Loida E. Prats

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To: Loida E. Prats
Subject: FW: SEC eFast Initial Acceptance

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SEC Registration No: PW00000277
Company Name: SAN MIGUEL CORPORATION
Document Code: AFS

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4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement

8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

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SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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Company TIN: **000-060-741**

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SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The management of San Miguel Corporation (the "Company") is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

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

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Vice Chairman, President and
Chief Executive Officer

FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer/Treasurer

Signed this 9th day of March 2023

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City) S.S.

Before me, a Notary Public for and in Mandaluyong City, this 9th day of March 2023, personally appeared the following:

Name	Passport No.	Date / Place of Issue
Ramon S. Ang	P2247867B	05/22/2019/DFA Manila
Ferdinand K. Constantino	P6892447B	06/02/2021/DFA NCR East

known to me to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No.: 97;
Page No.: 21;
Book No.: II;
Series of 2023.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5111178; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

SAN MIGUEL CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2022 and 2021

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the separate financial statements of San Miguel Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2022 and 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended, 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 Separate 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 separate 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

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

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(In Millions)

	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 28, 29*	**P137,258**	P96,509
Receivables - net	*4, 6, 22, 24, 28, 29*	**121,883**	91,323
Prepaid expenses and other current assets	*22, 28, 29*	**5,995**	5,655
Total Current Assets		**265,136**	193,487
Noncurrent Assets			
Investments and advances - net	*4, 7, 28, 29*	**843,975**	730,333
Property, plant and equipment - net	*4, 8*	**1,461**	1,250
Right-of-use assets - net	*4, 9*	**403**	444
Investment property - net	*4, 10*	**762**	779
Deferred tax assets - net	*4, 15*	**6,071**	2,005
Other noncurrent assets - net	*4, 11, 22, 24, 28, 29*	**13,518**	13,465
Total Noncurrent Assets		**866,190**	748,276
		P1,131,326	P941,763
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*12, 20, 27, 28, 29*	**P55,625**	P51,450
Accounts payable and accrued expenses	*13, 22, 23, 27, 28, 29*	**18,683**	11,200
Income and other taxes payable	*15*	**1,685**	750
Subscriptions payable	*7, 22, 28, 29*	**1,850**	1,444
Dividends and distributions payable	*22, 25, 27*	**2,986**	2,879
Current maturities of long-term debt - net of debt issue costs	*14, 27, 28, 29*	**80,073**	16,833
Total Current Liabilities		**160,902**	84,556
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*14, 27, 28, 29*	**425,173**	280,767
Other noncurrent liabilities	*22, 23, 24, 27, 28, 29*	**1,784**	1,479
Total Noncurrent Liabilities		**426,957**	282,246
		587,859	366,802
Equity			
Capital stock - common	*16*	**16,443**	16,443
Capital stock - preferred	*16*	**10,187**	10,187
Additional paid-in capital	*16*	**177,719**	177,719
Capital securities	*16*	**33,031**	33,031
Equity reserves	*7, 24, 29*	**(2,298)**	1,663
Retained earnings	*16, 25*	**465,048**	480,281
Treasury stock	*16*	**(156,663)**	(144,363)
Total Equity		**543,467**	574,961
		P1,131,326	P941,763

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Millions, Except Per Share Data)

	Note	**2022**	2021
REVENUES			
Dividend and distribution income	*7*	**P14,681**	P14,713
Sale of services		**4,823**	3,210
Interest income	*21*	**3,781**	1,875
Rent income	*4, 10, 23*	**270**	355
Gain on sale of intangible assets, investment property and others	*8, 10, 11*	**64**	144
		23,619	20,297
EXPENSES			
Costs and expenses	*17, 18, 19, 23*	**4,169**	4,000
Interest expense and other financing charges	*12, 14, 20, 23*	**19,628**	10,755
Loss on foreign exchange - net	*7, 28*	**5,640**	2,390
Loss (gain) on derivatives - net	*29*	**1,976**	(65)
		31,413	17,080
INCOME (LOSS) BEFORE INCOME TAX		**(7,794)**	3,217
INCOME TAX EXPENSE (BENEFIT)	*15*	**(2,579)**	2,023
NET INCOME (LOSS)		**(P5,215)**	P1,194
Basic/Diluted Loss Per Common Share	*26*	**(P4.97)**	(P2.93)

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Millions)

	Note	**2022**	2021
NET INCOME (LOSS)		**(P5,215)**	P1,194
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Equity reserve for retirement plan	*24*	**(5,683)**	764
Income tax benefit (expense)	*15*	**1,421**	(108)
		(4,262)	656
Net gain (loss) on financial assets at fair value through other comprehensive income	*7*	**52**	(4)
Income tax expense	*15*	**(14)**	(4)
		38	(8)
Item that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges	*29*	**350**	(1)
Income tax expense	*15*	**(87)**	(36)
		263	(37)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(3,961)**	611
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax		**(P9,176)**	P1,805

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Millions)

