	69,471,368	67,108,140	-	-	247,765,690	-	247,765,690
		P 10,862,442,551	**P 3,803,088,862**	**P 3,307,896,434**	**P 572,599,103**	**P -**	**P 10,785,035,877**	**P -**	**P 10,785,035,877**
P-H-O-E-N-I-X Petroleum Philippines, Inc.									
Trade and Other Receivables	P-H-O-E-N-I-X Global Mercantile, Inc.	P 4,061,926	P 5,309,054	P -	P -	P -	P 9,370,980	P -	P 9,370,980
	PFL Petroleum Management, Inc.	120,100,590	146,121,950	3,156,373	-	-	263,066,167	-	263,066,167
	Phoenix LPG Philippines, Inc.- Trade	1,195,696	8,006,721	7,705,603	-	-	1,496,814	-	1,496,814
	Philippine Familymart CVS, Inc.	97,097,613	160,707,396	1,455,771	-	-	256,349,238	-	256,349,238
	Action.Able, Inc.-Trade	40,069,561	47,170,395	7,200	-	-	87,232,756	-	87,232,756
	Duta, Inc.	29,049,934	114,825,762	-	-	-	143,875,696	-	143,875,696
	Phoenix Road Transport Pilipinas	1,668,555	4,068,580	176,787	-	-	5,560,348	-	5,560,348
	Subic Petroleum Trading & Transport Phils., Inc.	19,685,351	26,031,459	-	-	-	45,716,810	-	45,716,810
	Phoenix Pilipinas Gas and Power, Inc,	166,209	262,971	-	-	-	429,180	-	429,180
		P 313,095,435	**P 512,504,288**	**P 12,501,734**	**P -**	**P -**	**P 813,097,989**	**P -**	**P 813,097,989**
Phoenix LPG Philippines, Inc.									
Advances in Subsidiaries/Parent	DUTA, Inc	P 50,967,547	P 53,018,851	P 8,000,000	P -	P -	P 95,986,398	P -	P 95,986,398
	P-H-O-E-N-I-X Petroleum Philippines, Inc.	5,358,511,773	328,204,761	-	-	-	5,686,716,534	-	5,686,716,534
	PNX Petroleum Singapore, PTE Ltd.	54,883	-	-	-	-	54,883	-	54,883
		P 5,409,534,203	**P 381,223,612**	**P 8,000,000**	**P -**	**P -**	**P 5,782,757,815**	**P -**	**P 5,782,757,815**
Phoenix LPG Philippines, Inc.									
Trade and Other Receivables	DUTA, Inc	**P 180,000**	**P -**	**P -**	**P -**	**P -**	**P 180,000**	**P -**	**P 180,000**
PNX Petroleum Singapore, PTE Ltd.									
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 2,105,286,340	P 4,964,253,831	P 6,585,937,214	P -	P -	P 483,602,957	P -	P 483,602,957
	Phoenix LPG Philippines, Inc.	756,601,168	54,665,781	251,301,678	(194,088,213)	-	365,877,058	-	365,877,058
	Subic Petroleum Trading & Transport Phils., Inc.	3,655,440	-	3,655,440	-	-	-	-	-
	PGV LLC	411,654,877	71,278,722	-	-	-	482,933,599	-	482,933,599
		P 3,277,197,825	**P 5,090,198,334**	**P 6,840,894,332**	**(P 194,088,213)**	**P -**	**P 1,332,413,614**	**P -**	**P 1,332,413,614**
Philippine Familymart CVS, Inc.									
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	**P -**	**P 3,602,768**	**P -**	**P -**	**P -**	**P 3,602,768**	**P -**	**P 3,602,768**

