ANNEX "C"

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

P-H-O-E-N-I-X Petroleum Philippines, Inc.

December 31, 2022, 2021 and 2020

(With Corresponding Figures as of January 1, 2021)

Punongbayan & Araullo
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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for 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 Financial Statements* section of our report. We are independent of the Company 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 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 financial statements, which describes the management's assessment of the impact of the Russia-Ukraine Conflict on the Company's business, continuing impact on the Company's financial statements of the business disruption brought by the COVID-19 pandemic, and the increasing liquidity risk arising from the Company's high debt-leveraged status. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 32 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566643, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
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.
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 2,240,435,920**	P 2,693,758,352	P 5,062,667,464
Trade and other receivables - net	7	**13,364,699,132**	12,789,561,080	10,097,622,399
Inventories	8	**1,124,364,052**	4,802,314,394	4,701,466,396
Advances to subsidiaries - net	27	**8,372,967,106**	7,887,920,215	6,263,556,322
Due from related parties - net	27	**39,693,741**	31,005,031	50,459,688
Prepayments and other current assets	9	**5,699,120,030**	5,327,136,110	3,558,983,760
		30,841,279,981	33,531,695,182	29,734,756,029
Non-current asset classified as held for disposal	16	**310,048,000**	-	-
Total Current Assets		**31,151,327,981**	33,531,695,182	29,734,756,029
NON-CURRENT ASSETS				
Property, plant and equipment - net	11	**24,430,465,380**	25,464,699,231	24,844,389,227
Investments in subsidiaries - net	10	**10,294,953,495**	9,985,410,043	8,767,094,946
Deferred tax assets - net	26	**1,907,079,615**	924,127,761	99,448,667
Right-of-use assets - net	12	**834,177,025**	908,415,685	625,555,609
Intangible assets - net	13	**131,224,181**	209,982,927	235,996,050
Investment in a joint venture	14	**131,885,977**	121,633,669	114,704,794
Other non-current assets	15	**6,466,860,845**	5,325,323,937	6,873,978,844
Total Non-current Assets		**44,196,646,518**	42,939,593,253	41,561,168,137
TOTAL ASSETS		**P 75,347,974,499**	P 76,471,288,435	P 71,295,924,166
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	**P 28,723,392,882**	P 23,723,531,606	P 28,675,382,346
Trade and other payables	19	**12,858,568,139**	14,334,599,803	7,217,888,907
Lease liabilities	12	**33,656,152**	31,040,041	29,068,583
Advances from a subsidiary	27	**-**	4,411,847	2,767,140
Total Current Liabilities		**41,615,617,173**	38,093,583,297	35,925,106,976
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	**13,966,184,160**	15,722,711,732	12,731,324,612
Lease liabilities	12	**945,232,192**	951,575,804	720,758,981
Advances from a subsidiary	27	**5,686,716,534**	5,358,245,381	5,387,477,622
Other non-current liabilities	20	**297,798,375**	440,581,358	345,072,793
Total Non-current Liabilities		**20,895,931,261**	22,473,114,275	19,184,634,008
Total Liabilities		**62,511,548,434**	60,566,697,572	55,109,740,984
EQUITY	28			
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		**1,516,812,189**	1,110,114,390	912,394,706
Retained earnings (deficit)		**(1,023,873,497)**	2,453,142,671	2,958,112,783
Total Equity		**12,836,426,065**	15,904,590,863	16,186,183,182
TOTAL LIABILITIES AND EQUITY		**P 75,347,974,499**	P 76,471,288,435	P 71,295,924,166

See Notes to Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
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	21	**P 29,446,060,072**	P 54,811,813,075	P 39,636,332,716
Fuel service and other revenues	7, 21, 24	**1,658,759,702**	1,594,258,358	1,583,604,953
Rent and storage income	20, 30	**191,776,769**	177,888,720	125,278,366
		31,296,596,543	56,583,960,153	41,345,216,035
COSTS AND EXPENSES				
Cost of sales	21	**28,582,009,621**	50,382,278,511	35,426,523,741
Selling and administrative expenses	22	**4,054,819,080**	3,992,707,949	4,073,634,745
Impairment losses on non-financial assets	22	**504,088,866**	-	-
Impairment losses on financial assets	22	**110,438,356**	-	56,677,819
		33,251,355,923	54,374,986,460	39,556,836,305
OPERATING PROFIT (LOSS)		**(1,954,759,380)**	2,208,973,693	1,788,379,730
FINANCE INCOME (COSTS)	23			
Finance costs		**(2,618,634,247)**	(3,273,113,531)	(1,788,124,266)
Finance income		**580,534,726**	366,423,522	79,990,204
		(2,038,099,521)	(2,906,690,009)	(1,708,134,062)
PROFIT (LOSS) BEFORE TAX		**(3,992,858,901)**	(697,716,316)	80,245,668
TAX INCOME	26	**1,092,845,873**	781,771,458	259,084,558
NET PROFIT (LOSS)		**(2,900,013,028)**	84,055,142	339,330,226
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land	11	**474,602,884**	152,681,392	152,532,400
Remeasurements of post-employment defined benefit obligation	24	**67,660,848**	15,119,686	(60,506,451)
Tax income (expense)	26	**(135,565,933)**	29,918,606	(27,607,785)
Other Comprehensive Income — net of tax		**406,697,799**	197,719,684	64,418,164
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 2,493,315,229)**	P 281,774,826	P 403,748,390
Loss per Share:	29			
Basic		**(P 2.41)**	(P 0.35)	(P 0.17)
Diluted		**(P 2.41)**	(P 0.35)	(P 0.17)

See Notes to Financial Statements.

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

	Notes	Capital Stock: Preferred Stock	Capital Stock: Preferred Treasury Stock - At Cost	Capital Stock: Common Stock	Capital Stock: Common Treasury Stock - At Cost	Capital Stock: Total	Additional Paid-in Capital	Revaluation Reserves	Retained Earnings	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 1,110,114,390**	**P 5,662,268,107**	**P 19,113,716,299**
Effect of prior year adjustments		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,209,125,436)**	**(P 3,209,125,436)**
As restated		**24,500,000**	**(10,000,000)**	**1,441,915,332**	**-**	**1,456,415,332**	**10,884,918,470**	**1,110,114,390**	**2,453,142,671**	**15,904,590,863**
Transactions with owners:										
Cash dividends	28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(576,559,250)**	**(576,559,250)**
Issuance of shares during the year	28	**-**	**-**	**301,000**	**-**	**301,000**	**1,852,571**	**-**	**(443,890)**	**1,709,681**
Total comprehensive income for the year:										
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,900,013,028)**	**(2,900,013,028)**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**406,697,799**	**-**	**406,697,799**
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 1,516,812,189**	**(P 1,023,873,497)**	**P 12,836,426,065**
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 912,394,706	P 5,827,968,932	P 19,056,039,331
Effect of prior year adjustments		-	-	-	-	-	-	-	(2,869,856,149)	(2,869,856,149)
As restated		24,500,000	(10,000,000)	1,438,977,232	-	1,453,477,232	10,862,198,461	912,394,706	2,958,112,783	16,186,183,182
Transactions with owners:										
Cash dividends	28	-	-	-	-	-	-	-	(587,171,557)	(587,171,557)
Issuance of shares during the year	28	-	-	2,938,100	-	2,938,100	22,720,009	-	(4,954,296)	20,703,813
Share-based compensation	24	-	-	-	-	-	-	-	3,100,599	3,100,599
Total comprehensive income for the year:										-
Net profit		-	-	-	-	-	-	-	84,055,142	84,055,142
Other comprehensive income		-	-	-	-	-	-	197,719,684	-	197,719,684
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 1,110,114,390	P 2,453,142,671	P 15,904,590,863
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 847,976,542	P 6,509,617,608	P 20,520,286,427
Effect of prior year adjustments		-	-	-	-	-	-	-	(P 3,209,742,491)	(P 3,209,742,491)
As restated		37,000,000	(10,000,000)	1,437,204,232	(344,300,000)	1,119,904,232	12,042,788,045	847,976,542	P 3,299,875,117	17,310,543,936
Transactions with owners:										
Cash dividends	28	-	-	-	-	-	-	-	(683,341,723)	(683,341,723)
Issuance of shares during the year	28	-	-	1,773,000	-	1,773,000	13,710,416	-	(5,412,777)	10,070,639
Redemption of shares during the year	28	(12,500,000)	-	-	-	(12,500,000)	(1,237,500,000)	-	-	(1,250,000,000)
Sale of treasury shares	28	-	-	-	344,300,000	344,300,000	43,200,000	-	-	387,500,000
Share-based compensation	24	-	-	-	-	-	-	-	7,661,940	7,661,940
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	-	-	339,330,226	339,330,226
Other comprehensive income		-	-	-	-	-	-	64,418,164	-	64,418,164
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 912,394,706	P 2,958,112,783	P 16,186,183,182

See Notes to Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
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 3,992,858,901)**	(P 697,716,316)	P 80,245,668
Adjustments for:				
Interest expense	23	**1,386,623,919**	2,014,793,715	1,781,086,598
Depreciation and amortization	22	**1,096,914,880**	921,517,528	874,637,609
Finance cost due to extended inventory settlement	23	**1,002,439,391**	946,210,274	-
Interest income	23	**(580,534,726)**	(365,802,188)	(45,469,804)
Impairment losses on non-financial assets	22	**504,088,866**	-	-
Unrealized foreign currency exchange loss - net		**246,434,682**	312,109,542	34,812,531
Loss on disposal of property, plant and equipment		**234,280,082**	254,680,388	12,898,822
Impairment losses on financial assets	22	**110,438,356**	-	56,677,819
Share in net income of joint venture	14	**(10,252,308)**	(6,928,875)	(4,722,698)
Employee share options	24	**-**	3,100,599	7,661,940
Operating profit (loss) before working capital changes		**(2,425,759)**	3,381,964,667	2,797,828,485
Increase in trade and other receivables		**(682,114,199)**	(2,691,938,681)	(57,027,836)
Decrease in inventories		**22,559,818,799**	24,460,811,426	22,059,880,417
Decrease in restricted deposits		**-**	-	55,002,263
Decrease (increase) in prepayments and other current assets		**1,992,377,551**	(1,768,152,353)	(292,469,786)
Decrease (increase) in other non-current assets		**(4,078,497,482)**	204,937,279	1,125,369,888
Increase (decrease) in trade and other payables		**(1,271,115,429)**	6,809,284,826	(3,390,234,875)
Increase (decrease) in other non-current liabilities		**(107,156,529)**	338,734,290	(64,903,230)
Cash generated from operations		**18,410,886,952**	30,735,641,454	22,233,445,326
Cash paid for income taxes		**(32,227,775)**	(4,683,472)	(8,448,777)
Net Cash From Operating Activities		**18,378,659,177**	30,730,957,982	22,224,996,549
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to subsidiaries	27	**(3,794,634,001)**	(2,159,086,175)	(5,559,367,925)
Collections from subsidiaries	27	**3,307,896,433**	604,322,323	1,950,139,515
Interest received		**580,534,726**	365,802,188	41,797,726
Acquisitions of property, plant and equipment	11	**(84,613,272)**	(1,550,143,898)	(729,937,972)
Advances to related parties	27	**(19,553,243)**	(9,801,213)	(42,993,344)
Collections from related parties	27	**10,802,682**	29,255,870	6,898,440
Acquisitions of intangible assets	13	**(3,735,522)**	(3,142,635)	(14,337,321)
Additional investments in subsidiaries	10	**-**	(291,584,497)	(35,000,000)
Proceeds from disposal of property, plant and equipment		**-**	-	729,833,396
Net Cash Used in Investing Activities		**(3,302,197)**	(3,014,378,037)	(3,652,967,485)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings and lease liabilities	18	**(23,001,670,600)**	(45,844,497,370)	(52,226,002,954)
Proceeds from additional interest-bearing loans and borrowings	18	**6,698,868,279**	19,216,749,860	29,043,239,379
Interest paid		**(2,828,036,609)**	(2,895,685,650)	(2,582,542,761)
Advances from a subsidiary	27	**878,718,768**	4,411,847	5,390,244,762
Payments of cash dividends	28	**(576,559,250)**	(587,171,557)	(683,341,723)
Proceeds from issuance of shares of stock	28	**-**	20,703,813	10,070,639
Redemption of shares of stock	28	**-**	-	(1,250,000,000)
Proceeds from sale of treasury shares	28	**-**	-	387,500,000
Net Cash Used in Financing Activities		**(18,828,679,412)**	(30,085,489,057)	(21,910,832,658)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(453,322,432)**	(2,368,909,112)	(3,338,803,594)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,693,758,352**	5,062,667,464	8,401,471,058
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 2,240,435,920**	P 2,693,758,352	P 5,062,667,464

Supplemental Information on Non-cash Investing and Financing Activities:

1) In 2022, the Company reclassified the leasehold improvements incurred for its construction in progress amounting to P424.8 million to Advances to Suppliers due to cancellation of purchase of property (See Notes 11 and 7).

2) In 2022, the Company 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 Asset Classified as Held for Disposal amounting to P310.0 million, net of impairment losses of P178.2 million, as these group of assets were discounted and identified to be for sale in 2023 (see Notes 11 and 16).

3) In 2022 and 2021, certain advances to DUTA, Inc. and P-F-L Petroleum Management, Inc. (PPMI) amounting to P572.6 million and P926.7 million, respectively, were converted to additional investment (see Notes 10 and 27).

4) Interest payments amounting to P557.7 million, P717.0 million, P1,183.5 million and P695.7 million in 2021, 2020 and 2019, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11 and 17).

5) In 2021, the Company reconized right-of-use assets and lease liabilities amounting to P347.4 million and P245.2 million, respectively (see Note 12 and 18). No new leases were recognized in 2022 and 2020.

6) In 2020, advances for future acquisition of properties amounting to P1,905.3 million were applied as payment for acquisition of properties from certain related parties (see Notes 16 and 27).

7) In 2020, certain advances to PPMI and Subic Petroleum Trading and Transport Philippines, Inc. amounting to P39.4 million and P55.0 million, respectively, were converted to additional investments in these subsidiaries (see Notes 10 and 27).

See Notes to Financial Statements.

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

1. CORPORATE INFORMATION

1.1. Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the 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 or the Parent Company), a company organized in the Philippines.

The Company has made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The 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 address of the 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 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 address, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The ultimate parent is Udenna Corporation (Udenna), 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. Udenna's registered office address, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The 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. Subsidiaries, Joint Venture and their Operations

As of December 31, the Company holds ownership interests in the following entities, 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%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	**100.00%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	**100.00%**	100.00%
Duta, Inc.(Duta)[4]	(f)	**100.00%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM)	(g)	**100.00%**	100.00%
PNX Energy International Holdings, Pte. Ltd. (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 Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	**85.00%**	100.00%

Subsidiaries/Joint Ventures	Explanatory Notes	Percentage of Ownership 2022	2021
Direct interest:			
Subsidiaries			
Action.Able, Inc.(AAI)	(k)	**74.90%**	74.90%
Think.Able Limited (TAL)	(l)	**74.90%**	74.90%
Joint venture			
Phoenix Asphalt Philippines, Inc. (PAPI) [2]	(m)	**40.00%**	40.00%
Indirect interest:			
Subsidiaries			
Kaparangan, Inc. (Kaparangan) [1, 3]	(n)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) [4]	(o)	**100.00%**	100.00%
PT Phoenix Petroleum Indonesia (PNX Indonesia)[6]	(p)	**100.00%**	100.00%
Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[5]	(q)	**75.00%**	75.00%
Joint ventures			
Galaxi Petroleum Fuel, Inc. (Galaxi)[7]	(r)	**51.00%**	51.00%
Phoenix Southern Petroleum Corp. (PSPC)[7]	(s)	**49.00%**	49.00%
Top Concord Quality Petroleum Corp. (TCQPC)[7]	(t)	**49.00%**	49.00%
CJI Fuels Corp. (CJI)[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%
JV Hauling and Trucking Corp. (JHTC) [8]	(bb)	**49.00%**	49.00%
NGT Ventures Incorporated (NGTVI) [9]	(cc)	**49.00%**	-
Road Fuel Joint Transporter, Inc. (RFJTI) [8]	(dd)	**49.00%**	-
Petrocontinental Energy Corp. (PEC) [7]	(ee)	**51.00%**	-

Notes:
1 Wholly-owned subsidiary of Duta
2 Joint venture of the 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
10 Collectively known as Phoenix Group

(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 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.