	Note	Capital Stock		Additional Paid-in	Capital Securities		Equity Reserve			Retained	Treasury Stock		Total
		Common	Preferred	Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Earnings	Common	Preferred	Equity
As at January 1, 2022		**P16,443**	**P10,187**	**P177,719**	**P24,211**	**P8,820**	**P1,809**	**(P540)**	**P394**	**P480,281**	**(P67,093)**	**(P77,270)**	**P574,961**
Equity reserve for retirement plan	*24*	**-**	**-**	**-**	**-**	**-**	**(4,262)**	**-**	**-**	**-**	**-**	**-**	**(4,262)**
Net gain on financial assets at fair value through other comprehensive income	7	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**-**	**38**
Net gain on cash flows hedges	*29*	**-**	**-**	**-**	**-**	**-**	**-**	**263**	**-**	**-**	**-**	**-**	**263**
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(4,262)**	**263**	**38**	**-**	**-**	**-**	**(3,961)**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,215)**	**-**	**-**	**(5,215)**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(4,262)**	**263**	**38**	**(5,215)**	**-**	**-**	**(9,176)**
Redemption of Subseries "2-H" preferred shares	*16*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,300)**	**(12,300)**
Cash dividends and distributions:	*25*												
Common		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,337)**	**-**	**-**	**(3,337)**
Preferred	*26*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,293)**	**-**	**-**	**(4,293)**
Senior perpetual capital securities	*26*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,957)**	**-**	**-**	**(1,957)**
Redeemable perpetual securities	*26*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(431)**	**-**	**-**	**(431)**
As at December 31, 2022		**P16,443**	**P10,187**	**P177,719**	**P24,211**	**P8,820**	**(P2,453)**	**(P277)**	**P432**	**P465,048**	**(P67,093)**	**(P89,570)**	**P543,467**
As at January 1, 2021		P16,443	P10,187	P177,719	P24,211	P8,820	P1,153	(P503)	P402	P490,594	(P67,093)	(P43,053)	P618,880
Equity reserve for retirement plan	*24*	-	-	-	-	-	656	-	-	-	-	-	656
Net loss on financial assets at fair value through other comprehensive income	7	-	-	-	-	-	-	-	(8)	-	-	-	(8)
Net loss on cash flows hedges	*29*	-	-	-	-	-	-	(37)	-	-	-	-	(37)
Other comprehensive income (loss)		-	-	-	-	-	656	(37)	(8)	-	-	-	611
Net income		-	-	-	-	-	-	-	-	1,194	-	-	1,194
Total comprehensive income (loss)		-	-	-	-	-	656	(37)	(8)	1,194	-	-	1,805
Redemption of Subseries "2-C", Subseries "2-E" and Subseries "2-G" preferred shares	*16*	-	-	-	-	-	-	-	-	-	-	(34,217)	(34,217)
Cash dividends and distributions:	*25*												
Common		-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)
Preferred	*26*	-	-	-	-	-	-	-	-	(6,002)	-	-	(6,002)
Senior perpetual capital securities	*26*	-	-	-	-	-	-	-	-	(1,804)	-	-	(1,804)
Redeemable perpetual securities	*26*	-	-	-	-	-	-	-	-	(364)	-	-	(364)
As at December 31, 2021		P16,443	P10,187	P177,719	P24,211	P8,820	P1,809	(P540)	P394	P480,281	(P67,093)	(P77,270)	P574,961

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Millions)

	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(P7,794)**	P3,217
Adjustments for:			
Interest expense and other financing charges	*12, 14, 20, 23*	**19,628**	10,755
Unrealized loss on foreign exchange - net		**8,013**	5,380
Depreciation, amortization and others - net	*18, 24*	**223**	(485)
Gain on sale of intangible assets, investment property and others	*8, 10, 11*	**(65)**	(144)
Interest income	*21*	**(3,781)**	(1,875)
Dividend and distribution income		**(14,681)**	(14,713)
Operating income before working capital changes		**1,543**	2,135
Changes in noncash current assets, certain current liabilities and others	*27*	**6,458**	(3,030)
Cash generated from (used in) operations		**8,001**	(895)
Dividends and distributions received	*7*	**14,790**	14,604
Interest expense and other financing charges paid	*20*	**(17,585)**	(9,545)
Income taxes paid	*15*	**(167)**	(74)
Net cash flows provided by operating activities		**5,039**	4,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investments and advances	*7*	**(164,039)**	(57,907)
Property and equipment	*8*	**(306)**	(160)
Proceeds from redemption of investment in preferred shares	*7*	**53,013**	7,911
Interest received		**2,890**	1,395
Proceeds from sale of intangible assets, investment property and others	*8, 10, 11*	**184**	149
Shareholder advances issued to subsidiaries		**(32,988)**	(4,489)
Increase in other noncurrent assets	*11, 22*	**(679)**	(603)
Net cash flows used in investing activities		**(141,925)**	(53,704)

Forward

	Note	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings	*27*	**P445,680**	P260,200
Long-term borrowings	*27*	**205,366**	56,133
Payments of:			
Short-term borrowings	*27*	**(441,840)**	(232,700)
Long-term borrowings	*27*	**(16,843)**	(31,691)
Lease liabilities	*27*	**(30)**	(59)
Cash dividends and distributions paid	*25, 27*	**(9,911)**	(11,919)
Redemption of preferred shares	*16*	**(12,300)**	(34,217)
Net cash flows provided by financing activities		**170,122**	5,747
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**7,513**	4,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**40,749**	(39,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**96,509**	135,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P137,258**	P96,509

See Notes to the Separate Financial Statements.

1. Reporting Entity

San Miguel Corporation (SMC or the Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company), was incorporated on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Company to extend the corporate term for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Company's Board of Directors (BOD) and stockholders, respectively.

The Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life.

The Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed on The Philippine Stock Exchange, Inc. (PSE).

The Company, through its subsidiaries, is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement and real estate property management and development.

The registered office address of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

2. Basis of Preparation

Statement of Compliance

The accompanying separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates its investment in shares of stock of subsidiaries and recognizes its equity in net earnings of its associates and joint ventures. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries (collectively referred to as the "Group") of which SMC is the parent company and its interests in associates and joint ventures.

The separate financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 9, 2023.

Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the functional currency of the Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

Adoption of Amendments to Standards

The Company has adopted the following amendments to PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract, i.e., it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Company:

    - Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received include only fees 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.

    - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The adoption of the amendments to standards did not have a material effect on the separate financial statements.

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2022 and have not been applied in preparing the separate financial statements. None of these are expected to have a significant effect on the separate financial statements.

The Company will adopt the following amendments to standards on the respective effective dates:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) 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 assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for financial assets and financial liabilities at fair value through profit or loss (FVPL), includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Company classifies its financial assets at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the separate statements of income when the financial asset is derecognized, modified or impaired.

The Company's cash and cash equivalents and receivables are included under this category (Notes 5, 6, 11, 22, 28 and 29).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Dividend and distribution earned on holding an investment in equity instrument are recognized as dividend and distribution income in the separate statements of income when the right to receive payment has been established, unless the dividend and distribution clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are never reclassified to the separate statements of income.

The Company's investments in equity instruments at FVOCI are classified under this category (Notes 7, 28 and 29).