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2022

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Terms*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	P 5,384,000,000	P -	P 5,293,868,810	Interest rate of 5.8081%, ten-year term, maturing on April 23, 2028
BDO Unibank, Inc.	1,000,000,000	10,000,000	980,000,000	Interest rate of 4.9968%, eight-year term, maturing on December 4, 2025
BDO Unibank, Inc.	1,000,000,000	10,000,000	980,000,000	Interest rate of 4.9968%, eight-year term, maturing on December 4, 2025
BDO Unibank, Inc.	290,000,000	-	290,000,000	Interest rate of 5.7500%, five-year term, maturing on September 16, 2025
BDO Unibank, Inc.	637,000,000	-	637,000,000	Interest rate of 5.7500%, five-year term, maturing on September 17, 2025
BDO Unibank, Inc.	233,000,000	-	233,000,000	Interest rate of 5.7500%, five-year term, maturing on September 17, 2025
BDO Unibank, Inc.	251,000,000	-	251,000,000	Interest rate of 5.7500%, five-year term, maturing on October 23, 2025
BDO Unibank, Inc.	330,000,000	-	330,000,000	Interest rate of 5.7500%, five-year term, maturing on November 18, 2025
BDO Unibank, Inc.	4,000,000,000	-	3,941,111,256	Interest rate of 6.0526%, five-year term, maturing on December 4, 2025
Land Bank of the Philippines	5,328,200,171	171,875,000	4,684,374,999	Interest rate of 6.500%, seven-year term, maturing on July 4, 2025
Bank of China Limited	1,152,624,800	1,079,344,676	-	Interest rate of 6.14300%, two-year term, maturing on August 24, 2023
Bank of China Limited	347,375,200	326,020,955	-	Interest rate of 6.15500%, two-year term, maturing on August 24, 2023
Bank of the Philippine Islands	417,223,572	157,516,664	249,991,611	Interest rate of 10.0000%, three-year term, maturing on December 10, 2024
Bank of the Philippine Islands	282,304,612	106,701,774	169,021,696	Interest rate of 10.0000%, three-year term, maturing on December 10, 2024
Bank of the Philippine Islands	356,910,196	134,800,675	213,795,298	Interest rate of 10.0000%, three-year term, maturing on December 10, 2024
Bank of the Philippine Islands	119,974,067	47,336,958	51,958,336	Interest rate of 10.0000%, three-year term, maturing on December 10, 2024
Maybank Philippines, Inc.	720,000,000	252,000,000	396,000,000	Interest rate of 6.7500%, three-year term, maturing on April 30, 2024
Asia United Bank	600,000,000	30,000,000	558,930,963	Interest rate of 7.2048%, five-year term, maturing on December 29, 2027
Eight River Shipping S.A.	829,000,000	-	364,167,075	Interest rate of 6.7600%, seven-year term, maturing on January 31, 2027
Vietnam Joint Stock Commercial Bank for Industry and Trade	94,200,000	-	-	Interest rate of 6.5000%, one-year term, maturing on December 31, 2023
TOTAL	**P 23,372,812,618**	**P 2,325,596,702**	**P 19,624,220,044**	

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Schedule G - Capital Stock
December 31, 2022

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, coversion and other rights	Number of shares held by: Related parties	Number of shares held by: Directors, officers and employees	Number of shares held by: Others
Preferred shares - P1 par value Non-voting, non-participating, non-convertible into common shares Issued and outstanding - 14,500,000	50,000,000	14,500,000	-	-	-	14,500,000
Common shares - P1 par value Issued and outstanding	2,500,000,000	1,442,216,332	-	867,852,743	16,110,952	558,252,637

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
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6766 Ayala Avenue
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T +63 2 8988 2288

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated August 16, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 16, 2023

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
December 31, 2022

Ratio	Formula	Amount 2022	Amount 2021 (As Restated)	Ratio 2022	Ratio 2021 (As Restated)
Current Ratio	Current Assets / Current Liabilities	32,049,644,037 / 48,678,071,375	35,099,843,063 / 43,718,832,164	**0.66**	**0.80**
Acid test ratio	Cash and cash equivalents + Trade and other receivables - net + Due from related parties / Current Liabilities	22,902,512,906 / 48,678,071,375	23,371,361,515 / 43,718,832,164	**0.47**	**0.53**
Cash Ratio	Cash and Cash Equivalents / Current Liabilities	4,180,736,772 / 48,678,071,375	4,903,236,346 / 43,718,832,164	**0.09**	**0.11**
Solvency Ratio	After Tax Net Profit (Loss) + Depreciation / Long term liabilities + Short term Liabilities	(1,653,758,915) / 71,712,055,949	454,347,916 / 68,777,170,536	**(0.02)**	**0.01**
Debt to Equity Ratio	Total Liabilities / Equity	71,712,055,949 / 14,079,931,864	68,777,170,536 / 17,161,804,693	**5.09**	**4.01**
Debt Service Coverage Ratio	Revenue - Cost of Sales and Services - Selling and Administrative Expenses / Net Interest Expense + Long-term repayments	(1,040,733,731) / 4,143,548,981	1,927,588,891 / 3,145,772,573	**(0.25)**	**0.61**
Asset to Equity Ratio	Total Assets / Equity	85,791,987,813 / 14,079,931,864	85,938,975,229 / 17,161,804,693	**6.09**	**5.01**
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	(2,311,880,889) / 1,817,952,279	656,578,751 / 2,265,042,096	**(1.27)**	**0.29**
Gross Profit Margin	Sales - Cost of Goods Sold / Sales	5,686,987,836 / 127,551,529,188	7,608,853,491 / 132,256,829,420	**0.04**	**0.06**
Return on Assets	Net Loss / Total Assets	(3,213,263,934) / 85,791,987,813	(885,611,640) / 85,938,975,229	**(0.04)**	**(0.01)**
Return on Equity	Net Loss / Equity	(3,213,263,934) / 14,079,931,864	(885,611,640) / 17,161,804,693	**(0.23)**	**(0.05)**