(e) 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.

(f) 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.

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

(h) 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).

(i) 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.

(j) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Phoenix 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.

(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. PNX Indonesia has not yet started its commercial operations as of December 31, 2021.

(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 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. RFJTI has not yet started commercial operations as of December 31, 2021. 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.

1.3. Other Corporate Information

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

SPTT	–	Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales
PNX SG, PNX Energy and PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
Duta and Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City
PGV LLC	–	No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam
JHTC	–	Pookni Banal, San Pascual, Batangas
NGTVI	–	Purok 1, Barangay Alasas, San Fernando City, Pampanga
RFJTI	–	Dona Pilar Don Julian Road Sasa, Davao City

1.4. Impact of Russia-Ukraine Conflict on the Company'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 $123.7 per barrel from $87.2 per barrel at the start of the year. By the fourth quarter of 2022, prices dove and dropped erratically, before closing at $81.1 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 Php59.0 to $1.0 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 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 Company's inventory management in 2022. Moving forward, the Company 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 Company as well as by actively managing inventories and optimizing volume to maximize sales and profitability.

1.5. Continuing Impact of COVID-19 Pandemic on the Company'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 Company 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 Company 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 as well as the LIMITLESS app, the Company'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 Company with bankers and other financial institutions to refinance or restructuring and payment deferral of debt service.

Unfortunately, despite the Company'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 Company 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 Company's ability to continue as a going concern due to the effects of the pandemic.

1.6. Increasing Liquidity Risk Arising from the Company's High Debt-leveraged Status

The Company's current liabilities exceeded its current assets by P10,464.3 million and P4,561.9 million as of December 31, 2022 and 2021, respectively. To address the Company's increasing liquidity risk arising from its debt-leveraged status, the Company is pursuing various fundraising options, including private placements, stock rights and follow-on offerings. Also, the Company 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 Company 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, Udenna is committed to providing additional capital from its own fundraising exercises, where part of the proceeds will be infused to the Company to address its working capital requirements.

1.7. Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the 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 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 Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company 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 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 Financial Statements

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

The Company presents a third 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 statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2022, the Company made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2021 and 2020 comparative statements of financial position and 2021 and 2020 comparative statements of comprehensive income. Accordingly, the Company 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 from weighted average cost method to first-in first-out (FIFO) method to accurately reflect the flow of the Company's fuels inventories. With the government mandating a weekly price adjustment, the FIFO method would best match the change in fuel prices;
- Accrual of various expenses amounting to P107.3 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 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 Company's statements of financial position is presented below.

	Notes	As Previously Reported	Adjustments: Errors	Adjustments: Change in Policy	As Restated
December 31, 2021					
Changes in assets and liabilities:					
Inventories	8	P 4,694,382,811	P -	P 107,931,583	P 4,802,314,394
Trade and other payables	19	(11,017,542,784)	(3,317,057,019)	-	(14,344,599,803)
Net increase in assets and liabilities			(P 3,317,057,019)	(P 107,931,583)	
Change in equity – Retained earnings		(P 5,662,268,107)	P 3,317,057,019	(P 107,931,583)	(P 2,453,142,671)
December 31, 2020					
Changes in assets and liabilities:					
Inventories	8	4,361,580,054	-	P 339,886,342	P 4,701,466,396
Trade and other payables	19	(4,008,146,416)	(3,209,724,490)	-	(7,217,888,907)
Net increase in assets and liabilities			(P 3,209,724,490)	P 339,886,342	
Change in equity: Retained earnings		(P 5,827,968,932)	P 3,209,724,490	(P 339,886,342)	(P 2,958,112,783)

(ii) The analysis of the affected line items in the statements of comprehensive income of the Company is shown below.

	Notes	As Previously Reported	Adjustments: Errors	Adjustments: Change in Policy	As Restated
December 31, 2021					
Changes in profit or loss:					
Cost of sales	21.2	(P 50,150,323,752)	P -	(P 231,954,759)	(P 50,382,278,511)
Selling and administrative expenses	22	(3,885,393,421)	(107,314,528)	-	(3,992,707,949)
Increase in net loss			(P 107,314,528)	(P 231,954,759)	
Basic loss per share	29	(P 0.12)	(P 0.07)	(P 0.16)	(P 0.35)
Diluted loss per share	29	(P 0.12)	(P 0.07)	(P 0.16)	(P 0.35)
December 31, 2020					
Changes in profit or loss:					
Cost of sales and services	21.2	(P 35,766,410,083)	P -	P 339,886,342	P 35,426,523,741
Increase in net profit			P -	P 339,886,342	
Basic earnings per share	29	(P 0.41)	P -	(P 0.24)	(P 0.17)
Diluted earnings per share	29	(P 0.41)	P -	(P 0.24)	(P 0.17)

(iii) The analysis of the affected line items in the statements of cash flows of the Company is shown below and in the succeeding page.

	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 358,447,029	P 107,314,528	P 231,954,759	P 697,716,316
Decrease in inventories	(24,228,856,667)	-	(231,954,759)	(24,460,811,426)
Increase in trade and other payables	(6,701,970,298)	(107,314,528)	-	(6,809,284,826)
Net effect on cash and cash equivalents		P -	P -	
December 31, 2020				
Changes in cash flows from operating activities:				
Loss (profit) before tax	P 259,640,674	P -	(P 339,886,342)	(P 80,245,668)
Decrease (increase) in inventories	(22,399,766,759)	-	339,886,342	(22,059,880,417)
Net effect on cash and cash equivalents		P -	P -	

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

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

2.2. Adoption of Amended Standards

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

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

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 percent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these amendments.

i. 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 Company’s 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.

ii. 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 Company’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 Company’s 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.

iii. Annual Improvements to PFRS 2018-2020 Cycle.

1. PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 percent’ 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.

2. 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 Company

Among the annual improvements to PFRS 2018-2020 Cycle which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- PFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are pronouncements 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 Company's 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. Separate Financial Statements, Investments in Subsidiaries and Joint Venture

These financial statements are prepared as the Company's separate financial statements. The Company also prepares its consolidated financial statements.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity; (ii) it is exposed; or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

The 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 controls indicated above.

The Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.15).

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 whose economic activities are controlled jointly by the Company and by other venturers independent of the Company (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 a 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 Company's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Company'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 investment in a joint venture is subject to impairment testing (see Note 2.15). The management has assessed that no impairment loss is required to be recognized for its investments in a joint venture in 2022 and 2021.

The Company holds interests in various subsidiaries and joint venture as presented in Notes 10 and 14, respectively.

2.4. Current versus Non-current Classification

The Company presents assets and liabilities in the 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 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

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

2.5. Financial Instruments

Financial assets and financial liabilities are recognized when the Company 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 Company 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 comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Company 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 Company's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) 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 Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers and advances subject to liquidation), Advances to Subsidiaries, Due from Related Parties, Restricted Deposits, and Refundable rental deposits (presented as part of Other Non-current Assets account.

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 in the 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 statement of financial position). Meanwhile, the 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 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 statement of comprehensive income as part of Finance Income (Costs).

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets.

For trade and other receivables, advances to subsidiaries, due from related parties and refundable deposits, the Company recognizes lifetime ECL. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

The Company determines whether there has been a significant increase in credit risk for financial asset 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 Company 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 (PD)* – 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 of the 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 Company 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 Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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), advances from a subsidiary, and security deposits (presented as part of Other Non-current Liabilities in the statement of financial position), are recognized when the Company 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 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 2.17).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. 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), advances from a subsidiary and security 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.

Interest on the security deposits arising from subsequent amortization 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 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 and Storage Income in the statement of comprehensive income.

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the 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 statement of financial position when the Company 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 Company changed its accounting policy to measure the cost of its fuels and by-products inventories using the FIFO method. Previously, the Company 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, which are generally non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

2.8. Non-current Asset Classified as Held for Disposal

Non-current asset classified as held for disposal pertains to the depot that the Company intends to sell within one year from the date of classification as held for sale.

The Company 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 Company’s control and there is sufficient evidence that the Company remains committed to its plan to sell the asset.

Non-current asset classified as 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 Company 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 Company 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 Company 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.

2.9. 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 Company and the cost of the item can be measured reliably. The carrying amount of 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 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:

Buildings, depot and pier facilities	5-25 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-3 years
Hauling and heavy equipment	1-5 years

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements of 5-25 years, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.17) 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 2.15).

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.

2.10. Intangible Assets

Intangible assets include acquired computer software licenses, software development costs and basketball franchise, which are accounted for under the cost model. 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 Company 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 2.15.

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 Company 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.

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. 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 the 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 financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company 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.

2.12. Revenue and Expense Recognition

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

To determine whether to recognize revenue, the Company 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 Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) 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,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company 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:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

In addition, 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), and lubricants. Revenue is recognized at a point in time when the Company transfers control of the assets 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. This also includes service revenue rendered to related parties as management fee that is recognized over time as the service is provided and is based on a fixed agreed fee (see Note 27.13).

The Company 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 Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

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

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company 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 2.17).

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.

2.13. Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

The Company 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 Company 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 Company;
- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.15).

On the other hand, the Company 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 Company'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 Company 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) Company 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 Company 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.

2.14. Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which 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.

2.15. Impairment of Non-financial Assets

The Company's investments in subsidiaries, property, plant and equipment, right-of-use assets, intangible assets, investment in a joint venture 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 of those assets may not be recoverable.

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 the cash-generating unit level.

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 Company'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. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.16. Employee Benefits

The Company 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 defined benefit plan remains with the Company, 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 Company's post-employment benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the statement of financial position (included as part of Other Non-current Liabilities) 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 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 statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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 Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company 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 statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(f) *Share-based Payments*

The 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.

2.17. Borrowing Costs

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, 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.

2.18. Income Taxes

Tax expense or income 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 the reporting period. They are calculated using 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 each 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 carryforward 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.19. Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless 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 Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's partially-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 ten percent (10%) or more of the Phoenix 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.

2.20. Equity

Preferred and common stock represent the nominal value of shares that have been issued.

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

Additional paid-in capital includes any premiums received on the 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.

Revaluation reserves comprise of gains arising from the revaluation of the Company's land under property, plant and equipment and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

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

2.21. Deposit on Future Stock Subscription

Deposit on future stock subscription refers to the payment made by the 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 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 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.

2.22. Earnings or Loss per Share

Basic earnings or loss per share is computed by dividing net profit or loss attributable to equity holders of the Company by the weighted average number of 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.

2.23. Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the 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 Company's accounting policies, management has made the judgments presented in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

a. Determination of Lease Term of Contracts with Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to 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 Company 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 Company.

b. Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Fuel Services and Other Revenues

The Company determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company 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 Company 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 Costs

The Company uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Company 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 Company'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 Company developed business models which reflect how it manages its portfolio of financial instruments. The Company'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 Company) 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 Company 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 Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

e. Distinction between Operating and Finance Leases for Contracts where the Company is the Lessor

The Company 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 2.11 and disclosures on relevant contingencies are presented in Note 30.

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 Company's qualifying asset, the management concludes that the Company's retail station, depot facilities, and tankers are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

h. Impairment of Basketball Franchise

The determination when the Company’s basketball franchise is considered impaired requires significant judgment. In making this judgment, the Company 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 Company 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 Company'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.

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 Company 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 Company’s incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, credit risk of the Company 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 value 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 the competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company’s inventories within the next financial reporting period.

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

The Company estimates the useful lives of property, plant and equipment, right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and intangible assets 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 and intangible assets are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as of December 31, 2022 and 2021, there is no change in estimated useful lives of those assets 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

The Company's property, plant and equipment includes 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 Company engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Company 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 those dates is disclosed in Note 26.

(g) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company'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, as described in Note 24.3, include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense 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 post-employment benefit obligation are presented in Note 24.3.

(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 2.15). Though management believes that the assumptions used in the estimation of fair values reflected in the 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 Company's investment in subsidiaries, 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 Company's investments in joint ventures, property, plant and equipment, investment properties and right-of-use assets in 2022, 2021 and 2020.

(i) Fair Value of Share Options

The Company estimates the fair value of the share option by applying Black-Scholes Option Pricing Model, taking into consideration the price of the underlying stock at grant date, strike price of the option, term of the option, and expected rate of return. The fair value of the share options excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The management has assessed no changes in the fair value per share option in 2022, 2021 and 2020.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company'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 Company's risk management is coordinated with its ultimate parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

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

4.1. Market Risk

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

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's sales to a certain customer and fuel importation, which are primarily denominated in United States dollars (U.S. Dollar). The liability covering the importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trust receipts (TRs). The Company also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Company'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	2021
Financial assets	**P 4,251,080**	P 9,166,998
Financial liabilities	**(6,665,604,878)**	(6,334,675,463)
Exposure	**(P 6,661,353,798)**	(P 6,325,508,465)

The following table illustrates the sensitivity of the Company's profit before tax with respect to changes in Philippine peso against U.S. dollar and Singapore dollar 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	2021
Reasonably possible change in rate	**15.94%**	7.22%
Effect in profit (loss) before tax	**(P 1,061,819,795)**	(P 456,701,711)
Effect in equity after tax	**(796,364,846)**	(342,526,283)

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

(b) Interest Rate Risk

The Company'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 Company is exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates (see Notes 6 and 17). 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. Bank loans subject to variable interest rates are tested on a reasonably possible change of +/-1.45% and +/-0.13% for Philippine peso in 2022 and 2021. 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 Company'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 +/-P574.0 million and +/-P97.2 million for the years ended December 31, 2022 and 2021, respectively, and equity after tax by +/-P428.4 million and +/-P68 million for the years ended December 31, 2022 and 2021, respectively.

(c) Other Price Risk

The Company'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.

4.2. Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company 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 Company employs range of policies and practices to mitigate credit risk. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments 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.

Estimate of the fair value of collateral held against trade and other receivables as of December 31 follows:

	2022	2021
Cash bond	**P 138,742,602**	P 184,690,899
Standby letter of credits	**52,611,300**	320,192,168
	P 191,353,902	P 504,883,067

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

	Notes	2022	2021
Cash and cash equivalents	6	**P 2,240,435,920**	P 2,693,758,352
Trade and other receivables – net*	7	**11,721,835,653**	10,755,416,916
Advances to subsidiaries – net**	27.4	**3,001,999,523**	2,774,994,902
Due from related parties – net	27.5	**39,693,741**	31,005,032
Refundable rental deposits	9, 15	**193,467,830**	200,260,915
		P17,197,432,667	P16,455,436,117

** Excludes certain advances to suppliers, advances subject to liquidation and certain non-trade and other receivables not classified as financial assets*
*** Excludes portion of advances intended for future stock subscriptions*

(a) Cash and Cash Equivalents and Restricted Deposits

The credit risk for cash and cash equivalents and restricted deposits is 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 Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables, Advances to Subsidiaries and Due from Related Parties

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

The Company 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 PD. The Company'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 in the succeeding page.