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Company may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Company carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the separate statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the separate statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the separate statements of changes in equity. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the separate statements of income. Any dividend and distribution income from investment in equity instrument is recognized in the separate statements of income when the right to receive payment has been established, unless the dividend and distribution clearly represents a recovery of the part of the cost of the investment.

The Company's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 28 and 29).

Financial Liabilities

The Company determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Company carries financial liabilities at FVPL using their fair values and reports fair value changes in the separate statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the separate statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the separate statements of income.

The Company's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 13, 22, 28 and 29).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the separate statements of income. Gains and losses are recognized in the separate statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of income.

The Company's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, subscriptions payable, long-term debt and lease liabilities are included under this category (Notes 7, 12, 13, 14, 22, 23, 28 and 29).

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statements of income.

Impairment of Financial Assets

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the separate statements of income.

Classification of Financial Instruments between Liability and Equity

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

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

The Company uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the separate statements of income.

Freestanding Derivatives

The Company designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the separate statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the separate statements of income.

The Company designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the separate statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the separate statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the separate statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the separate statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the separate statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the separate statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the separate statements of income.

The Company has outstanding derivatives accounted for as a cash flow hedge as at December 31, 2022 and 2021 (Note 29).

Embedded Derivatives
The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Company has not bifurcated any embedded derivatives as at December 31, 2022 and 2021.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the separate statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Investments in Shares of Stock of Subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27, *Separate Financial Statements*. The investments are carried in the separate statements of financial position at cost less any impairment in value.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Construction in progress (CIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Equipment, furniture and fixtures	2 - 40
Leasehold improvements	5 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether, throughout the period of use:

- the Company has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Company has the right to direct the use of the asset.

Company as a Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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. Buildings and improvements are depreciated over 10 years.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

Company as a Lessor
The Company determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies PFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land and land improvements	5 - 50 or term of the lease, whichever is shorter
Buildings and improvements	2 - 50
Machinery and equipment	3 - 40

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the separate statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the separate statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the separate statements of income consistent with the function of the intangible asset.

Amortization of computer software and licenses is computed using the straight-line method over the estimated useful life of two to eight years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the separate statements of income when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of investments and advances (excluding financial assets at FVOCI), property, plant and equipment, right-of-use of assets, investment property and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the separate statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities

Redeemable perpetual securities (RPS) and senior perpetual capital securities (SPCS) are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of RPS and SPCS are recognized as a deduction from equity, net of tax.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend and distribution and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend and distribution declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

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

Revenue from Sale of Services
Revenue from sale of services is recognized over time as the related services are rendered. Invoices are issued on a monthly basis and are usually payable within a 30-day period.

Revenue from Other Sources
Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend and Distribution Income. Dividend and distribution income is recognized when the Company's right to receive the payment is established.

Rent Income. Rent income is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Company disposes of its investment in shares of stock of a subsidiary. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

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

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

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

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the separate statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to separate statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the separate statements of income. The Company recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the separate statements of income, except for differences arising on the translation of financial assets at FVOCI or qualifying cash flow hedges, which are recognized in other comprehensive income.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow 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.

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

Current tax and deferred tax are recognized in the separate statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the separate statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period, net of dividends on preferred shares and distributions to holders of RPS and SPCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

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

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

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment on the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Determining whether a Contract Contains a Lease. The Company uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Company makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Company as Lessor. The Company has entered into various lease agreements as a lessor. The Company had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the separate statements of income amounted to P270 and P355 in 2022 and 2021, respectively (Notes 10 and 23).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension options. At lease commencement date, the Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Adequacy of Tax Liabilities. The Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Company exercises judgments in classifying financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

The Company uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 29.

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 30).

Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Assessment of ECL on Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for receivables at least two years. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Company has assessed that the forward-looking default rate component of its ECL is not material because substantial amounts of receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Company from its receivables.

No receivables were written off as at December 31, 2022 and 2021 (Note 6). The allowance for impairment losses on receivables amounted to P7,269 as at December 31, 2022 and 2021. The carrying amount of receivables amounted to P121,883 and P91,323 as at December 31, 2022 and 2021, respectively (Note 6).

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

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

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

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2022**	2021
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*5, 28, 29*	**P137,254**	P96,505
Noncurrent receivables - net (included under "Other noncurrent assets" account)	*11, 28, 29*	**11,114**	8,353

The allowance for impairment losses on noncurrent receivables (included under "Other noncurrent assets" account in the separate statements of financial position) amounted to P253 as at December 31, 2022 and 2021 (Note 11).

Fair Value Measurements. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

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

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 7, 10, 24 and 29.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-use Assets and Investment Property. The Company estimates the useful lives of property, plant and equipment, right-of-use assets and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets and investment property 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.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets and investment property would increase the recorded costs and expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation amounted to P1,461 and P1,250 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of property, plant and equipment amounted to P1,781 and P1,755 as at December 31, 2022 and 2021, respectively (Note 8).

Right-of-use assets, net of accumulated depreciation amounted to P403 and P444 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of right-of-use assets amounted to P305 and P224 as at December 31, 2022 and 2021, respectively (Note 9).

Investment property, net of accumulated depreciation amounted to P762 and P779 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of investment property amounted to P181 and P641 as at December 31, 2022 and 2021, respectively (Note 10).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company.

Intangible assets with finite useful lives amounted to P221 and P165 as at December 31, 2022 and 2021, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P390 and P438 as at December 31, 2022 and 2021, respectively (Note 11).

Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date 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. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P6,071 and P2,005 as at December 31, 2022 and 2021, respectively (Note 15).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, investment property and intangible assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The Company assessed that its property, plant and equipment, right-of-use assets, investment property and intangible assets with finite useful lives are not impaired. Accumulated impairment losses on investments and advances (excluding financial assets at FVOCI) amounted to P2,633 as at December 31, 2022 and 2021 (Note 7).

The combined carrying amounts of investments and advances (excluding financial assets at FVOCI), property, plant and equipment, right-of-use assets, investment property and intangible assets with finite useful lives amounted to P778,990 and P648,295 as at December 31, 2022 and 2021, respectively (Notes 7, 8, 9, 10 and 11).

Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Company would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Company's lease liabilities amounted to P507 and P537 as at December 31, 2022 and 2021, respectively (Notes 13, 23, 27, 28 and 29).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 24 to the separate financial statements and include discount rate and salary increase rate.

The Company determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Company are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Company.

The present value of defined benefit retirement obligation amounted to P1,991 and P1,898 as at December 31, 2022 and 2021, respectively (Note 24).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Company determined that there are no ARO as at December 31, 2022 and 2021.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2022**	2021
Cash in banks and on hand		**P25,838**	P10,444
Short-term investments		**111,420**	86,065
	4, 28, 29	**P137,258**	P96,509

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Company and earn interest at short-term investment rates (Note 21).

6. Receivables

Receivables consist of:

	Note	**2022**	2021
Amounts owed by related parties	*22, 24*	**P103,935**	P75,725
Non-trade receivables		**25,217**	22,867
		129,152	98,592
Less allowance for impairment losses	*4*	**7,269**	7,269
	4, 28, 29	**P121,883**	P91,323

Non-trade receivables include interest receivable and security deposits.

Receivables are generally collectible on demand.

There were no movements in the allowance for impairment losses in 2022 and 2021.

7. Investments and Advances

Investments and advances consist of:

	Note	**2022**	2021
Investments in shares of stock of subsidiaries	*4*	**P756,152**	P639,356
Financial assets at FVOCI	*28, 29*	**67,832**	84,676
Advances for investment	*4*	**22,624**	8,934
		846,608	732,966
Less allowance for impairment losses	*4*	**2,633**	2,633
		P843,975	P730,333

Investments in Shares of Stock of Subsidiaries

The carrying amounts of investments in shares of stock of subsidiaries are as follows:

	Country of Incorporation	2022 Percentage of Ownership	2022 Amount	2021 Percentage of Ownership	2021 Amount
Food and Beverage Business					
San Miguel Food and Beverage, Inc. (SMFB)	Philippines	**88.76**	**P342,104**	88.76	P342,104
Infrastructure Business					
San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC)	Philippines	**100.00**	**144,250**	100.00	136,750
San Miguel Aerocity Inc. doing business under the name and style of Manila International Airport (SMAI)	Philippines	**66.46**	**43,200**	25.81	7,586
Cement Business					
San Miguel Equity Investments Inc. (SMEII)	Philippines	**100.00**	**110,733**	100.00	29,147
Real Estate Business					
San Miguel Properties, Inc. (SMPI) *(a)*	Philippines	**99.86**	**29,122**	99.83	24,314
Davana Heights Development Corporation (DHDC)	Philippines	**100.00**	**4,011**	100.00	3,946
Fuel and Oil Business					
Petron Corporation (Petron) *(b)*	Philippines	**18.16**	**15,260**	18.16	15,260
SEA Refinery Corporation (SRC) *(b)*	Philippines	**100.00**	**1,921**	100.00	1,921
Packaging Business					
San Miguel Yamamura Packaging Corporation (SMYPC)	Philippines	**65.00**	**12,095**	65.00	12,095
Mindanao Corrugated Fireboard, Inc.	Philippines	**100.00**	**636**	100.00	636
Energy Business					
San Miguel Global Power Holdings Corp. (San Miguel Global Power) *(c)*	Philippines	**100.00**	**4,570**	100.00	4,570
Others					
SMC Equivest Corporation (SMCEC)	Philippines	**100.00**	**7,008**	100.00	7,008
San Miguel International Limited (SMIL) and San Miguel Holdings Limited (SMHL) *(d)*	British Virgin Islands (BVI)	**100.00**	**5,670**	100.00	20,328
San Miguel Integrated Logistics Services, Inc. (SMILSI)	Philippines	**100.00**	**4,127**	100.00	4,127
Silvertides Holdings Corporation (SHC)	Philippines	**100.00**	**3,901**	100.00	3,901
SMC Shipping and Lighterage Corporation	Philippines	**70.00**	**3,870**	70.00	3,870
Fonterra Verde Holdings Inc. (FVHI)	Philippines	**100.00**	**3,495**	100.00	2,403
San Miguel Insurance Company Limited (SMICL) *(e)*	BVI	**100.00**	**3,170**	100.00	3,170
Petrogen Insurance Corporation (Petrogen)	Philippines	**74.94**	**3,000**	74.94	3,000
Deity Holdings Corporation (DHC) *(f)*	Philippines	**98.89**	**2,932**	98.85	2,810
World Summit Holdings Corporation (WHC) *(f)*	Philippines	**100.00**	**1,348**	100.00	1,043
Challenger Aero Air Corp.	Philippines	**100.00**	**949**	100.00	949
One Verdana Holdings, Inc. (OVHI)	Philippines	**100.00**	**613**	100.00	513
SMC Asia Car Distributors Corp. (SMCACDC)	Philippines	**65.00**	**325**	65.00	325
Archen Technologies, Inc.	Philippines	**100.00**	**300**	100.00	300
Others - net	Philippines		**7,542**		7,280
			756,152		639,356
Less allowance for impairment losses on investment in shares of stock of subsidiaries			**2,633**		2,633
			P753,519		P636,723

(a) SMPI is 99.86% and 99.83% directly owned by the Company as at December 31, 2022 and 2021, respectively, and 0.14% and 0.11% indirectly owned by the Company through Philippine Breweries Corporation as at December 31, 2022 and 2021, respectively.

(b) Petron is 18.16% directly owned and 50.10% indirectly owned by the Company through SRC.

(c) Formerly SMC Global Power Holdings Corp. The change in the corporate name was approved by the SEC on March 22, 2023.

(d) The investment includes 10,958,015 common shares with par value of US$1.00 per share of SMIL (P5,670) as at December 31, 2022 and 2021 and 30,300,000 preferred shares with par value of US$10.00 per share of SMHL (P14,658) as at December 31, 2021. The investment in preferred shares of stock of SMHL was redeemed on December 19, 2022.