Phoenix Risk Rating (PRR)	Description (PRR)		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
PRR 1B	Counterparties with both average financial and business profile.	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.	B	**3.16 – 6.58**	3.06 – 6.42
PRR 3C	Counterparties with an average financial profile and adequate business profile.	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.	B	**3.16 – 6.58**	3.06 – 6.42
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		B	**3.16 – 6.58**	3.06 – 6.42
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	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.	CCC/C D	**100**	100
PRR D	Counterparties with a weak financial profile and average business profile.		CCC/C D	**100**	100
PRR F	Counterparties with both weak financial profile and business profiles.		CCC/C D	**100**	100

The credit loss allowance provided as of December 31, 2022 is as follows:

Trade and Other Receivables (see Note 7)

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 2A	BBB	0.10 – 0.46	87,706,135	142,044
PRR 1A	BBB	0.10 – 0.46	6,128,008,743	22,018,818
PRR 3B	BB	0.54 – 1.58	2,034,964,119	15,146,135
PRR 2B	BB	0.54 – 1.58	453,407,625	2,817,253
PRR 1B	B	3.06 – 6.42	2,453,521,644	133,941,021
PRR 3C	B	3.06 – 6.42	687,366,584	22,049,579
PRR 2C	B	3.06 – 6.42	75,411,906	2,436,253
PRR 1C/D/F	D	100	3,587,636,627	3,587,636,627
			P 15,508,023,383	**P 3,786,187,730**

Advances to Subsidiaries (see Note 27.4)

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 2A	BBB	0.10 – 0.46	P 247,765,690	P 247,766
PRR 1A	BBB	0.10 – 0.46	1,706,269,815	1,706,270
PRR 3B	BB	0.54 – 1.58	1,056,667,167	6,749,113
			P 3,010,702,672	**P 8,703,149**

Due from Related Parties (see Note 27.5)

PRR	S&P Rating	PD 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	0.54 – 1.58	39,638,228	229,901
			39,923,928	**P 230,187**

The credit loss allowance provided as of December 31, 2021 is as follows:

Trade and Other Receivables (see Note 7)

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.11 – 0.47	P 313,321	P 345
PRR 2A	BBB	0.11 – 0.47	129,434,384	140,337
PRR 1A	BBB	0.11 – 0.47	4,854,847,897	17,142,121
PRR 3B	BB	0.54 – 1.58	1,966,161,071	14,803,590
PRR 2B	BB	0.54 – 1.58	467,688,221	2,547,808
PRR 1B	B	3.06 – 6.42	2,383,968,596	115,005,895
PRR 3C	B	3.06 – 6.42	1,085,002,332	33,650,102
PRR 2C	B	3.06 – 6.42	52,916,319	1,625,027
PRR 1C/D/F	D	100	282,844,187	282,844,187
			P 14,432,918,818	P 3,677,501,902

Advances to Subsidiaries (see Note 27.4)				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 2A	BBB	0.11 – 0.47	P 245,402,464	P 269,943
PRR 1A	BBB	0.11 – 0.47	1,618,906,199	1,780,797
PRR 3B	BB	0.54 – 1.58	917,698,711	4,961,732
			P 2,782,007,374	P 7,012,472

Due from Related Parties (see Note 27.5)				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3B	BB	0.54 – 1.58	P 31,173,368	P 168,336

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) Refundable Rental Deposits

The credit risk for refundable rental deposits is considered negligible as the Company 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 Company 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 (see Note 2.4). 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 six-month and one-year period are identified monthly.

The Company maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in short-term money placements and 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 Company's financial liabilities (except lease liabilities – see Note 12) 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	P28,716,977,023	P 2,082,422,427	P15,606,518,061	P -
Trade and other payables (excluding tax-related payables)	-	12,763,654,944	-	-
Advances from a subsidiary	-	-	-	5,686,716,534
Security deposits	62,269,739	31,141,570	72,913,060	-
	P28,779,246,762	**P14,972,132,136**	**P15,679,431,121**	**P 5,686,716,534**

As of December 31, 2021, the Company's financial liabilities (except lease liabilities – see Note 12) 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	P24,631,189,081	P 732,879,453	P14,253,631,613	P -
Trade and other payables (excluding tax-related payables)	-	7,937,589,282	-	-
Advances from a subsidiary	-	4,411,847	-	5,358,245,381
Security deposits	-	-	203,763,999	-
	P24,631,189,081	P 8,674,880,582	P13,304,770,812	P 5,358,245,381

5. CATEGORIES, FAIR VALUE MEASUREMENT 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 financial liabilities presented in the 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					
Loans and receivables:					
Cash and cash equivalents	6	**P 2,240,435,920**	**P 2,240,435,920**	P 2,693,758,352	P 2,693,758,352
Trade and other receivables – net*	7	**8,525,871,507**	**8,525,871,507**	11,690,935,740	11,690,935,740
Advances to subsidiaries – net**	27.4	**3,001,999,523**	**3,001,999,523**	2,774,994,902	2,774,994,902
Due from related parties – net	27.5	**39,693,741**	**39,693,741**	31,005,032	31,005,032
Refundable rental deposits	9, 15	**193,467,830**	**193,467,830**	200,260,915	200,260,915
		P 14,001,468,521	**P 14,001,468,521**	P 17,390,954,941	P 17,390,954,941
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	**P 42,689,577,041**	**P 42,885,251,048**	P 39,446,243,338	P 41,248,702,798
Trade and other payables***	19	**12,763,654,944**	**12,763,654,944**	11,254,138,942	11,254,138,942
Lease liabilities	12	**978,888,344**	**1,464,284,692**	982,615,846	1,187,689,644
Advances from a subsidiary	27.4	**5,686,716,534**	**4,165,711,558**	5,362,657,228	4,425,951,978
Security deposits	19, 20	**166,324,369**	**147,756,389**	203,763,999	191,738,482
		P 62,285,161,232	**P 61,426,658,631**	P 57,249,419,353	P 58,308,221,844

* *Excludes advances to suppliers and advances subject to liquidation*
** *Excludes portion of advances intended for future stock subscriptions*
*** *Excludes tax-related payables*

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Company'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 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 Company 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 Measured at Fair Value

The Company has no financial assets and financial liabilities measured at fair value as of December 31, 2022 and 2021.

5.4. Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

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

	Notes	2022 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P2,240,435,920	P -	P -	P 2,240,435,920
Trade and other receivables – net*	7	-	-	8,525,871,507	8,525,871,507
Advances to subsidiaries - net**	27.4	-	-	3,001,999,523	3,001,999,523
Due from related parties - net	27.5	-	-	39,693,741	39,693,741
Refundable rental deposits	9, 15	-	-	193,467,830	193,467,830
		P2,240,435,920	**P -**	**P11,761,032,601**	**P 14,001,468,521**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P42,885,251,048	P 42,885,251,048
Trade and other payables***	19	-	-	12,763,654,944	12,763,654,944
Lease liabilities	12	-	-	1,464,284,692	1,464,284,692
Advances from a subsidiary	27.4	-	-	4,165,711,558	4,165,711,558
Security deposits	20	-	-	147,756,389	147,756,389
		P -	**P -**	**P61,426,658,631**	**P 61,426,658,631**

	Notes	2021 [As Restated – See Note 2.1 (b)] Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P2,693,758,352	P -	P -	P 2,693,758,352
Trade and other receivables – net*	7	-	-	11,690,935,740	11,690,935,740
Advances to subsidiaries - net**	27.4	-	-	2,774,994,902	2,774,994,902
Due from related parties - net	27.5	-	-	31,005,032	31,005,032
Refundable rental deposits	9, 15	-	-	200,260,915	200,260,915
		P2,693,758,352	P -	P14,697,196,589	P 17,390,954,941
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P41,248,702,798	P 41,248,702,798
Trade and other payables***	19	-	-	11,254,138,942	11,254,138,942
Lease liabilities	12	-	-	1,187,698,644	1,187,698,644
Advances from a subsidiary	27.4	-	-	4,425,951,978	4,425,951,978
Security deposits	20	-	-	191,738,482	191,738,482
		P -	P -	P58,308,221,844	P 58,308,221,844

* *Excludes advances to suppliers and advances subject to liquidation*
** *Excludes portion of advances intended for future stock subscriptions*
*** *Excludes tax-related payables*

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

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value 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 Company uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since not all significant inputs required to determine the fair value of the other instruments not included in Level 1 are observable, these are included in Level 3.

5.5. Fair Value Measurement for Non-financial Assets

The fair values of the Company's parcels of land, included as part of Property, Plant and Equipment account, was determined based on the appraisal reports of Asian Appraisal Company, Inc., who is a professional and independent appraiser 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 appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the vessels. 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 Company'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 statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2022					
	Gross amounts recognized in the statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	Net amount
December 31,2022						
Trade and other receivables – net*	**P 8,525,871,507**	**P -**	**P 8,525,871,507**	**P -**	**(P 138,742,602)**	**P 8,387,128,905**
December 31,2021						
Trade and other receivables – net*	P 7,561,255,495	P -	P 7,561,255,495	P -	(P 184,690,899)	P 7,376,564,596

* *Excludes advances to suppliers and advances subject to liquidation*

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

	December 31, 2021					
	Gross amounts recognized in the statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
December 31,2022						
Security deposits	**P 166,324,369**	**P -**	**P 166,324,369**	**P -**	**(P 138,742,602)**	**P 27,581,767**
December 31,2021						
Security deposits	P 203,763,999	P -	P 203,763,999	P -	(P 184,690,899)	P 19,073,100

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company 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
Cash in banks	**P 86,031,954**	P 407,811,690
Revolving fund	**16,151,980**	10,109,167
Short-term placements	**2,138,251,986**	2,275,837,495
	P 2,240,435,920	P 2,693,758,352

Cash in banks generally earn interest at rates based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. The short-term placements are made for varying periods from seven 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 P23.1 million, P23.0 million and P41.8 million in 2022, 2021, and 2020, respectively, and are included as part of Finance Income in the statements of comprehensive income (see Note 23.2).

The Company is required by the banks to maintain certain compensating deposits for the credit line facility provided to the Company for working capital requirements (See Note 17.1).

7. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	**2022**	2021 [As Restated – See Note 2.1(*b*)]
Trade receivables:			
Third parties		**P 1,242,045,366**	P 2,683,429,594
Other related parties	27.1	**3,339,704,892**	3,257,741,164
Subsidiaries	27.1	**14,234,616**	14,547,802
Ultimate parent	27.1	**373,599**	288,187
		4,596,358,473	5,956,006,747
Non-trade receivables:			
Third parties		**1,090,393,493**	791,993,260
Other related parties	27.1, 27.5, 27.7, 27.8, 27.13, 27.14	**3,335,311,482**	2,339,915,874
Ultimate parent	27.13	**2,413,634,319**	1,837,833,837
Subsidiaries	27.4, 27.7, 27.13 27.14	**862,583,128**	297,426,610
		7,701,922,422	5,267,169,581
Balance carried forward		**12,298,280,895**	11,223,176,328

		2022	2021 [As Restated – See Note 2.1(*b*)]
Balance brought forward		**P 12,298,280,895**	P 11,223,176,328
Advances to suppliers:			
Third parties		**4,191,451,479**	5,216,356,853
Other related parties	11, 27.2	**642,370,322**	6,005,414
		4,833,821,801	5,222,362,267
Advances subject to liquidation		**5,005,824**	5,943,318
Other receivables		**13,778,342**	15,581,069
Allowance for impairment		**(3,786,187,730)**	(3,677,501,902)
		P 13,364,699,132	P 12,789,561,080

Trade and other receivables do not bear any interest. All receivables excluding certain advances to suppliers and advances subject to liquidation are subject to credit risk exposure (see Note 4.2).

Non-trade receivables mostly pertain to receivable for management and consultancy fees and accrued rent.

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	Note	2022	2021 [As Restated – see Note 2.1 (*b*)]
Balance at beginning of year		**P 3,677,501,902**	P 3,748,456,521
Impairment loss for the year	22	**108,685,828**	-
Recovery of bad debts		**-**	(70,954,619)
Balance at end of year		**P 3,786,187,730**	P 3,677,501,902

Impairment losses amounting to P108.7 million and P55.1 million in 2022 and 2020 respectively, are presented as part of Selling and Administrative Expenses in the 2022 and 2020 statements of comprehensive income (see Note 22). In 2021, recovery of bad debts amounting to P71.0 million, net of impairment losses of P65.0 million, is presented as part of Others under Fuel Service and Other Revenues in the 2021 statement of comprehensive income.

8. INVENTORIES

Inventories which are stated at cost, which is lower than its net realizable value, are broken down as follows:

	2022	2021 [As Restated – see Note 2.1(*b*)]
Fuels	**P 1,070,876,702**	P 4,692,582,953
Lubricants	**53,487,350**	109,731,441
	P 1,124,364,052	P 4,802,314,394

Under the terms of agreements covering the liabilities under TRs, inventories with carrying value of P1,070.0 million and P4,694.4 million as of December 31, 2022 and 2021, respectively, have been released to the Company in trust for by the banks. The Company is accountable to the banks for the trusteed inventories or their sales proceeds (see Note 17.1).

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

An analysis of the cost of inventories included in the cost of sales for the year is presented in Note 21.2.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	Notes	2022	2021
Net input VAT		**P 3,608,219,861**	P 3,736,084,804
Creditable withholding tax		**1,275,675,137**	946,015,101
Prepayments		**381,360,085**	218,003,974
Refundable rental deposits	15, 27.3	**184,292,739**	191,793,238
Supplies		**118,319,921**	127,640,480
Others		**131,252,287**	107,598,513
		P 5,699,120,030	P 5,327,136,110

10. INVESTMENTS IN SUBSIDIARIES

The components of the carrying values of investments in subsidiaries accounted for under the cost method as of December 31, 2022 and 2021 are as follows:

	2022	2021
PLPI	**P 6,772,646,302**	P 6,772,646,302
PPMI	**1,361,355,600**	1,361,355,600
PNX SG	**1,166,998,860**	1,166,998,860
Duta Group	**699,466,517**	126,867,414
PFM	**352,070,202**	352,070,202
TAL	**71,246,903**	71,246,903
SPTT	**57,800,000**	57,800,000
PNXRT	**35,000,000**	35,000,000
PGMI Group	**25,000,000**	25,000,000
PNX Power	**15,625,000**	15,625,000
Balance carried forward	**10,557,209,384**	9,984,610,281

	2022	2021
Balance brought forward	**P 10,557,209,384**	P 9,984,610,281
AAI Group	**748,750**	748,750
PNX Energy Group	**51,012**	51,012
	10,558,009,146	9,985,410,043
Allowance for impairment	**(263,055,651)**	-
	P 10,294,953,495	P 9,985,410,043

In 2022, certain advances to DUTA amounting to P572.6 million were converted to additional investment in DUTA (see Note 27.4). Prior to approval of the SEC on the increase in authorized capital stock of DUTA, these advances are presented as Advances to Subsidiaries under Other Non-current Assets (see Note 15).

Investments in subsidiaries are subject to impairment testing whenever there is an indication of impairment. For impairment testing purposes, when the carrying amount of the investment in a subsidiary exceeds the carrying amount of the net assets of such subsidiary (including goodwill), then there is an indication of impairment. The carrying amount and the recoverable amounts of the subsidiaries tested are as follows:

	2022		2021	
	Carrying Amount	**Recoverable Amount**	Carrying Amount	Recoverable Amount
PLPI	**P 6,772,646,302**	**P 22,532,497,156**	P 6,772,646,302	P 50,309,180,620
PPMI	**1,361,355,600**	**48,390,577,240**	1,361,355,600	1,361,355,600
PFM	**161,010,202**	**161,010,202**	352,070,202	63,197,593,813
TAL	**-**	**-**	71,246,903	71,246,903
AAI	**-**	**-**	748,749	748,749

Based on the above, the Company recognized impairment loss of P191.1 million, P71.2 million and P0.7 million attributable to its investment in PFM, AAI and TAL, respectively, in 2022. The impairment loss totaling P263.1 million is presented as part of Impairment losses on non-financial assets in the statement of comprehensive income (see Note 22). No such loss was recognized in 2021.

The recoverable amounts of these investments were 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
PLPI	**7.32%**	**3.70%**	6.27%	2.83%
PPMI	**6.22%**	**3.70%**	12.00%	2.83%
PFM	**12.00%**	**0.00%**	3.24%	2.83%
TAL	**12.00%**	**0.00%**	8.91%	2.83%
AAI	**12.00%**	**0.00%**	8.91%	2.83%

In 2021, certain advances to PPMI were converted to additional investments amounting to P926.7 million (see Note 27.4). Prior to approval of the SEC on the increase in authorized capital stock of PPMI, the additional investments are presented as Advances to subsidiaries under Other Non-current Assets (see Note 15).