(e) The investment consists of 6,600,000 preferred shares with par value of US$10.00 per share of SMICL (P3,170) as at December 31, 2022 and 2021.

(f) DHC is 98.89% and 98.85% directly owned by the Company as at December 31, 2022 and 2021, respectively, and 1.11% and 1.15% indirectly owned by the Company through WHC as at December 31, 2022 and 2021, respectively.

The following are the major developments relating to the Company's investments in shares of stock of subsidiaries:

Food and Beverage

- Ginebra San Miguel Inc. (GSMI)

  On December 1, 2020, the BOD of GSMI approved the redemption of the 32,786,885 outstanding preferred shares, all of which are held by SMC equivalent to 10.27% equity interest in GSMI. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. On January 4, 2021, GSMI paid the redemption price of P1,000 or P30.50 per share and all accumulated unpaid cash dividends. Consequently, the effective ownership of the Company in GSMI was reduced from 70.62% to 67.26% with indirect ownership interest through SMFB.

Infrastructure

- SMHC

  On November 27, 2020, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P71,500 divided into 71,500,000 common shares to P91,500 divided into 91,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Company executed a Subscription Agreement to subscribe to an additional 10,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P1,500.00 per common share. The Company paid P6,606 in 2020 as deposit for future stock subscription, while the remaining balance of the subscription price amounting to P8,394 was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHC was filed with the SEC on December 18, 2020, and was approved on January 7, 2021.

  On June 30, 2021, SMHC and the Company executed a Subscription Agreement to subscribe to an additional 10,000,000 common shares for a total subscription price of P15,000 or P1,500.00 per common share, which was fully paid in 2021.

  On December 17, 2021, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P91,500 divided into 91,500,000 common shares to P106,500 divided into 106,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Company executed a Subscription Agreement to subscribe to an additional 5,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P7,500 or P1,500.00 per common share.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHC was filed with the SEC on March 9, 2022, and was approved on April 26, 2022. Consequently, the P3,823 deposit for future stock subscription paid by the Company in 2021 was reclassified from “Advances for investment” to “Investments in shares of stock of subsidiaries” both under “Investments and advances” account in the separate statement of financial position as at December 31, 2022. In 2022, the Company paid additional P3,239, while the balance of the subscription price amounting to P438 is presented as part of “Subscriptions payable” account in the separate statement of financial position as at December 31, 2022.

- SMAI

  On December 27, 2021, SMAI and the Company executed a Subscription Agreement to subscribe to 3,792,881,031 common shares of SMAI for a total subscription price of P7,586 or P2.00 per common share, which was fully paid in 2021.

  On January 21, 2022, the BOD and stockholders of SMAI approved the additional increase in its authorized capital stock from P15,000 divided into 15,000,000,000 shares to P45,000 divided into 45,000,000,000 shares, both with a par value of P1.00 per common share. On the same date, SMAI and the Company executed a Subscription Agreement to subscribe to an additional 7,500,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P2.00 per common share.

On February 23, 2022, SMAI and the Company executed a Subscription Agreement to subscribe to 307,118,969 common shares of SMAI, to be issued out of the available unissued shares, for a total subscription price of P614 or P2.00 per common share, which subscription was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI was filed with and was approved by the SEC on June 17, 2022.

On August 22, 2022, SMAI and the Company executed a Subscription Agreement to subscribe to 10,000,000,000 common shares of SMAI for a total subscription price of P20,000 or P2.00 per common share, which was fully paid in 2022.

As at December 31, 2021, the Company has 25.81% direct ownership interest in SMAI, in addition to the 74.19% indirect ownership interest through SMHC. As a result of the foregoing additional investments during the year, the Company increased its direct ownership in SMAI to 66.46%, with indirect ownership interest through SMHC of 33.54%.

Cement

- SMEII

On various dates in 2021, SMEII and the Company executed Subscription Agreements to subscribe to a total of 1,956,500,000 common shares of SMEII for a total subscription price of P2,935 or P1.50 per share, which was fully paid in 2021.

On December 7, 2022, the BOD and stockholders of SMEII approved the additional increase in its authorized capital stock from P21,425 divided into 21,425,000,000 shares to P88,371 divided into 88,370,900,000 common shares, both with a par value of P1.00 per common share.

On December 13, 2022, SMEII and the Company executed a Subscription Agreement whereby the Company subscribed to 2,157,400,000 common shares out of the entire available unissued shares of SMEII for a total subscription price of P3,236 or P1.50 per common share, which was fully paid in 2022.

On December 13, 2022, pursuant to the Subscription Agreement between SMEII and the Company, the latter subscribed to 44,630,600,000 common shares out of the aforementioned proposed increase in the authorized capital stock of SMEII for a total subscription price of P66,946 or P1.50 per common share, which was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMEII was filed with the SEC on December 19, 2022, and was approved on December 29, 2022.

On December 21, 2022, SMEII and the Company executed another Subscription Agreement whereby the Company subscribed to an additional 7,602,900,000 common shares out of the proposed increase in the authorized capital stock of SMEII for a total subscription price of P11,404 or P1.50 per common share, which was fully paid in 2022.

Real Estate

- SMPI

  On various dates in 2020, SMPI and the Company executed Subscription Agreements to subscribe to a total of 241,393,750 common shares of SMPI for a total subscription price of P4,828 or P20.00 per common share. The Company paid P4,092 in 2020, while the remaining balance of the subscription price amounting to P736 was paid in 2021.

  On various dates in 2021, SMPI and the Company executed Subscription Agreements to subscribe to a total of 168,783,058 common shares of SMPI for a total subscription price of P3,375 or P20.00 per common share. The Company paid P3,018 in 2021, while the balance amounting to P357 is presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2022 and 2021.

  On various dates in 2022, SMPI and the Company executed Subscription Agreements to subscribe to a total of 240,381,050 common shares of SMPI for a total subscription price of P4,808 or P20.00 per common share, which was fully paid in 2022.

- DHDC

  On February 3, 2021, DHDC and the Company executed a Subscription Agreement to subscribe to an additional 30,000,000 common shares of DHDC for a total subscription price of P60 or P2.00 per common share, which was fully paid in 2021.

  On June 1, 2021, the BOD and stockholders of DHDC approved the additional increase in its authorized capital stock from P2,100 divided into 2,100,000,000 common shares to P2,400 divided into 2,400,000,000 common shares, both with a par value of P1.00 per common share. On the same date, the Company in a Subscription Agreement, subscribed to 75,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P150 or P2.00 per common share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of DHDC was filed with the SEC on September 10, 2021, and was approved on September 14, 2021.

  On December 15, 2021, DHDC and the Company executed a Subscription Agreement to subscribe to an additional 7,750,000 common shares of DHDC for a subscription price of P15 or P2.00 per share, which was fully paid in 2021.

  On various dates in 2022, DHDC and the Company executed Subscription Agreements to subscribe to a total of 32,250,000 common shares of DHDC for a total subscription price of P65 or P2.00 per share, which was fully paid in 2022.

Others

- SMCEC

  On June 29, 2021, the BOD and stockholders of SMCEC approved the increase in its authorized capital stock from P1,100 divided into 1,100,000,000 common shares to P3,520 divided into 3,520,000,000 common shares, both with a par value of P1.00 per common share. On July 9, 2021, the Company in a Subscription Agreement, subscribed to 605,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P1,210 or P2.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMCEC was filed with the SEC on July 30, 2021, and was approved on August 3, 2021.

  On August 5, 2021, SMCEC and the Company executed a Subscription Agreement to subscribe to an additional 350,000,000 common shares of SMCEC for a total subscription price of P700 or P2.00 per share, which was fully paid in 2021. On the same date, SMCEC and the Company executed a Subscription Agreement to subscribe to an additional 1,815,000,000 common shares out of the increase in authorized capital stock of SMCEC for a total subscription price of P3,630 or P2.00 per common share, which was fully paid in 2021.

  On October 19, 2021, the BOD and stockholders of SMCEC approved the additional increase in its authorized capital stock from P3,520 divided into 3,520,000,000 common shares to P3,875 divided into 3,875,000,000 common shares, both with a par value of P1.00 per common share. On October 20, 2021, the Company in a Subscription Agreement, subscribed to 177,500,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P355 or P2.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMCEC was filed with and approved by the SEC on December 31, 2021.

- SMHL

  On September 16, 2020, SMHL issued to the Company an additional 2,500,000 preferred shares from the unissued capital stock of SMHL, for a total subscription price of US$25 (P1,215) or US$10.00 per preferred share. As at December 31, 2020, the Company paid a total of US$23 (P1,153). The balance amounting to US$2 (P62) was subsequently paid on March 29, 2021.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMHL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMHL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

On December 12, 2022, the BOD of SMHL approved the redemption of the 30,300,000 preferred shares held by the Company. On December 19, 2022, SMHL paid the redemption price of US$303 (P16,789) or US$10.00 per share, corresponding to the par value of such preferred shares. The Company recognized a gain on foreign exchange of P2,131 on the redemption, presented as part of "Loss on foreign exchange - net" account in the separate statement of income in 2022.

- SHC

  On various dates in 2020, SHC and the Company executed Subscription Agreements whereby SMC agreed to subscribe to a total of 170,000,000 additional common shares from the unissued capital stock of SHC for a total subscription price of P680 or P4.00 per common share. The Company paid a total of P562 and P560 as at December 31, 2022 and 2021, respectively.

  The balance amounting to P118 and P120 is presented as part of "Subscriptions payable" account in the separate statements of financial position as at December 31, 2022 and 2021, respectively.

- SMICL

  On July 13, 2021, the BOD of SMICL approved to increase its authorized capital stock from US$0.12 to US$66 divided into 120,000 common shares with par value of US$1.00 per share and creation of 6,600,000 preferred shares with par value of US$10.00 per share. On the same date, the Company subscribed to 6,600,000 preferred shares out of the proposed increase in authorized capital stock of SMICL for a total subscription price of US$66 (P3,170) or US$10.00 per share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMICL was filed with and approved by the Registrar of Companies of the Government of Bermuda on August 5, 2021.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMICL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMICL has the right to convert the preferred shares into common shares at a rate of ten common shares for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- Petrogen

  On December 3, 2020, the BOD and stockholders of Petrogen approved the increase in its authorized capital stock from P750 divided into 750,000 common shares to P2,250 divided into 2,250,000 common shares, both with a par value of P1,000.00 per common share. On January 5, 2021, the Company in a Subscription Agreement, subscribed to 1,494,973 common shares out of the increase in authorized capital stock for a total subscription price of P3,000 or P2,006.73 per common share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of Petrogen was filed with the SEC on January 27, 2021, and was approved on February 4, 2021.

As a result of the issuance of shares, Petrogen became a direct subsidiary of the Company effective February 4, 2021.

As a result, Petrogen became 74.94% directly owned by the Company effective February 4, 2021.

As at December 31, 2022 and 2021, the Company's effective equity interest in Petrogen is 92.05%, including the 17.11% indirect equity interest through Petron.

- DHC

  On various dates in 2020, DHC and the Company executed Subscription Agreements whereby SMC agreed to subscribe to a total of 400,500,000 additional common shares from the unissued capital stock of DHC for a total subscription price of P801 or P2.00 per common share. The Company paid a total of P801 and P758 as at December 31, 2022 and 2021, respectively.

  On November 23, 2022, DHC and the Company executed a Subscription Agreement whereby SMC agreed to subscribe to additional 61,000,000 common shares from the unissued capital stock of DHC for a total subscription price of P122 or P2.00 per common share. The Company paid a total of P87 in 2022 while the balance amounting to P35 is presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2022.