In 2021, the Company received cash dividend from PLPI amounting to P291.6 million, presented as part of Fuel service and other revenues in the 2022 statement of comprehensive income (see Notes 21 and 27).

A reconciliation of the carrying amount of investments in subsidiaries at the beginning and end of 2022 and 2021 is shown below:

	Notes	2022	2021
Balance at beginning of year		**P 9,985,410,043**	P 8,767,094,946
Conversion from advances to subsidiaries	27.4	**572,599,103**	926,730,600
Impairment of investment in subsidiaries	22	**(263,055,651)**	-
Additional investments in subsidiaries		**-**	291,584,497
Balance at end of year		**P 10,294,953,495**	P 9,985,410,043

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.

	Land	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Construction in Progress	Total
December 31, 2022								
Cost or revalued amount	P 4,751,716,000	P 14,376,090,191	P 816,222,448	P 3,827,150,045	P 9,516,093	P 168,161,903	P 1,530,642,078	P25,479,498,758
Accumulated depreciation and amortization	-	(714,804,915)	(28,204,341)	(263,077,249)	(1,101,907)	(41,844,966)	-	(1,049,033,378)
Net carrying amount	**P 4,751,716,000**	**P 13,661,285,276**	**P 788,018,107**	**P 3,564,072,796**	**P 8,414,186**	**P 126,316,937**	**P 1,530,642,078**	**P 24,430,465,380**
December 31, 2021								
Cost or revalued amount	P 4,240,882,000	P 11,995,753,069	P 705,548,589	P 4,391,313,623	P 138,235,191	P 660,423,928	P 8,752,732,484	P 30,884,888,884
Accumulated depreciation and amortization	-	(2,322,205,339)	(160,514,882)	(2,233,751,305)	(127,438,423)	(576,279,704)	-	(5,420,189,653)
Net carrying amount	P 4,240,882,000	P 9,673,547,730	P 545,033,707	P 2,157,562,318	P 10,796,768	P 84,144,224	P 8,752,732,484	P 25,464,699,231
January 1, 2021								
Cost or revalued amount	P 4,085,968,000	P 9,017,402,181	P 240,171,321	P 4,056,700,567	P 138,147,830	P 682,191,019	P 11,441,542,545	P 29,662,123,463
Accumulated depreciation and amortization	-	(2,040,846,271)	(154,016,795)	(1,949,614,696)	(117,652,825)	(555,603,649)	-	(4,817,734,236)
Net carrying amount	P 4,085,968,000	P 6,976,555,910	P 86,154,526	P 2,107,085,871	P 20,495,005	P 126,587,370	P 11,441,542,545	P 24,844,389,227

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

	Land	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 4,240,882,000	P 9,673,547,730	P 545,033,707	P 2,157,562,318	P 10,796,768	P 84,144,224	P 8,752,732,484	P 25,464,699,231
Additions	36,231,116	4,710,337		9,155,823	106,103	2,611,615	589,549,245	642,364,239
Revaluation increments	474,602,884	-	-	-	-	-	-	474,602,884
Reclassifications	-	4,860,684,978	271,198,655	2,157,052,254	4,817,822	88,861,662	(7,382,615,371)	-
Cost of assets transferred to Non-Current Assets Classified as Held for Disposal (Note 16)		(393,448,221)		(4,236,184)	(613,095)	(1,322,573)		(399,620,073)
Accumulated depreciation of assets transferred (Note 16)		77,156,735		8,630,483	612,131	3,172,725	-	89,572,074
Cost of asset disposed	-		-	(256,360,635)	(5,593,032)	(16,389,764)	(3,366,556)	(281,709,987)
Impairment losses (Note 16)	-	(166,856,826)	-	(9,464,021)	(555)	(1,850,152)	-	(178,171,554)
Accumulated depreciation of asset disposed	-		-	37,091,419	5,501,295	17,000	-	42,609,714
Depreciation and amortization charges for the year	-	(625,104,824)	(28,204,341)	(299,335,130)	(7,214,778)	(43,184,539)	-	(1,003,043,612)
Transfer to Advances to Supplier (Note 7)							(425,657,724)	(425,657,724)
Adjustments	-	230,595,367	(9,914)	(236,023,531)	1,527	10,256,739	-	4,820,188
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 4,751,716,000**	**P 13,661,285,276**	**P 788,018,107**	**P 3,564,072,796**	**P 8,414,186**	**P 126,316,937**	**P 1,530,642,078**	**P 24,430,465,380**

	Land	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Construction in Progress	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 4,085,968,000	P 6,976,555,910	P 86,154,526	P 2,107,085,871	P 20,495,005	P 126,587,370	P 11,441,542,545	P 24,844,389,227
Additions	2,232,608	5,823,606	454,634,309	135,978,484	4,061,540	9,811,857	937,601,494	1,550,143,898
Revaluation increments	152,681,392	-	-	-	-	-	-	152,681,392
Reclassifications	-	3,403,677,972	10,742,959	210,470,616	503,379	1,016,629	(3,626,411,555)	-
Cost of asset disposed	-	(431,150,690)	-	(11,836,044)	(4,477,558)	(32,595,577)	-	(480,059,869)
Accumulated depreciation of asset disposed	-	185,700,556	-	6,150,273	3,785,548	29,743,104	-	225,379,481
Depreciation and amortization charges for the year	-	(467,059,624)	(6,498,087)	(290,286,882)	(13,571,146)	(50,419,159)	-	(827,834,898)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 4,240,882,000	P 9,673,547,730	P 545,033,707	P 2,157,562,318	P 10,796,768	P 84,144,224	P 8,752,732,484	P 25,464,699,231

The transfers to Advances to Suppliers in 2022 pertains to the improvement on the building of Udenna Tower Corporation (UTOWCO), a related party under common ownership, rented out by the Company which was financed through advances. Based on initial agreement, upon completion of the improvement, it will be owned by the Company. Subsequently in 2022, upon management's directives, the ownership was retracted and the amount was reverted back to advances to suppliers which will serve as advance rent payments.

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 Company's expansion program, including capitalized borrowing costs of P557.7 million, P717.0million, and P1,183.5 million in 2022, 2021, and 2020, respectively (see Note 17.5), 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 amount of depreciation and amortization is allocated as follows:

	Notes	**2022**	2021
Cost of sales and services	21.2	**P 3,259,812**	P 3,267,007
Selling and administrative expenses		**994,536,857**	824,567,891
	22	**P 997,796,669**	P 827,834,898

The Company retired in its books fully-depreciated assets with a total cost of P10.3 million and P33.4 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 Company's operations amounted to P1,891 million and P1,752.8 million, respectively.

11.3. Fair Value of Land

The Company'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 dates 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 statements of financial position.

The information on the fair value measurement and disclosures related to the revalued lands 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 P2,945.4 million and P2,919.2 million, respectively.

11.4. Assets under Real Estate Mortgage and Security Interest Agreement

As of December 31, 2022 and 2021, all parcels of land, buildings, depot, plant and pier facilities, leasehold and land improvements, and gasoline station equipment of the Company, amounting to P22,765.3 million and P13,296.2 million, respectively, are subject to real estate mortgage and security interest agreement with BDO [see Note 17.2*(a)*].

12. LEASES

The Company has leases for parcels of land where stations are built. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the 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 Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. 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 Company is prohibited from selling or pledging the underlying leased assets as security.

The table below describes the nature of the Company's leasing activities of right-of-use assets recognized in the statement of financial position.

Number of right-of-use assets leased	65
Range of remaining term	5 to 20 years
Average remaining lease term	15 years
Number of leases with options to purchase	65
Number of leases with termination options	65

12.1. Right-of-use Assets

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

	Note	**2022**	2021
Cost			
Balance at the beginning of the year		**P1,078,645,612**	P 731,258,664
Additions		**-**	347,386,948
Balance at the end of the year		**1,078,645,612**	1,078,645,612
Accumulated amortization			
Balance at the beginning of the year		**170,229,927**	105,703,055
Amortization for the year	22	**74,238,660**	64,526,872
Balance at the end of the year		**244,468,587**	170,229,927
Carrying amount at the end of the year		**P 834,177,025**	P 908,415,685

12.2. Lease Liabilities

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

	2022	2021
Current	**P 33,656,152**	P 31,040,041
Non-current	**945,232,192**	951,575,804
	P 978,888,344	P 982,615,845

The use of termination options gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location. An option is only exercised when consistent with the Company's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The leases of the Company has no extension options. The termination option of the leases is at the option of the Company without any need of judicial action. The Company does not expect to exercise pre-termination options for all its lease contracts. The Company is not subject to any penalties, should the Company exercise pre-termination of the lease.

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

The undiscounted maturity analysis of lease liabilities at December 31 is 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 20 years	Total
December 31, 2022								
Lease payments	P 94,441,572	P 120,152,216	P 120,461,581	P 129,962,234	P 129,848,804	P 637,723,360	P 167,112,054	P 1,399,701,821
Finance charges	(60,785,421)	(53,715,214)	(49,692,000)	(50,430,636)	(49,822,358)	(142,509,083)	(13,858,765)	(420,813,477)
Net present values	**P 33,656,151**	**P 66,437,002**	**P 70,769,581**	**P 79,531,598**	**P 80,026,446**	**P 495,214,277**	**P 153,253,289**	**P 978,888,344**
December 31, 2021								
Lease payments	P 91,024,217	P 93,837,434	P 103,013,731	P 103,051,997	P 121,399,639	P 647,648,312	P 304,309,362	P 1,464,284,692
Finance charges	(59,984,176)	(56,903,119)	(53,392,090)	(49,589,614)	(50,479,796)	(178,600,960)	(32,719,092)	(481,668,847)
Net present values	P 31,040,041	P 36,934,315	P 49,621,641	P 53,462,383	P 70,919,843	P 469,047,352	P 271,590,270	P 982,615,845

12.3. Lease Payments Not Recognized as Liabilities

The Company 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 follow:

	2022	2021 [As Restated – see Note 2.1(*b*)]
Short-term leases	**P 500,772,512**	P 479,219,704
Low-value assets	**-**	1,220,799
	P 500,772,512	P 480,440,503

These expenses are presented as Rent under Selling and administrative expenses in the statements of comprehensive income (see Note 22).

At December 31, 2022 and 2021, the Company is committed to short-term leases, and the total commitment at that date is P491.2 million and P477.3 million, respectively.

12.4. Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P82.2 million, P70.8 million and P109.5 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P78.5 million, P61.2 million and P58.1 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 23.1).

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	Computer Software Licenses	Software Development Costs	Others	Total
December 31, 2022					
Cost	P 176,861,660	P 248,124,415	P 44,519,726	P 1,585,143	P 471,090,944
Accumulated amortization	-	(235,416,016)	(41,589,087)	-	(277,005,103)
Allowance for impairment loss	(62,861,660)	-	-	-	(62,861,660)
Net carrying amount	**P 114,000,000**	**P 12,708,399**	**P 2,930,639**	**P 1,585,143**	**P 131,224,181**
December 31, 2021					
Cost	P 176,861,660	P 247,775,018	P 41,189,625	P 1,585,143	P 467,411,446
Accumulated amortization	-	(221,372,305)	(36,056,214)	-	(257,428,519)
Net carrying amount	P 176,861,660	P 26,402,713	P 5,133,411	P 1,585,143	P 209,982,927
January 1, 2021					
Cost	P 176,861,660	P 247,775,018	P 38,046,990	P 1,585,143	P 464,268,811
Accumulated amortization	-	(202,981,575)	(25,291,186)	-	(228,272,761)
Net carrying amount	P 176,861,660	P 44,793,443	P 12,755,804	P 1,585,143	P 235,996,050

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

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
Balance at January 1, 2022, net of accumulated amortization	P 176,861,660	P 26,402,713	P 5,133,411	P 1,585,143	P 209,982,927
Additions	-	405,422	3,330,100	-	3,735,522
Cost of asset disposed	-	(56,025)	-	-	(56,025)
Accumulated depreciation of asset disposed	-	56,025	-	-	56,025
Impairment loss on non-financial assets	(62,861,660)	-	-	-	(62,861,660)
Amortization during the year	-	(14,099,736)	(5,532,872)	-	(19,632,608)
Balance at December 31, 2022, net of accumulated amortization	**P 114,000,000**	**P 12,708,399**	**P 2,930,639**	**P 1,585,143**	**P 131,224,181**
Balance at January 1, 2021, net of accumulated amortization	P 176,861,660	P 44,793,443	P 12,755,804	P 1,585,143	P 235,996,050
Additions	-	-	3,142,635	-	3,142,635
Amortization during the year	-	(18,390,730)	(10,765,028)	-	(29,155,758)
Balance at December 31, 2021, net of accumulated amortization	P 176,861,660	P 26,402,713	P 5,133,411	P 1,585,143	P 209,982,927

14. INVESTMENT IN A JOINT VENTURE

The Company has entered into a joint venture (JV) agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV company – Phoenix Asphalt Philippines, Inc. (PAPI). The JV company – 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.

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 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 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.

The components of the carrying amount of the investment accounted for under equity method are as follows:

	2022	2021
Acquisition cost	**P 110,000,000**	P 110,000,000
Equity share in net income:		
Balance at beginning of year	**11,633,669**	4,704,794
Equity share in net income	**10,252,308**	6,928,875
Balance at the end of year	**21,885,977**	11,633,669
	P 131,885,977	P 121,633,669

Presented below are the financial information of the Company's joint venture and the movement of the carrying value as of December 31.

	2022	2021
Total current assets	**P 327,413,057**	P 86,303,905
Total non-current assets	**215,112,545**	208,315,061
Total current liabilities	**211,130,391**	50,160,318
Total non-current liabilities	**-**	-
Total revenues	**1,076,764,550**	686,256,336
Net income	**25,630,771**	17,322,187
Total other comprehensive income	**-**	-
Cash and cash equivalents*	**124,466,193**	12,928,583
Current financial liabilities**	**210,586,818**	48,982,015
Non-current financial liabilities	**-**	-
Depreciation and amortization	**13,564,456**	12,347,741
Interest income	**141,186**	77,966
Interest expense	**1,227,356**	1,542,898
Tax expense	**-**	1,713,183

**included in the total current assets*
*** included in the total current liabilities, excluding advances from customers and other payables.*

15. OTHER NON-CURRENT ASSETS

This account consists of the following as of December 31:

	Note	**2022**	2021
Advances to subsidiaries	27.4	**P 2,364,361,471**	P 2,936,960,574
Advances to suppliers	27.2, 27.12	**3,672,932,953**	2,280,171,191
Deferred minimum lease payments		**31,802,387**	35,337,524
Refundable rental deposits	27.3	**9,175,091**	8,467,677
Others		**388,588,942**	64,386,971
		P 6,466,860,845	P 5,325,323,937

Advances to subsidiaries pertain to additional capital infusion of the Company to its subsidiaries. These are recognized as advances as of December 31, 2022 and 2021, pending the approval of the SEC on the subsidiaries' increase in authorized capital stock (see Note 27.4).

Advances to suppliers pertain to advances made for future acquisitions of real estate properties. There are no capital commitments outstanding as of December 31, 2022 and 2021 related to these acquisitions.

Refundable rental deposits represent deposits of the Company 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 (i.e. BVAL). Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P3.5 million in 2022, P 3.4 million in 2021, and P3.1 million in 2020, and is presented as part of Finance Income in the statements of comprehensive income (see Note 23.2).

Refundable deposits amounting to P184.3 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 9).

The excess of the principal amount of the rental deposit over its present value is recognized in the 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 in 2022 and nil in 2021 and is presented as part of Rent under Selling and Administrative Expenses in the statements of comprehensive income (See Note 22). Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P3.5 million in 2022 and 2021 and is presented as part of Rent under Selling and Administrative Expenses in the statements of comprehensive income (see Note 22).