- FVHI

  On June 4, 2018, the BOD and stockholders of FVHI approved the increase in its authorized capital stock from P5 divided into 50,000 common shares into P1,000 divided into 10,000,000 common shares, both with a par value of P100.00 per common share. On July 25, 2018, as further amended on February 28, 2019, FVHI and the Company executed a Subscription Agreement for the Company to subscribe to 4,975,000 common shares from the increase in authorized capital stock of FVHI for a total subscription price of P995 or P200.00 per common share. On January 17, 2020, FVHI and the Company executed a Subscription Agreement for the Company to subscribe to an additional 4,975,000 common shares from the increase in authorized capital stock of FVHI for a total subscription price of P995 or P200.00 per common share. The Company paid P1,852 as deposit for future stock subscription as at December 31, 2020, while the remaining balance of the subscription price amounting to P138 was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of FVHI was filed with the SEC on December 1, 2020, and was approved on May 4, 2021.

  On April 16, 2021, the BOD and stockholders of FVHI approved the additional increase in its authorized capital stock from P1,000 divided into 10,000,000 common shares to P1,750 divided into 17,500,000 common shares, both with a par value of P100.00 per common share. On the same date, the Company in a Subscription Agreement, subscribed to 1,875,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P375 or P200.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of FVHI was filed with and approved by the SEC on December 31, 2021.

On December 6, 2021, FVHI and the Company, executed a Subscription Agreement to subscribe to an additional 163,500 common shares for a total subscription price of P33 or P200.00 per common share. The subscription price was fully paid in 2021.

- WHC

  On December 15 and 27, 2021, WHC and the Company executed Subscription Agreements to subscribe to additional 96,500,000 common shares at a subscription price of P193 or P2.00 per common share. In 2021, the Company paid P142, while the balance amounting to P51, presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2021, was fully paid in 2022.

  On January 21 and February 14, 2022, WHC and the Company executed Subscription Agreements to subscribe to additional 152,500,000 common shares of WHC at a subscription price of P305 or P2.00 per common share. In 2022, the Company paid P117, while the balance amounting to P188 is presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2022.

- OVHI

  On January 27, 2021, OVHI and the Company executed a Subscription Agreement to subscribe to an additional 51,000 common shares of OVHI for a subscription price of P10 or P200.00 per common share. The subscription price was fully paid in 2021.

  On August 11, 2022, OVHI and the Company executed a Subscription Agreement to subscribe to an additional 500,000 common shares of OVHI for a subscription price of P100 or P200.00 per common share. In 2022, the Company paid P62, while the balance amounting to P38 is presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2022.

Financial Assets at FVOCI

Financial assets at FVOCI, amounting to P67,832 and P84,676 as at December 31, 2022 and 2021, respectively, pertain to various investments in shares of stock and capital securities carried at fair value (Note 4).

Financial assets at FVOCI mainly includes investments in the following:

- *Investment in Shares of Stock*

a. Top Frontier

Investment in the shares of stock of Top Frontier consisting of 2,561,031 common shares amounting to P243 and P313 as at December 31, 2022 and 2021, respectively, and 1,904,540 preferred shares amounting to P35,424 as at December 31, 2021.

The preferred shares issued by Top Frontier are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings. The preferred shares do not carry the right to vote except in the cases expressly provided by law. These are redeemable in whole or in part, at the sole option of the Company, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders. The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares.

On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by the Company. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424, corresponding to the original issue price, plus any unpaid cash dividends.

Total dividend income from the investment in preferred shares of stock of Top Frontier amounted to P1,328 and P1,063 in 2022 and 2021, respectively presented as part of “Dividend and distribution income” account in the separate statements of income in 2022 and 2021.

b. Carmen Red Ltd. (CRL)

The investment in subscription shares of CRL were redeemed on December 28, 2021. CRL paid the redemption price of US$123 (P6,181). The Company also received dividends of US$32 (P1,594) presented as part of “Dividend and distribution income” account in the separate statement of income in 2021.

c. SMCACDC

The investment in SMCACDC consists of 1,970,000 redeemable preferred shares of stock amounting to P1,970 and 2,770,000 redeemable preferred shares of stock amounting P2,770 as at December 31, 2022 and 2021, respectively.

The preferred shares issued by SMCACDC are non-voting, non-convertible, and redeemable at the sole option of SMCACDC at a price and at such time that the BOD of SMCACDC shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMCACDC. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMCACDC, the holders of preferred stocks that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMCACDC.

On December 18, 2020, the BOD of SMCACDC approved the redemption of the 730,000 preferred shares held by the Company, which was issued in 2019. On March 19, 2021, SMCACDC paid the redemption price of P730 or P1,000.00 per share.

On March 3, 2022, the BOD of SMCACDC approved the redemption of the 800,000 preferred shares held by the Company, which were issued in 2019. On July 15, 2022, SMCACDC paid the redemption price of P800 or P1,000.00 per share.

- *Investment in Capital Securities*

a. San Miguel Global Power

The RPS issued by San Miguel Global Power amounting to US$735 (P38,747) and US$650 (P33,794) as at December 31, 2022 and 2021, respectively, are entitled to distributions as follows:

- US$650 (P33,794) subscribed on March 16, 2018

  The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every March 16, June 16, September 16 and December 16 of each year commencing on June 16, 2018.

- US$85 (P4,953) subscribed on November 8, 2022

  The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every February 8, May 8, August 8 and November 8 of each year commencing on February 8, 2023.

Distributions from the investment in RPS of San Miguel Global Power amounted to P1,617 and P1,996 in 2022 and 2021, respectively, presented as part of "Dividend and distribution income" account in the separate statements of income.

b. Universal Power Solutions, Inc. (UPSI)

The RPS issued by UPSI amounting to P14,374 as at December 31, 2022, are entitled to distributions as follows:

- US$88 (P5,101) subscribed on October 28, 2022

  The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every January 28, April 28, July 28 and October 28 of each year commencing on January 28, 2023.

- P5,000 subscribed on November 23, 2022

  The Company will have the right to receive distribution at 7.5% per annum, payable quarterly in arrears every February 23, May 23, August 23 and November 23 of each year commencing on February 23, 2023.