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 2022 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 2022 statements of financial position.

Others include other long-term deposits, other long-term receivables, and other immaterial non-current assets.

16. NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL

In 2022, the Company 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 Asset Classified as 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 P310.0 million as of December 31, 2022 (see Note 11). The Company recognized impairment loss amounting to P178.2 million because of the reclassification presented as part of Impairment Losses on Non-Financial Assets in the 2022 statement of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2022	2021
Current:		
Liabilities under LC and TR	**P 9,034,853,940**	P 5,409,604,937
Short-term loans	**17,362,942,240**	18,131,396,363
Current portion of long-term loans	**2,325,596,702**	182,530,306
	28,723,392,882	23,723,531,606
Non-current term loans	**13,966,184,160**	15,722,711,732
	P 42,689,577,042	P39,446,243,338

17.1 Liabilities under Letters of Credits and Trust Receipts

The Company 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%, 5.81% and 6.03% per annum in 2022, 2021 and 2020, respectively.

The Company incurred finance charges amounting to P1,002.4 million and P946.2 million in 2022 and 2021, respectively, attributable 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 statement of comprehensive income (see Note 23.1). There was no similar transaction in 2020.

The Company is required by the banks to maintain certain collaterals for the credit line facility provided to the Company for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8 and 27.6).

17.2 Term Loans

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

	Explanatory Notes	**Term**	**Interest Rates**	**Outstanding Balance 2022**	Outstanding Balance 2021
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	5 years	5.00%	**P 1,980,000,000**	P 7,662,004,249
	(a)	5 years	6.05%	**3,941,111,257**	-
ii. Notes Facility Agreements	*(b)*	5 years	7.75%	**1,741,000,000**	-
				7,662,111,257	7,662,004,249

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2022	2021
Philippine National Bank (PNB)					
i. Notes Payable	*(b)*	2 months to 3 years	7.00%	**P 1,837,874,243**	P 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	6.50%	**4,856,250,000**	4,925,000,000
	(d)	3 years	6.50%	**-**	328,200,171
ii. Notes Payable	*(b)*	2 to 12 months	6.25% - 7.50%	**3,828,019,022**	2,690,287,907
iii.Notes payable arranged by MIB	*(h)*	3 to 12 months	6.25% - 7.50%	**789,489,200**	827,300,000
				8,684,269,022	7,943,488,078
Robinsons Bank Corporation (RBC)	*(b)*	3 months	5.50%	**900,000,000**	900,000,000
Development Bank of the Philippines (DBP)	*(b)*	3 to 12 months	7.75%	**2,933,405,000**	3,000,000,000
Asia United Bank (AUB)					
i. Term Loan Agreement	*(i)*	5 years	7.20%	**588,930,963**	-
ii. Notes Payable	*(b)*	1 to 2 months	7.00%	**405,892,200**	987,510,900
				994,823,163	987,510,900
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	*(h)*	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
Bank of the Philippine Islands (BPI)	*(g)*	3 years	10.00%	**1,131,123,011**	1,176,412,447
BDO Private Bank, Inc.	*(h)*	2 to 12 months	5.00% - 7.75%	**2,042,799,817**	2,101,438,983
Bank of China					
i. Term Loan Agreement	*(e)*	2 years	6.15%	**1,405,365,631**	1,493,825,342
ii. Notes Payable	*(b)*	3 months	5.25%	**-**	470,132,913
				1,405,365,631	1,963,958,255
Maybank Philippines, Inc.	*(f)*	3 months	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	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
Various Entities	*(h)*	6 months	5.50% - 7.75%	**127,439,037**	159,839,036
				P 33,654,723,102	P 34,036,638,401

(a) TLA with BDO

(i) TLA on P2,000.0 million loan

In 2017, the 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 Company, based on its 2021 audited separate financial statements, is at least P5,000.0 million and 1.1x, respectively, the Company shall make mandatory repayment of P500.0 million within six months of testing date. The amendment is in relation to the Company's qualification to avail the loan term extension under Section 4 (uu) of R.A. 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 Company will issue certification showing the compliance of the covenants. 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 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 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 Company from the bank relating to non-compliance of the said covenant. The Company did not receive any written notice as of the date of issuance of these financial statements. Consequently, the Company did not reclassify this loan liability as current as of December 31, 2022.

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

(ii) TLA on P4,000.0 million loan

In 2020, the 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 28.1 and 28.4). 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 Company has granted, conveyed, assigned, transferred, set over, and confirm unto BDO, the Company executed a real estate mortgage and security interest agreement on the real and personal properties of the Company. Moreover, the TLA indicated the grant of security by the Company, and individual sureties by two stockholders in favor of BDO, the following: (i) real estate mortgage on real properties of the Company amounting to P11,062.5 million; and, (ii) security interests over the leasehold rights and personal properties of the Company, including machinery, equipment and other assets amounting to P2,233.7 million (see Note 11).

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

The 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 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 Company from the bank relating to non-compliance of the said covenant. The Company did not receive any written notice as of the date of issuance of these financial statements. Consequently, the Company did not reclassify this loan liability as current as of December 31, 2022.

In anticipation of the potential breach, the Company executed a formal written request for a waiver to the Bank. The Company has not yet received any response from the bank as of the date of issuance of 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 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 27.6).

The notes payable does not include financial, affirmative, and negative covenants.

As of December 31, 2022 and 2021, the carrying amount of the promissory notes payable and notes facility agreements of the Company amounts to P14,197.7 million and P14,507.3 million.

In 2020, the Notes Facility Agreements 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 R.A. 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 Company, based on its 2021 audited financial statements, is at least P5,000.0 million and 1.1x, respectively.

These agreements require the 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 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 Company.

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

The 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 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 Company from the bank relating to non-compliance of the said covenant. The Company did not receive any written notice as of the date of issuance of these financial statements. Consequently, the Company did not reclassify this loan liability as current as of December 31, 2022.

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

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

(c) TLA with PNB

On January 29, 2016, the 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 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 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 and 2020, the outstanding principal balance amounted to P328.2 million and P333.3 million, respectively. This loan is fully settled in 2022.

On July 5, 2018, the 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 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 Company to maintain debt-to-equity ratio of not more than 3:1. The TLA also requires the 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 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 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 Company from the bank relating to non-compliance of the said covenant. The Company did not receive any written notice as of the date of issuance of these financial statements. Consequently, the Company did not reclassify this loan liability as current as of December 31, 2022.

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

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

(e) 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 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 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 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 Company from the bank relating to non-compliance of the said covenant. The Company did not receive any written notice as of the date of issuance of these financial statements. Consequently, the Company did not reclassify this loan liability as current as of December 31, 2022.

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

(f) TLA with MPI

On April 30, 2021, the 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 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.

(g) TLA with BPI

In 2021, the 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.

(h) Notes Payable arranged by Multinational Investment Bancorporation (MIB)

Certain promissory notes entered into by the Company are arranged by the MIB with local banks and other entities. The promissory notes have interest ranging from 4.25% to 6.75% per annum and normally has a tenor of less than a year. These loans are clean and unsecured.

The notes payable does not include financial, affirmative and negative covenants.

As of December 31, 2022 and 2021, the total carrying amount of notes payable arranged by MIB amounts to P2,995.2 million and P3,215.9 million, respectively.

(i) TLA with Asia United Bank

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 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.

17.3 Credit Line

The Company has an available credit line under LC/TR of P43.9 million and P208.6 million as of December 31, 2022 and 2021, respectively. These lines obtained from various banks are being utilized by the Company for procurement of inventories both local and foreign. 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.

17.4 Interest Expense

Interest expense for 2022, 2021 and 2020 presented as part of Finance Costs in the statements of comprehensive income amounted to P1,295.2 million, P1,940.2 million and P1,707.9 million (see Note 23.1), respectively, which is already exclusive of the capitalized borrowing cost of P557.7 million, P717.0 million and P1,183.5 million in 2022, 2021 and 2020, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Term Loans (see Note 17)	Liabilities under LC and TR (see Note 17)	Liabilities under STCP (see Note 17)	Advances from a Subsidiary (see Note 27.4)	Lease Liabilities (see Note 12)	Total
Balance as of January 1, 2022	P 34,036,638,401	P 5,409,604,937	P -	P 5,362,657,228	P 982,615,845	P 45,791,516,411
Cash flows from financing activities:						
Repayment of loans and borrowings and lease liabilities	(7,108,144,010)	(15,256,619,454)	-	(554,659,462)	(82,247,674)	(23,001,670,600)
Proceeds from borrowings	6,698,868,279		-	-		6,698,868,279
Advances from subsidiaries	-	-	-	878,718,768		878,718,768
Non-cash financing activities:						
Availment of LC and TR	-	18,881,868,457	-	-	-	18,881,868,457
Amortization of discount and bond issue cost	27,360,432	-	-	-	78,520,173	105,880,605
Balance as of December 31, 2022	**P 33,654,723,102**	**P 9,034,853,940**	**P -**	**P 5,686,716,534**	**P 978,888,344**	**P 49,355,181,920**
Balance as of January 1, 2021	P 27,266,700,365	P 11,172,638,090	P 2,967,368,503	P 5,390,244,762	P 749,827,562	P 47,546,779,282
Cash flows from financing activities:						
Repayment of loans and borrowings and lease liabilities	(12,446,811,824)	(30,324,692,577)	(2,967,368,503)	(31,999,381)	(73,625,085)	(45,844,497,370)
Proceeds from borrowings	19,216,749,860	-	-	-	-	19,216,749,860
Advances from subsidiaries	-	-	-	4,411,847	-	4,411,847
Non-cash financing activities:						
Availment of LC and TR	-	24,561,659,424	-	-	-	24,561,659,424
Additions to lease liability	-	-	-	-	245,179,034	245,179,034
Amortization of discount and bond issue cost	-	-	-	-	61,234,334	61,234,334
Balance as of December 31, 2021	P 34,036,638,401	P 5,409,604,937	P -	P 5,362,657,228	P 982,615,845	P 45,791,516,411

	Term Loans (see Note 17)	Liabilities under LC and TR (see Note 17)	Liabilities under STCP (see Note 17)	Advances from a Subsidiary (see Note 27.4)	Lease Liabilities (see Note 12)	Total
Balance as of January 1, 2020	P 37,322,379,151	P 4,554,171,609	P 6,191,197,740	P 5,230,027	P 763,540,488	P 48,836,519,015
Cash flows from financing activities:						
Repayment of loans and borrowings and lease liabilities	(36,131,549,662)	(9,517,403,303)	(6,500,000,000)	(5,230,027)	(71,819,962)	(52,226,002,954)
Proceeds from borrowings	26,075,870,876	-	2,967,368,503	-	-	29,043,239,379
Advances from subsidiaries	-	-	-	5,390,244,762	-	5,390,244,762
Non-cash financing activities:						
Availment of LC and TR	-	16,135,869,784	-	-	-	16,135,869,784
Amortization of discount and bond issue cost	-	-	308,802,260	-	58,107,036	366,909,296
Balance as of December 31, 2020	P 27,266,700,365	P 11,172,638,090	P 2,967,368,503	P 5,390,244,762	P 749,827,562	P 47,546,779,282

19. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2022	2021 [As Restated – see Note 2.1 (*b*)]
Trade payables:			
Third parties		**P 10,519,775,745**	P 12,473,616,541
Subsidiaries	27.2	**427,100,027**	755,018,169
Other related parties	27.2	**166,965,327**	23,517,306
Ultimate parent	27.3	**1,443,825**	7,946,237
		11,115,284,924	13,260,098,253
Accrued expenses		**1,253,701,212**	747,406,048
Contract liabilities	21.1		
Third parties		**114,376,484**	97,926,116
Other related parties	27.1	**83,299,433**	35,697,839
		197,675,917	133,623,955
Advances from customers		**103,702,488**	7,588,807
Security deposits	20	**93,411,309**	-
Retention payable		**68,903,942**	99,580,604
Non-trade payables		**5,603,892**	3,404,787
Others		**20,284,455**	82,897,349
		P 12,858,568,139	P 14,334,599,803

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 remains unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to repairs and maintenance, interest expenses arising from loans and professional fees.

Retention payable is the amount withheld by the Company 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 Company.

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

Non-trade payables pertain to rent payables to various lessors and others.

Other payables represent liability transactions or items, which cannot be appropriately classified under any of the foregoing liability accounts.

20. OTHER NON-CURRENT LIABILITIES

This account is composed of the following:

	Notes	2022	2021
Deposit for future stock Subscription		**P 100,000,000**	P 100,000,000
Post-employment defined benefit obligation	24.3	**95,069,941**	125,245,654
Security deposits		**72,913,060**	203,763,999
Contract liability	21.1(b)	**22,694,682**	-
Unearned rent		**7,120,692**	11,571,705
		P 297,798,375	P 440,581,358

In 2021, the 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 were classified as Liability presented under Other Non-Current Liabilities pending finalization of the Subscription Agreement.

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, nil, and P12.2 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P6.2 million, P7.4 million and P9.1 million in 2022, 2021 and 2020, respectively, and is presented as part of Rent and Storage Income in the statements of comprehensive income.

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

21. REVENUES AND COST OF SALES

21.1 Revenues

a. Disaggregation of Contract Revenues

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

	Note	Trading (point in time)	Depot and Logistics (over time)	Total
December 31, 2022				
Primary geographical markets				
Luzon		P 15,010,780,729	P 1,399,480,579	P 16,410,261,308
Visayas		2,429,598,716	42,634,663	2,472,233,379
Mindanao		12,005,680,627	216,644,460	12,222,325,087
		P 29,446,060,072	**P 1,658,759,702**	**P 31,104,819,774**
Major goods/service lines				
Fuel and by-products		P 29,094,261,638	P -	P 29,094,261,638
Management service		-	1,467,740,220	1,467,740,220
Lubricants		351,798,434	-	351,798,434
Hauling and into-plane		-	106,040,498	106,040,498
Others	24.1	-	84,978,984	84,978,984
		P 29,446,060,072	**P 1,658,759,702**	**P 31,104,819,774**
December 31, 2021				
Primary geographical markets				
Luzon		P 30,092,849,604	P 681,159,418	P 30,774,009,022
Visayas		5,085,889,783	307,996,355	5,393,886,138
Mindanao		19,633,073,688	605,102,585	20,238,176,273
		P 54,811,813,075	P 1,594,258,358	P 56,406,071,433
Major goods/service lines				
Fuel and by-products		P 54,401,944,429	P -	P 54,401,944,429
Management service		-	998,387,857	998,387,857
Lubricants		409,868,646	-	409,868,646
Hauling and into-plane		-	33,136,651	33,136,651
Others	24.1	-	562,733,850	562,733,850
		P 54,811,813,075	P 1,594,258,358	P 56,406,071,433

	Note	Trading (point in time)	Depot and Logistics (over time)	Total
December 31, 2020				
Primary geographical markets				
Luzon		P 18,065,684,180	P 1,075,930,110	P 19,141,614,290
Visayas		4,161,299,416	38,534,348	4,199,833,764
Mindanao		17,409,349,120	469,140,495	17,878,489,615
		P 39,636,332,716	P 1,583,604,953	P 41,219,937,669
Major goods/service lines				
Fuel and by-products		P 39,211,907,634	P -	P 39,211,907,634
Management service		-	1,101,459,260	1,101,459,260
Lubricants		424,362,582	-	424,362,582
Hauling and into-plane		-	67,968,689	67,968,689
Others	24.1	62,500	414,177,004	414,239,504
		P 39,636,332,716	P 1,583,604,953	P 41,219,937,669

All of the Company'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 transferred 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 133,623,955**	P 183,668,960
Revenue recognized that was included in contract liabilities at the beginning of year		**(133,623,955)**	(186,668,960)
Increase due to cash received excluding amount recognized as revenue during the year		**220,370,599**	133,623,955
Balance at end of year	19, 20	**P 220,370,599**	P 133,623,955

The Company recognizes contract assets, due to 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 Company when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

21.2 Cost of Sales

This account is composed of the following for the year ended December 31:

	Notes	2022	2021 [As Restated – see Note 2.1(*b*)]	2020 [As Restated – see Note 2.1(*b*)]
Inventories at beginning of year		**P 4,802,314,394**	P 4,701,466,396	P 10,625,477,029
Net purchases during the year		**24,900,799,467**	50,479,859,502	29,500,160,886
Overhead	11.2	**3,259,812**	3,267,007	2,352,222
Goods available for sale			55,181,325,898	40,127,990,137
Inventories at end of year	8	**(1,124,364,052)**	(4,802,314,394)	(4,701,466,396)
	22	**P 28,582,009,621**	P 50,382,278,511	P 35,426,523,741

22. COSTS AND EXPENSES BY NATURE

The details of the Company'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*)]
Change in inventories	21.2	**P 28,582,009,621**	P 50,382,278,511	P 35,426,523,741
Depreciation and amortization	11.2,12.1,13	**1,091,667,937**	921,517,528	872,285,386
Salaries and employee benefits	24.1	**581,864,132**	623,819,269	660,149,771
Impairment losses on non-financial assets	10,13,16	**504,088,866**	-	-
Rent	12.3,15, 27.3	**500,772,512**	480,440,503	494,293,984
Freight and trucking charges		**423,711,849**	549,993,257	652,582,653
Taxes and licenses		**447,446,101**	524,695,805	394,128,319
Advertisement and promotion		**313,592,535**	249,889,607	249,937,355
Service fees	27.11	**110,859,598**	136,130,132	154,358,362
Impairment losses on financial assets	7,27.4, 27.5	**110,438,356**	-	56,677,819
Repairs and maintenance		**94,650,427**	93,736,311	107,123,895
Security fees		**93,674,111**	100,394,080	97,742,212
Dues and subscriptions		**89,837,920**	83,137,436	71,948,401
Fuel, oil and lubricants		**70,004,897**	14,787,123	27,955,495
Utilities		**56,010,080**	57,712,025	59,201,126
Professional fees		**52,152,676**	55,780,633	66,555,790
Insurance		**30,462,821**	40,584,333	48,233,543
Travel and transportation		**20,417,889**	5,011,433	19,323,846
Office supplies		**7,131,939**	10,234,238	12,910,057
Representation		**4,921,317**	4,985,615	15,955,065
Donations	27.14	**3,012,002**	7,440,424	-
Trainings and seminars		**1,986,272**	1,050,998	-
Sales incentives		**1,326,968**	4,508,173	20,191,473
Miscellaneous		**59,315,097**	26,859,026	48,758,012
		P 33,251,355,923	P 54,374,986,460	P 39,556,836,305

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

	Note	2022	2021 [As Restated – see Note 2.1(*b*)]	2020 [As Restated – see Note 2.1(*b*)]
Cost of sales	21.2	**P 28,582,009,621**	P 50,382,278,511	P 35,426,523,741
Selling and administrative expenses		**4,054,819,080**	3,992,707,949	4,073,634,745
Impairment losses on non-financial assets	10,13,16	**504,088,866**	-	-
Impairment losses on financial assets	7,27.4,27.5	**110,438,356**	-	56,677,819
		P 33,251,355,923	P 54,374,986,460	P 39,556,836,305

23. FINANCE INCOME (COSTS)

23.1 Finance Costs

The breakdown of this account is as follows:

	Notes	2022	2021	2020
Interest expense from bank loans and borrowings	17.4	**P 1,295,206,683**	P 1,940,180,271	P 1,707,858,916
Finance cost due to extended inventory settlement	17.1	**1,002,439,391**	946,210,274	-
Foreign currency exchange losses – net		**155,841,234**	312,109,542	-
Interest expense from lease liabilities	12.4	**78,520,173**	61,234,334	58,107,036
Bank charges		**73,729,703**	9,295,105	7,037,668
Interest expense from security deposits	20	**6,534,583**	-	12,152,559
Interest expense from post-employment defined benefit obligation – net	24.3	**6,362,480**	4,084,005	2,968,087
		P 2,618,634,247	P 3,273,113,531	P 1,788,124,266

23.2 Finance Income

The breakdown of this account is as follows:

	Notes	2022	2021	2020
Interest income from:				
Advances to subsidiaries	27.4	**P 545,666,782**	P 332,342,205	P -
Cash in banks	6	**23,138,828**	23,045,767	41,797,726
Due from related party	27.5	**8,206,395**	7,058,305	-
Amortization of rental deposits	15	**3,522,721**	3,355,911	3,132,141
Restricted deposits		**-**	-	539,937
Foreign currency exchange gains – net		**-**	-	34,520,400
Others		**-**	621,334	-
		P 580,534,726	P 366,423,522	P 79,990,204

24. EMPLOYEE BENEFITS

24.1 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 408,721,472**	P 415,478,130	P 472,481,382
Employee welfare and other benefits		**103,192,541**	129,726,857	134,149,430
13th month pay and bonuses		**38,827,464**	42,624,880	45,857,019
Employee share options	24.2	**-**	3,100,599	7,661,940
Post-employment defined benefit	24.3	**31,122,655**	32,888,803	-
	22	**P 581,864,132**	P 623,819,269	P 660,149,771

Negative past service cost, net of current service cost of post-employment defined benefit amounting to P7.6 million in 2020, and is presented as part of Others under Fuel Service and Other Revenues in the 2020 statement of comprehensive income (see Note 24.3).

24.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Company approved the ESOP. Under the ESOP program, the 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 statements of comprehensive income amounted to nil, P3.1 million, and P7.7 million in 2022, 2021 and 2020, respectively, while the corresponding credit to Retained Earnings of the same amount is presented under the Equity section of the statements of financial position. Other information related to the ESOP are presented in Note 28.7.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company 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 Company. The trustee bank managed the fund in coordination with the Company'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 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 report 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 20) in the statements of financial position, are determined as follows:

	2022	2021
Present value of obligation	**P 212,993,565**	P 247,250,898
Fair value of plan assets	**(117,923,624)**	(122,005,244)
	P 95,069,941	P 125,245,654

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 247,250,898**	P 223,202,068
Current service cost	**31,122,655**	32,888,803
Interest expense	**12,560,346**	8,816,482
Actuarial (gains) loss arising from:		
Changes in financial assumptions	**(46,998,650)**	(30,989,620)
Changes in demographic assumptions	**(125,820)**	17,813,347
Benefits paid from plan assets	**(30,815,864)**	(4,480,182)
Balance at end of year	**P 212,993,565**	P 247,250,898

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

	2022	2021
Balance at beginning of year	**P 122,005,244**	P 119,809,536
Contributions to the plan		
Interest income	**6,197,866**	4,732,477
Gain on plan assets (excluding amounts included in net interest)	**(10,279,486)**	(2,536,769)
Balance at end of year	**P 117,923,624**	P 122,005,244

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 45,478	P 4,901
Quoted equity securities:		
Manufacturing (preferred)	10,720,130	16,664,510
Holding	4,824,050	4,968,600
Property	2,940,000	4,111,800
	18,484,180	25,744,910
Unit investment trust funds (UITF)	51,151,168	33,664,147
Unit corporate bonds	24,247,224	25,873,300
Government bonds	23,995,574	36,717,982
	P 117,923,624	P 122,005,240

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), excluding UITF (classified as Level 2 in the fair value hierarchy). Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The plan assets realized a return of (P4.1 million) in 2022 and P2.2 million in 2021, respectively.

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the defined benefit post-employment plan are shown below.

	Notes	2022	2021	2020
Reported in profit or loss:				
Current service cost		P 31,122,655	P 32,888,803	P 29,318,555
Past service cost – curtailment		-	-	(36,905,335)
	24.1	31,122,655	32,888,803	(7,586,780)
Net interest expense	23.1	6,362,480	4,084,005	2,968,087
		P 37,485,135	P 36,972,808	(P 4,618,693)
Reported in other comprehensive loss (income):				
Actuarial losses (gains) arising from changes in:				
Financial assumptions		(P 46,998,650)	(P 30,989,620)	P 30,506,876
Demographic assumptions		(125,820)	17,813,347	29,756,060
Experience adjustments		(30,815,864)	(4,480,182)	1,669,300
Loss (return) on plan assets (excluding amounts included in net interest expense)		10,279,486	2,536,769	(1,425,785)
		(P 67,660,848)	(P 15,119,686)	P 60,506,451

In 2020, there was a curtailment on the plan of the Company, which significantly reduced the headcount compared to that at the beginning of the year, in relation to the Company's rationalization of workforce (see Note 1.4) 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 under Fuel Service and Other Revenue in the 2020 statement of comprehensive income.

In 2022 and 2021, current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the statements of comprehensive income (see Note 24.1).

The net interest expense is included in Finance Costs in the statements of comprehensive income (see Note 23.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

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

	2022	2021	2020
Discount rates	**7.22%**	5.08%	3.95%
Expected rate of salary increases	**5.00%**	5.00%	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 is 23.8 years for both males and females. 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 Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate 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 investment in cash and cash equivalents, quoted equity securities 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 succeeding page.

(i) Sensitivity Analysis

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

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**+/- 1.00%**	**(P17,329,565)**	**P20,060,871**
Salary increase rate	**+/- 1.00%**	**20,309,803**	**(17,827,738)**
December 31, 2021			
Discount rate	+/- 1.00%	(P23,118,180)	P27,124,202
Salary increase rate	+/- 1.00%	26,869,115	(23,339,916)

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 statement of financial position.

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Company 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.

A large portion of the plan assets as of December 31, 2022 and 2021 is allocated to investments in quoted equity securities, UITF, corporate and government bonds .

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2022, the plan is underfunded by P95.1 million based on the latest actuarial valuation. There is no minimum funding requirement in the country.

The Company is not required to pre-fund the future defined benefits payable under the Plan before they become due.

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 28,797,324**	P 17,846,010
More than one year to five years	**99,561,478**	79,703,762
More than five years to ten years	**120,808,100**	152,785,461
	P 249,166,902	P 250,335,233

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

25. REGISTRATION WITH THE BOARD OF INVESTMENTS (BOI)

The Company is 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	Date of Registration	Income Tax Holiday (ITH) Period	Income Tax Holiday (ITH) Expiry
Tayud, Consolacion	25.1	Nov 24, 2017	5 Years	Nov 24, 2022
Calapan,Oriental Mindoro	25.2	Sep 9, 2017	5 Years	Sep 9, 2022
Villanueva, Misamis Oriental	25.3	Oct 12, 2017	5 Years	Oct 12, 2022
Calaca, Batangas Expansion	25.4	Dec 22, 2017	5 Years	Dec 22, 2022
Calaca, Batangas Expansion 2	25.4	April 3, 2019	5 Years	April 3, 2024
General Santos City	25.5	March 14, 2019	5 Years	March 14, 2024

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

On September 19, 2017, the 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 Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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.

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

On October 12, 2017, the 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 Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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.

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

On November 24, 2017, the 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 Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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.

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

On December 22, 2017, the Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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 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 Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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.

25.5 BOI Registration for New Investment in General Santos City Oil Depot

On March 14, 2019, the 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 Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The 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 Company has complied with the terms and conditions under its ITH registrations.

26. INCOME TAXES

The components of tax income as reported in the statements of comprehensive income are as follows:

	2022	2021	2020
Reported in profit or loss			
Current tax expense:			
MCIT at 1.00% for 2022, 2021 and 2.00% for 2020	**(P 21,078,334)**	(P 24,252,949)	(P 63,789,722)
Final tax at 20.00%	**(4,593,580)**	(4,683,472)	(8,448,777)
Effect of the change in income tax rates	**-**	15,947,431	-
	(25,671,914)	(12,988,990)	(72,238,499)
Deferred tax income arising from:			
Origination and reversal of temporary differences	**1,118,517,787**	857,308,731	331,323,057
Effect of the change in income tax rates	**-**	(62,548,283)	-
	1,118,517,787	794,760,448	331,323,057
	P 1,092,845,873	P 781,771,458	P 259,084,558
Reported in other comprehensive income (expense):			
Deferred tax expense relating to origination and reversal of temporary differences	**(P 135,565,933)**	(P 36,008,422)	(P 27,607,785)
Effect of the change in Income tax rates	**-**	65,927,028	-
	(P 135,565,933)	P 29,918,606	(P 27,607,785)

A reconciliation of tax on pretax loss (profit) computed at the applicable statutory rates to tax income reported in profit or loss is as follows:

	2022	2021	2020
Tax on pretax loss (profit) at 25.00% in 2022 and 30.00% in 2021 and 2020	**P 998,214,726**	P 89,611,757	P 77,892,202
Adjustment for income subjected to lower income tax rates	**1,191,127**	1,166,663	4,224,388
Tax effects of:			
Adjustment for income and expenses under ITH	**124,312,492**	667,523,471	179,729,765
Non-taxable income	**11,911,834**	77,313,365	4,875,188
Change in income tax rates	**-**	(46,600,852)	-
Non-deductible expenses	**(43,211,726)**	(10,761,848)	(11,442,017)
Stock options	**472,420**	3,518,902	3,805,032
Tax income	**P 1,092,890,873**	P 781,771,458	P 259,084,558

The net deferred tax assets relate to the following as of December 31:

	Statements of Financial Position		Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Income		
	2022	2021	**2022**	2021	2020	**2022**	2021	2020
Deferred tax assets:								
Net operating loss carryover (NOLCO)	**P1,935,701,714**	P1,025,511,668	**P 910,190,046**	P 792,044,306	P 233,467,362	**P -**	P -	P -
Lease liabilities	**181,948,239**	185,074,250	**(3,126,011)**	(39,874,019)	(5,189,946)	**-**	-	-
Impairment losses	**240,014,258**	113,875,362	**126,138,896**	(50,680,090)	909,299	**-**	-	-
Unrealized foreign currency losses – net	**93,916,283**	56,231,628	**37,684,655**	43,299,646	10,443,759	**-**	-	-
MCIT	**93,173,575**	72,095,241	**21,078,334**	8,305,519	63,789,722	**-**	-	-
Post-employment benefit obligation	**7,323,083**	14,867,011	**9,371,284**	(5,958,900)	1,385,608	**(16,915,212)**	(10,191,849)	18,151,935
Unamortized past service cost	**6,625,532**	8,004,614	**(1,379,082)**	(3,255,821)	(1,654,898)	**-**	-	-
	2,558,702,684	1,475,659,774	**1,099,958,122**	743,880,641	316,453,717	**(16,915,212)**	(10,191,849)	18,151,935
Deferred tax liabilities:								
Gain on revaluation of land	**(512,573,999)**	(393,923,278)	**-**	-	-	**(118,650,721)**	40,110,455	(45,759,720)
Right-of-use assets	**(121,697,519)**	(140,257,184)	**18,559,665**	47,409,498	14,869,340	**-**	-	-
Accrued rent income	**(17,351,551)**	(17,351,551)	**-**	3,470,309	-	**-**	-	-
	(651,623,069)	(551,532,013)	**18,559,665**	50,879,807	14,869,340	**(118,650,721)**	40,110,455	(45,759,720)
Net Deferred Tax Assets	**P1,907,079,615**	P 924,127,761						
Deferred Tax Income (Expense)			**P1,118,517,787**	P 794,760,448	P 331,323,057	**(P 135,565,933)**	P 29,918,606	(P 27,607,785)

The Company is subject to the MCIT, which is computed at 1.00% (2.00% for 2020 and 2019) of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. In 2022, 2021 and 2020, MCIT was higher than RCIT.

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 3,640,760,184	P 910,190,046	2025
2021	3,222,744,767	805,686,192	2026
2020	879,301,902	219,825,476	2025
	P 7,742,806,853	P 1,935,701,714	

Ordinarily, the Company'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.

The MCIT of P21.1 million in 2022, P24.3 million in 2021 and P63.8 million in 2020 is valid and deductible from future regular income tax until 2025, 2024 and 2023, respectively. No MCIT was reported in 2019.

In 2022, 2021 and 2020, the Company claimed itemized deductions in computing for its income tax due.

27. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, subsidiaries, stockholders, entities under common ownership of the ultimate parent company and the Company's key management personnel as described below and in the succeeding pages.

The summary of the Company's transactions and outstanding balances with its related parties follows:

Related Party Category	Notes	Amount of Transactions 2022	Amount of Transactions 2021	Amount of Transactions 2020	Outstanding Balance 2022	Outstanding Balance 2021
Subsidiaries						
Sale of goods	7, 27.1	**P 5,819,007**	P 17,841,374	P 45,177,516	**P 14,234,616**	P 14,547,802
Advances from Customers	19, 27.1	**1,728,159**	105,000	-	**1,833,159**	105,000
Purchases of goods and services	19, 27.2	**4,991,320,508**	11,070,758,876	17,645,449,455	**427,100,027**	755,018,169
Advances to suppliers	7, 27.2	**-**	-	(34,665,246)	**-**	-
Rentals (as lessor)	27.3	**299,455**	8,396,514	450,000	**-**	-
Rentals (as lessee)	22, 27.3	**9,458,922**	650,005	450,000	**-**	-
Advances to subsidiaries	15, 27.4	**(87,552,212)**	628,033,252	3,532,584,064	**10,737,328,577**	10,824,880,789
Interest on advances to subsidiaries	7, 27.4 27.14	**562,875,884**	332,342,205	-	**861,400,736**	177,595,267
Advances from subsidiaries	27.4	**324,059,306**	27,587,534	5,385,014,735	**5,686,716,534**	5,362,657,228
Management fees	7, 27.7	**-**	-	359,129,447	**52,036**	10,400
Service fees	27.11	**5,578,216**	21,263,517	803,571	**-**	-
Sale of services	7, 27.13	**1,560,300**	5,852,679	3,683,241	**1,130,356**	119,075,232
Others	7, 27.14	**(28,742)**	745,711	57,653,210	**-**	745,711
Dividend Income		**-**	291,584,267	-	**-**	-

Related Party Category	Notes	Amount of Transactions 2022	2021	2020	Outstanding Balance 2022	2021
Ultimate Parent – Udenna						
Sale of goods	7, 27.1	**P 1,995,995**	P 943,946	P 430,050	**P 373,599**	P 288,187
Advances to suppliers	15, 27.2	**1,093,534,737**	813,537,639	99,715,840	**1,907,072,376**	813,537,639
Rentals (as lessee)	19, 22, 27.3	**12,170,466**	10,593,725	9,147,490	**1,443,825**	7,946,237
Advances for future acquisition of properties	15, 27.12	**-**	-	-	**200,000,000**	200,000,000
Sale of services	7, 27.13	**499,774,427**	446,950,967	664,977,418	**2,413,634,319**	1,837,833,232
Other related parties under common ownership						
Sale of goods	7, 27.1	**5,658,122,810**	8,507,658,731	5,906,496,822	**3,900,182,589**	3,257,741,164
Advances from customers	19, 27.1	**54,244,434**	35,697,839	28,736,425	**83,299,433**	35,697,839
Purchase of goods and services	19, 27.2	**5,788,879,549**	265,809,393	270,456,560	**166,965,327**	23,517,306
Advances to suppliers	7,15,27.2	**435,828,360**	756,179,830	772,272,162	**1,408,439,140**	952,638,106
Rentals (as lessee)	27.3	**22,752,241**	31,059,525	59,731,647	**-**	-
Rentals (as lessor)	27.3	**100,590,558**	58,830,197	38,214,745	**-**	-
Prepaid rent	9, 27.3	**(12,020,426)**	-	-	**-**	787,859
Interest on due from related parties	7,27.5	**-**	7,058,305	-	**-**	7,058,305
Due from related parties	27.5	**8,403,294**	19,454,656	35,315,620	**39,408,326**	31,005,032
Management fees	7, 27.7	**40,526,269**	139,300,446	-	**82,813,548**	82,213,548
Sale of subsidiaries	7, 27.8	**-**	-	-	**500,000,000**	500,000,000
Advances for future acquisition of properties	7,15,27.12	**-**	19,972,675	(1,905,316,548)	**-**	19,972,675
Sale of services	7, 27.13	**870,311,308**	487,240,427	431,462,705	**2,505,482,437**	1,742,072,002
Donations	27.14	**3,037,002**	-	-	**-**	-
Others	7, 27.14	**7,753,487**	17,928,867	12,210,089	**-**	8,572,019
Key management personnel						
Salaries and employee benefits	27.9	**207,386,990**	207,386,990	197,511,418	**-**	-

27.1 Sale of Goods

The Company sells products to certain related parties. Goods are sold on the basis of the price lists in force with non-related parties. Revenues from these transactions are presented as part of Sale of Goods in the statements of comprehensive income. The outstanding receivables from sale of goods are presented as part of Trade receivables under Trade and Other Receivables account in the 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 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 statement of financial position (see Note 17).

The outstanding balances are unsecured, non-interest bearing and collectible in cash on demand. The Company recognized impairment on trade and other receivables from related parties of P108.7 million, nil, and P55.1 million in 2022, 2021, and 2020, respectively, and are presented as part of Impairment Losses on Financial Assets in the 2022 statement of comprehensive income (see Note 22).

The Company received advance payments from certain related parties for sale of products. The outstanding balance as of December 31, 2022 and 2021 is presented as part of Contract Liabilities under Trade and Other Payables account in the statements of financial position (see Note 18).

27.2 Purchases of Goods and Services

The Company purchased goods and services from related parties 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 in the statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of Trade payables under Trade and Other Payables account in the statements of financial position (see Note 18). The outstanding balances are unsecured, non-interest bearing and payable on demand and normally settled in cash.

In addition, the Company advances a certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the subsidiary and other related parties. The outstanding balances are presented as part of Advances to suppliers under the Trade and Other Receivables account in the statements of financial position (see Note 7). Certain advances were also made for the purchase of properties and were presented as part of Advances to Suppliers under other non-current assets in the statements of financial position (see Note 15).

27.3 Rentals

The Company has the following lease agreements with the following related parties under common ownership:

a. Udenna Corporation – of which total rent expense incurred in 2022, 2021 and 2020 amounted P12.2 million, P10.5 million, and P9.1 million, respectively. The outstanding balance of P1.443 million is presented as part of Trade payables under Trade and Other Payables in the 2022 statement of financial position (see Note 18). Refundable rental deposits amounted to P0.8 million as of both December 31, 2022 and 2021 and are presented as part of Refundable rental deposits under Prepayments and Other Current Assets and Other Non-current Assets, respectively, in the statements of financial position (see Notes 9 and 15).

b. Udenna Land, Inc. (ULI) – refundable rental deposits amounted to P6.9 million as of December 31, 2022 and 2021 and are presented as part of Refundable rental deposits under Prepayments and Other Current Assets and Other Non-current Assets, respectively, in the statements of financial position (see Notes 9 and 15).

c. Valueleases, Inc. (VLI) – of which total rent expense in 2022, 2021 and 2020 amounted to P21.2 million, P30.5 million, and P75.2 million, respectively. Refundable rental deposits amounted to P6.7 million and P12.0 million as of December 31, 2022 and 2021, respectively, and are presented as part of Refundable rental deposits under Prepayments and Other Current Assets and Other Non-current Assets, respectively, in the statements of financial position (see Notes 9 and 15).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the statements of comprehensive income (see Notes 21 and 29.3) and the related outstanding rent payables are presented as part of Trade payables under the Trade and Other Payables in the statements of financial position (see Note 18).

In 2020, the Company entered into sublease agreements with AAI, PFM and certain related parties under common ownership as lessor, which pertain to lease of office space, store premises and gasoline stations, respectively. The lease term ranges from one to five years. The rent income is presented as part of Rent and Storage Income in the statements of comprehensive income. No receivables arising from these leases are outstanding as of December 31, 2022 and 2021.

27.4 Advances to/from Subsidiaries

The Company grants and obtains advances to and from its subsidiaries for working capital purposes. The advances are non-interest bearing (except for advances to subsidiaries starting 2021), unsecured and repayable in cash within 12 months unless otherwise indicated.

The Advances to Subsidiaries are broken down as follows:

	Note	**2022**	2021
Duta		**P 3,951,702,185**	P 4,559,308,345
PPMI		**2,933,665,362**	2,636,962,572
PFM		**1,326,977,013**	1,259,806,167
PNX Energy		**1,035,258,863**	896,306,167
KAPA		**495,910,293**	499,917,679
AAI		**379,292,802**	359,099,298
PNX Power		**302,377,958**	302,377,958
SPTT		**247,765,690**	245,402,464
PGMI		**51,673,256**	51,319,332
PNXRT		**21,408,304**	21,393,279
		10,746,031,726	10,831,893,261
Allowance for impairment	4.2*(b)*	**(8,703,149)**	(7,012,472)
		P10,737,328,577	P10,824,880,789

The movements in the balance of Advances to Subsidiaries are analyzed as follows:

	Notes	**2022**	2021
Balance at beginning of year		**P10,824,880,789**	P10,196,847,537
Additions		**3,794,634,001**	2,159,086,175
Collections		**(3,307,896,433)**	(604,322,323)
Conversion to investments in subsidiaries	10	**(572,599,103)**	(926,730,600)
Impairment loss for the year	22	**(1,690,677)**	-
Balance at end of year		**P10,737,328,577**	P10,824,880,789

The Advances to Subsidiaries are presented in the statements of financial position as follows:

	Note	**2022**	2021
Current		**P 8,372,967,106**	P 7,887,920,215
Non-current	15	**2,364,361,471**	2,936,960,574
		P10,737,328,577	P10,824,880,789

In 2022, advances to DUTA totalling P572.6 million was reclassified to Investment in Subsidaries, as a result of the approval of the increase in authorized capital stock of DUTA, Inc. by SEC (see Note 10).

In 2021, advances to PPMI totalling P926.7 million was reclassified to Investment in Subsidiaries, as the result of the approval of the increase in authorized capital stock of PPMI by SEC on June 18, 2021 (see Note 10).

Also, in 2022 and 2021, the Company charged interest on advances granted to subsidiaries amounting to P545.7 million and 332.3 million, respectively (nil in 2020) at an average rate of 5.00% to 6.00% per year, which is presented as part of the Finance Income in the statements of other comprehensive income (see Note 23.2). The outstanding receivables are presented as part of Non-Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 7).

The movements in the balance of non-interest bearing Advances from Subsidiaries in 2022 and 2021 are analyzed as follows:

	2022	2021
Balance at beginning of year	**P 5,362,657,228**	P 5,390,244,762
Additions	**878,718,768**	4,411,847
Repayments	**(554,659,462)**	(31,999,381)
Balance at end of year	**P 5,686,716,534**	P 5,362,657,228

The Advances from Subsidiaries are presented in the statements of financial position as follows:

	2022	2021
Current	**P -**	P 4,411,847
Non-current	**5,686,716,534**	5,358,245,381
	P 5,686,716,534	P 5,362,657,228

27.5 Due from Related Parties

The Company grants and obtains 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 statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured, interest-bearing 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
PNX Vietnam		**P 39,004,152**	P 30,549,290
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**634,077**	624,077
UC		**285,700**	-
		39,923,928	31,173,367
Allowance for impairment	4.2(*b*)	**(230,187)**	(168,336)
		P 39,693,741	P 31,005,031

The movements in the balance of Due from Related Parties are analyzed as follows:

	Note	2022	2021
Balance at beginning of year		**P 31,005,031**	P 50,459,688
Additions		**19,553,243**	9,801,213
Collections		**(10,802,682)**	(29,255,870)
Impairment losses	22	**(61,851)**	-
Balance at end of year		**P 39,693,741**	P 31,005,031

In 2022 and 2021, the Company charged interest on advances granted to related parties amounting to P8.2 million and P7.0 million, respectively, at a rate ranging from 5.00% to 6.00% per year, which is presented as part of the Finance Income in the 2022 statement of other comprehensive income (see Note 23.2). The outstanding receivables are presented as part of Non Trade receivables under Trade and Other Receivables account in the statements of financial position (see Note 7).

27.6 Loan Collateral

The TLA with DBP, OLSA with BDO and PBComm, loan agreement with HSBC and CBC and certain bank loans of the Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 17.1).

27.7 Management Fees

The Company's non-trade receivable includes receivable from PLPI and Calaca Industrial Seaport Corporation (CISC), related party under common ownership, representing management fees for the services rendered by the Company to PLPI and CISC when the latter was still a wholly-owned subsidiary of the Company. Under the Management Contract entered into by the Company between PLPI and CISC, the former will manage PLPI and CISC:

(a) to secure and maintain a strong market position for PLPI and CISC;
(b) sustain the long-term profitability of PLPI and CISC; and,
(c) develop a core of competent and effective management professionals in PLPI and CISC.

In return, PLPI and CISC will pay a certain amount of management fee annually. Total management fee forms part of the Fuel Service and Other Revenues account in the statements of comprehensive income. Total receivable from PLPI and CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the statements of financial position (see Note 7) and are unsecured, non-interest-bearing, payable on demand and normally settled in cash.

27.8 Sale of Subsidiaries

In 2016, the Company disposed its equity share in Chelsea Shipping Corporation to Chelsea Logistics and Infrastructure Holdings Corp., and in CISC to ULI. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million is still outstanding as of December 31, 2022 and 2021 and is presented as part of Non-trade receivables under Trade and Other Receivables in the statements of financial position (see Note 7).

27.9 Key Management Personnel Compensations

The compensations of key management personnel are broken down as follows:

	2022	2021	2020
Salaries and wages	**P 153,313,976**	P 153,313,976	P 146,013,310
Honoraria and allowances	**20,655,268**	20,655,268	19,671,684
13th month pay and bonuses	**15,452,911**	15,452,911	14,717,058
Post-employment benefits	**14,630,191**	14,630,191	13,933,515
Share-based payment	**3,334,644**	3,334,644	3,175,851
	P 207,386,990	P 207,386,990	P 197,511,418

27.10 Retirement Plan

The Company'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 are presented in Note 23.3. As of both December 31, 2022 and 2021, the retirement plan has no investment in shares of stocks of the Company.

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

The details of the contributions of the Company and the benefits paid out by the plan are presented in Note 23.3.

27.11 Service Fees

In 2016, the Company entered into a management service agreement with PPMI for the latter to provide the necessary personnel, supervise and direct the day-to-day operations of the fuel and service stations assigned by the former. In return, the Company will pay certain amount to the Company. Total service fees in 2022, 2021 and 2020 amounted to P5.6 million, P21.3 million and P5.5 million, respectively, and are presented as part of Service fees under the Selling and Administrative Expenses in the statements of comprehensive income (see Note 22). There are no related outstanding payables as of December 31, 2022 and 2021.

27.12 Advances for Option to Purchase Properties

In 2018, the Company entered into reservation agreements with a one-year option period with Global Gateway Development Corporation (GGDC) and UTOWCO for option to purchase leasehold rights and properties, respectively. The consideration paid for GGDC and UTOWCO amounted to P2,322.7 million and P254.2 million, respectively. The payments made are creditable to the payment of the purchase price of the leasehold rights and properties in the event that a Contract of Sublease covering the purchase of the sublease rights of the properties is executed or returned or refunded to the Company in the event that the referenced Contract of Sublease is not executed within the option period.

In 2019, the option to purchase properties remained unexercised. Accordingly, this was reclassified to Other Non-current Assets in the 2019 statement of financial position.

In 2020, the certain advances for option to purchase properties made by the Company to related parties amounting to P1,905.3 million were applied to the payment for the purchase of properties. The remaining balance of advances is presented as part of Other Non-current Assets in the 2020 statement of financial position (see Note 15).

In 2022 and 2021, the remaining balance of advances are presented as part of Other Non-current Assets in the 2022 and 2021 statements of financial position (see Note 15).

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 2022 statement of financial position (see Note 17).

27.13 Sale of Services

The Company entered into service agreements with certain related parties to temporarily operate and manage the related parties’ operations. Total service income recognized in 2022, 2021 and 2020 amounted to P1,379.6 million, P940.0 million, and P1,096.4 million, respectively.

The service income is presented as part of Fuel Service and Other Revenues in the statements of comprehensive income and the related outstanding receivables are presented as part of Non-trade receivables under Trade and Other Receivables in the statements of financial position (see Note 7). The outstanding balances are unsecured, non-interest bearing, due on demand and normally settled in cash.

27.14 Others

The Company has outstanding receivable from certain related parties under common ownership totalling to P1.4 million and P9.3 million as of December 31, 2022 and 2021, respectively, arising from various transactions, such as, withholding tax certificates receivable from certain related parties and receivables from delivery services rendered, presented as part of Non-trade receivables under Trade and Other Receivables in the statements of financial position (see Note 7). The outstanding balances are unsecured, non-interest bearing, due on demand and normally settled in cash.

The Company granted donations of P3.0 million in 2022, nil in 2021 and 2020 to Udenna Foundation, Inc. These are presented as part of Donations under the Selling and Administrative Expenses caption in the statements of comprehensive income (see Note 22).

28. EQUITY

28.1 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
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	**1,441,915,332**	1,438,977,232	1,437,204,232
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 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 50.0 million preferred shares with par value of P1 per share, into 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.

In 2016, the 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 Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

(b) In 2017, the Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the 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 27.4).

(c) In 2018, the Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

(d) On December 20, 2013, the 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;

- The preferred shares shall be redeemable at the 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; and,

- 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 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 Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the 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 Company undertakes to maintain a debt to equity ratio of 3:1 throughout the life of the preferred shares. The Company complied with this requirement in all applicable years presented.

(e) On December 18, 2015, the Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value per share) 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 27.2).

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 Company's BOD.

The subscription agreement does not include financial, affirmative and negative covenants.

(f) On December 3, 2018, the 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 Company. The preferred shares with the same features under Note 28.1*(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.

(g) On November 7, 2019, the Company issued and listed its 7.0 million perpetual preferred shares (P1.0 par value per share) Series 4 with the PSE. The preferred shares' offer price is P1,000.0 per share and issued to various subscribers (see Note 28.4).

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 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 Company's BOD.	

The subscription agreement does not include financial, affirmative and negative covenants.

(h) On December 18, 2020, the Parent Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 28.2 and 28.4).

28.2 Listing with PSE

On July 11, 2007, the 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 Company successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

On November 7, 2019, the Company has listed its Series 4 preferred shares with the PSE (see Note 28.1).

On December 18, 2020, the Company redeemed is listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 28.1 and 28.4).

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 3B (Preferred)	**65.30**	102.5	103.60
PNX 4 (Preferred)	**374.00**	998.00	1,007.00

28.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2022	2021	2020
Common	**59**	60	65
Preferred			
a) Second tranche	**1**	1	1
b) PNX 3B	**4**	4	4
c) PNX 4	**5**	5	5

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D; presented below is a summary of the 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	P 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		8/3/2009	73,660,476
Placement SSS	Common		1		11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1	Par value	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		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	Par value	12/20/2013	(5,000,000)
Issuance	Preferred		1		12/20/2013	5,000,000
Issuance	Preferred		1		12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1	Par value	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		P 1 Par value	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		P 1 Par value	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		P 1	Par value	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)
					(25,000,000)	
Redeemed treasury shares	Common		1		11/21/2018	(2,500,000)
Issuance	Preferred		1		12/5/2018	2,000,000
			1,000	Issue price		
Issuance	Common		1	Par value	12/31/2018	118,000
Redeemed treasury shares	Treasury Shares		1		12/20/2018	(5,000,000)
Issuance	Common		1		7/1/2019	2,572,000
Redeemed treasury shares	Preferred		1		8/15/2019	(500,000)
			1,000	Issue price		
Issuance	Common		1	Par value	11/4/2019	328,000
Redeemed treasury shares	Preferred		1		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		12/18/2020	(12,500,000)
Issuance	Common		1		3/31/2021	811,000
Issuance	Common		1		9/22/2021	1,773,900
Issuance	Common		1		3/31/2021	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**				**P1,456,716,332**

28.4 Additional Paid-in Capital

In 2022, the 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 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 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 2021 statement of financial position. The total amount reclassified from Retained Earnings amounted to P5.0 million, which is computed at P3.05 per stock option.

On December 18, 2020, the Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.0 per share for a total consideration paid of P1,250.0 million (see Notes 28.1 and 28.2). 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 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 28.1).

In 2020, the 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 27.1 and 28.7). 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 2020 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 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 statement of financial position. In addition, the 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 recorded as reduction under the Additional Paid-in Capital account amounting to P1,998.0 million.

In 2019, the Company issued 2.9 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P22.4 million (Notes 28.1 and 28.7). The fair value of stock options exercised in 2019, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.9 million, which is computed at P3.05 per stock option.

In 2018, the Company issued 2.0 million of its preferred shares at P1,000.0 per share. Premiums received in excess of the par value amounting to P1,998.0 million were recorded as part of Additional Paid-in Capital account in the 2018 statement of financial position. In addition, the Company also redeemed 5,000.0 million shares at P100.0 per share for a total consideration paid of P500.0 million. 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 P495.0 million.

In 2018 and 2017, the Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P21.4 million and P12.9 million, respectively (see Notes 28.1 and 28.8). The fair value of stock options exercised in 2018 and 2017, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.4 million, which is computed at P3.05 per stock option.

In 2017, the Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 statement of financial position (see Note 28.1).

In 2015, the Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting toP1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 statement of financial position.

In 2013, the Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Company issued 171.3 million shares in favor of Udenna Management and Resources Corporation in relation to the share-for-share swap acquisition of Civil Service Commission (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 Company issued 5.0 million of its preferred shares at P100.0 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 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 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 statements of financial position.

In 2007, the 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 statements of financial position.

28.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves are shown below:

	Revaluation of Land	**Actuarial Gain or Loss on Defined Benefit Obligation**	**Total**
Balance as of January 1, 2022	P 1,133,198,359	(P 23,083,969)	P 1,110,114,390
Revaluation increment	474,602,884	-	474,602,884
Remeasurements of defined post-employment obligation	-	67,660,848	67,660,848
Tax income (expense)	(118,650,721)	(16,915,212)	(135,565,933)
Other comprehensive income after tax	355,952,163	50,745,636	406,697,799
Balance as of December 31, 2022	**P 1,489,150,522**	**P 27,661,667**	**P 1,516,812,189**
Balance as of January 1, 2021	P 1,012,745,467	(P 100,350,761)	P 912,394,706
Revaluation increment	152,681,392	-	152,681,392
Remeasurements of defined post-employment obligation	-	15,119,686	15,119,686
Tax income (expense)	(32,228,500)	62,147,106	29,918,606
Other comprehensive income after tax	120,452,892	77,266,792	197,719,684
Balance as of December 31, 2021	P 1,133,198,359	(P 23,083,969)	P 1,110,114,390

	Revaluation of Land	Actuarial Gain or Loss on Defined Benefit Obligation	Total
Balance as of January 1, 2020	P 905,972,787	(P 57,996,245)	P 847,976,542
Revaluation increment	152,532,400	-	152,532,400
Remeasurements of defined post-employment obligation	-	(60,506,451)	(60,506,451)
Tax income (expense)	(45,759,720)	18,151,935	(27,607,785)
Other comprehensive income (loss) after tax	106,772,680	(42,354,516)	64,418,164
Balance as of December 31, 2020	P 1,012,745,467	(P 100,350,761)	P 912,394,706

28.6 Retained Earnings

In 2022, a total of P576.6 million cash dividends were declared by the 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 P587.2 million cash dividends were declared by the 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 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 Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

28.7 ESOP

On January 24, 2013, the 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 Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.7 per share.

Stock options will be granted in two tranches until July 1, 2021. The allocation for Tranche 1 every year is computed at 10.00% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is 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	P6.25
Exercise price at grant date	P5.68
Standard deviation of the rate of return	0.40
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of nil, P3.1 million, and P7.7 million share-based executive compensation is recognized in 2022, 2021, and 2020, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in the statements of comprehensive income (see Note 23.2), respectively, with a corresponding credit to Retained Earnings account.

28.8 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are:

- to ensure the Company'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 Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized below.

	2022	2021 [As Restated – See Note 2.1 (*b*)]
Total liabilities	**P 62,511,548,434**	P 60,566,697,572
Total equity	**12,836,426,065**	15,904,590,863
Debt-to-equity ratio	**P 4.87 : 1.00**	P 3.81 : 1.00

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 P1,064.9 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.

In 2021, the increase in total liabilities is attributable to the increase of trade payables amounting to P7.4 billion due to the increase in inventory levels as a result of easing COVID-19 travel and community restrictions. 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 Company's goal in capital management is to maintain a debt-to-equity structure ratio that is in line with the Company's covenants related to its bank borrowings. As of December 31, 2022, the Company was not able to comply with the outstanding debt covenants with the banks (see Note 17.2).

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company 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 Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29 LOSS PER SHARE

Loss per share was computed as follows:

	2022	2021 [As Restated – See Note 2.1*(b)*]	2020 [As Restated – See Note 2.1*(b)*]
a) Net loss pertaining to common shares	**(P 3,476,572,278)**	(P 506,464,358)	(P 251,189,274)
b) Net loss attributable to common shares and potential common shares	**(3,476,572,278)**	(506,464,358)	(251,189,274)
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
Basic earnings (loss) per share (a/c)	**(P 2.41)**	(P 0.35)	(P 0.17)
Diluted earnings (loss) per share (b/d)	**(P 2.41)**	(P 0.35)	(P 0.17)

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 loss per share in 2021 and 2020, respectively. There are no potential dilutive common shares in 2022.

30 COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

As of December 31, 2022, the Company has commitments of more than P1,046.6 million for its expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Company 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 Company 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.

30.2 Unused LCs

As of December 31, 2022 and 2021, the Company has unused LCs amounting to P43.9 million and P208.6 million, respectively (see Note 17.3).

30.3 Operating Lease Commitments – Company as Lessor

The Company 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 of 5.00% to 10.00%. The future minimum rentals receivable under these cancelable operating leases are presented below.

	2022	2021
Within one year	**P 123,425,986**	P 133,607,654
After one year but not more than two years	**91,147,186**	114,435,895
After two years but not more than three years	**47,863,081**	88,517,527
After three years but not more than four years	**23,739,085**	46,707,800
After four years but not more than five years	**18,387,778**	22,353,729
More than five years	**55,616,997**	72,844,642
	P 360,180,113	P 478,467,247

Rent income for 2022, 2021 and 2020 amounting to P185.6 million, P170.2 million and P116.2 million, respectively, is presented as part of Rent and Storage Income in the statements of comprehensive income. Rent income recognized in 2022, 2021, and 2020 from sublease of right-of-use assets amounted to P181.1 million, P167.2 million, and P118.3 million, respectively. No impairment on right-of-use assets related to subleased properties were recognized in all presented years.

30.4 Lawsuits

In the opinion of the Company'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 Company's financial position and results of operations.

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Company'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 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 Company 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 Court of Appeals (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 Company received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the DOJ and the BOC filed a Petition for Review on Certiorari with the 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 October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the Supreme Court, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the Court of Appeals. 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 Company 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 Company is awaiting for the SC's issuance on the resolution directing the Company 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 Department of Justice (DOJ) 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 plaintiff's 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 Company such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Company by and against its employees and/or third parties. While the results of these litigations cannot be predicted with certainty, the Company believes that once there is a final verdict, such will not materially affect the financial statements.

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the 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 financial statements.

31 EVENT AFTER THE END OF REPORTING PERIOD

On April 24, 2023, the 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.

32 SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year, which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 to disclose as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In 2022, the Company declared output VAT as follows:

	Tax Base	Output VAT
Sale of Goods		
Taxable sales	P 25,907,244,758	P 3,108,869,371
Zero-rated sales	2,064,474,359	-
	27,971,719,117	3,108,869,371
Rendering of services	1,573,780,718	188,853,686
Other operating income	245,016,196	29,401,944
	P 29,790,516,031	**P 3,327,125,001**

The Company's VAT zero-rated sales were determined pursuant to Section 106 (A)(2)(*a*), *Zero-rated VAT on Sale of Goods*, of the 1997 National Internal Revenue Code, as amended.

(b) Input VAT

The movements in Input VAT in 2022 are summarized below.

Balance at beginning of year	P 3,736,084,804
Goods for resale	1,393,009,964
Input VAT on imported goods	1,010,229,041
Goods other than for resale or manufacture	573,922,955
Services lodged under other accounts	208,438,432
Capital goods subject to amortization	9,181,810
Services lodged under cost of goods sold	3,079,529
Applied against output VAT	(3,327,125,001)
Tax credit/VAT withholding	1,398,327
Balance at end of year	**P 3,608,219,861**

(c) Taxes on Importation

Under its BOI registration, the Company's importation is exempt from custom duties and tariff fees. However, in 2022, the total landed cost of the Company's imported inventory for use in business amounted to P1,010,229,118. Furthermore, the Company's landed cost is included as part of the inventory cost.

(d) *Excise Tax*

The excise tax amounting to P1,125,906,148, which pertains to purchases of petroleum and lubricant products from imported excisable items, form part of the inventory cost.

(e) *Documentary Stamp Tax*

As of December 31, 2022, documentary stamp taxes (DST) paid and accrued are broken down as follows:

	Note		
Loan instruments		P	202,743,594
Insurance policies			7,684,640
Deficiency taxes			6,134,264
Lease agreements			92,899
Other transactions			19,181
	31(*f*)	**P**	**216,674,578**

(f) *Taxes and Licenses*

The details of the taxes and licenses account in 2022 are as follows:

	Note		
Documentary stamp tax	31(*e*)	P	216,674,578
Real property taxes			75,907,864
Deficiency taxes	31(*h*)		71,553,657
Real estate taxes			17,530,762
Municipal license and permits			10,873,290
Capital gains tax			3,152,000
Fringe benefits tax			737,045
Miscellaneous			51,016,905
		P	**447,446,101**

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P	233,481,253
Final		78,512,292
Compensation and employee benefits		70,601,502
	P	**382,595,047**

(h) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2022, the Company has a final deficiency tax assessment amounting to P71,553,657, inclusive of penalties, surcharges and interests, which pertains to taxable years 2018 and 2020. These tax assessments are broken down as follows:

	Note		
VAT		P	21,104,944
WT- expanded			14,888,958
Income tax			13,891,276
DST			10,481,189
Excise tax			5,226,671
Donor's tax			3,086,142
WT- compensation			1,209,136
Fringe benefits tax			1,170,341
Others			495,000
	31(*f*)	**P**	**71,553,657**

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. 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 financial statements taken as a whole. The Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2022 is presented for purposes of additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 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.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2022

UNAPPROPRIATED RETAINED EARNINGS, BEGINNING		P 5,662,268,107
Prior Year's Outstanding Reconciling Items, net of tax		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		181,819,902
Other unrealized gains or adjustment to retained earnings as a result of day one loss on financial instrument - net		(4,235,711)
Equity share in net profit of joint venture, net of tax		(11,633,669)
UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING		5,828,218,629
Net loss based on the audited Statement of Comprehensive Income	(P 2,900,013,028)	
Less: Non-actual/unrealized income net of tax		
Equity share in net profit of joint venture	(10,252,308)	
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument	(6,534,583)	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	150,738,619	
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument	3,522,720	
Subtotal	137,474,448	
Net loss actually incurred during the year	(2,762,538,580)	(2,762,538,580)
Add/Less:		
Effect of prior year adjustments		(3,209,125,436)
Dividend declarations during the year – Preferred shares cash dividends		(576,559,250)
UNAPPROPRIATED DEFICIT AS ADJUSTED, ENDING		**(P 720,004,637)**