- US$76 (P4,273) subscribed on December 1, 2022

  The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every March 1, June 1, September 1 and December 1 of each year commencing on March 1, 2023.

c. Petron

The RPS issued by Petron amounting to US$236 (P11,714) as at December 31, 2022 and 2021, respectively, are entitled to distributions as follows:

- US$6 (P305) subscribed on November 27, 2019

  The Company will have the right to receive distribution at 4% per annum, payable quarterly in arrears every November 27, February 27, May 27 and August 27 of each year commencing on February 27, 2020.

- US$130 (P6,508) subscribed on July 22, 2020

  The Company will have the right to receive distribution at 3.625% per annum, payable quarterly in arrears every March 20, June 22, September 22 and December 22 of each year commencing on September 22, 2020.

- US$100 (P4,901) subscribed on August 10, 2020.

  The Company will have the right to receive distribution at 3.625% per annum, payable quarterly in arrears every February 20, May 10, August 10 and November 10 of each year commencing on November 10, 2020.

Distributions from the investment in RPS of Petron amounted to P470 and P423 in 2022 and 2021, respectively, presented as part of “Dividend and distribution income” account in the separate statements of income.

The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The issuers of the RPS have the right to defer the distribution under certain conditions.

The carrying amount of the investments approximate their fair value (Note 29).

The methods and assumptions used to measure the fair value of financial assets at FVOCI are disclosed in Notes 3, 4 and 29.

Advances for Investment

Advances for investment pertain to deposits made to certain companies which will be applied against future stock subscription.

The following are the major developments relating to the Company's advances for investment:

- SMAI

  In 2022, the Company paid P12,800 as deposit for future stock subscription in new class of shares to be issued by SMAI, presented as part of "Advances for investment" under "Investments and advances" account in the separate statement of financial position as at December 31, 2022.

- Argonbay Construction Company, Inc. (ACCI)

  On November 7, 2022, the BOD and Stockholders of ACCI approved: (i) the increase of its authorized capital stock from P150 divided into 1,500,000 common shares with a par value of P100.00 per share to P16,150 divided into 1,500,000 common shares with a par value of P100.00 per share and 160,000,000 Series "1" preferred shares with a par value of P100.00 per share, and (ii) the subscription by the Company to 137,000,000 Series "1" preferred shares at a subscription price P100.00 per Series "1" preferred share, or a total subscription amount of P13,700. The said increase and creation of Series "1" preferred shares is subject to approval by the SEC. In 2022, the Company paid P3,634 as deposit for future stock subscription to the Series "1" preferred shares of ACCI presented as "Advances for investment" under "Investments and advances" account in the separate statement of financial position as at December 31, 2022.

  ACCI's primary purpose is to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, reclaiming, or otherwise engaging in any work upon buildings, roads, highways, etc. and to make, execute, bid for, and take or receive any contracts or assignments of contracts or in relation to manufacture and furnish building materials and supplies connected therewith.

- FVHI

  In 2022, the Company paid P495 as deposit for future stock subscription to the proposed increase in authorized capital stock of FVHI, presented as part of "Advances for investment" under "Investments and advances" account in the separate statement of financial position as at December 31, 2022.

8. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Equipment, Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
January 1, 2021	P995	P246	P895	P624	P93	P2,853
Additions	-	-	-	-	160	160
Disposals and reclassifications	-	-	10	1	(19)	(8)
December 31, 2021	995	246	905	625	234	3,005
Additions	-	4	46	125	131	306
Disposals and reclassifications	-	-	-	107	(176)	(69)
December 31, 2022	**995**	**250**	**951**	**857**	**189**	**3,242**
Accumulated Depreciation						
January 1, 2021	266	136	782	507	-	1,691
Depreciation	6	5	26	28	-	65
Disposals and reclassifications	-	-	(1)	-	-	(1)
December 31, 2021	272	141	807	535	-	1,755
Depreciation	1	4	22	14	-	41
Disposals and reclassifications	-	-	(14)	(1)	-	(15)
December 31, 2022	**273**	**145**	**815**	**548**	**-**	**1,781**
Carrying Amount						
December 31, 2021	P723	P105	P98	P90	P234	P1,250
December 31, 2022	**P722**	**P105**	**P136**	**P309**	**P189**	**P1,461**

"Equipment, furniture and fixtures" includes machinery, transportation equipment, office equipment, tools and small equipment.

Certain fully depreciated property, plant and equipment with aggregate costs of P1,574 and P1,496 as at December 31, 2022 and 2021, respectively, are still being used in the Company's operations.

Depreciation expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P41 and P65 in 2022 and 2021, respectively (Notes 17 and 18).

9. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	**2022**	2021
Cost			
Balance at beginning of year		**P668**	P668
Remeasurement		**40**	-
Balance at end of year		**708**	668
Accumulated Depreciation			
Balance at beginning of year		**224**	149
Depreciation	*17, 18*	**81**	75
Balance at end of year		**305**	224
Carrying Amount		**P403**	P444

The Company recognized right-of-use assets for lease of building and improvements. The lease runs for a period of 10 years. The lease contains an option to renew the lease at the end of the lease term and is being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Company.

Depreciation expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P81 and P75 in 2022 and 2021 (Notes 17 and 18).

10. Investment Property

The movements in investment property are as follows:

	Land and Land Improvements	**Buildings and Improvements**	**Machinery and Equipment**	**Total**
Cost				
January 1, 2021	P590	P412	P420	P1,422
Disposals and reclassifications	(2)	-	-	(2)
December 31, 2021	588	412	420	1,420
Disposals and reclassifications	(35)	(22)	(420)	(477)
December 31, 2022	**553**	**390**	**-**	**943**
Accumulated Depreciation				
January 1, 2021	29	184	419	632
Depreciation	1	8	-	9
December 31, 2021	30	192	419	641
Depreciation	-	8	-	8
Disposals and reclassifications	(27)	(22)	(419)	(468)
December 31, 2022	**3**	**178**	**-**	**181**
Carrying Amount				
December 31, 2021	P558	P220	P1	P779
December 31, 2022	**P550**	**P212**	**P -**	**P762**

Depreciation expense, included as part of “Costs and expenses” account in the separate statements of income, amounted to P8 and P9 in 2022 and 2021 (Notes 17 and 18).

Rent income earned from investment property amounted to P270 and P355 in 2022 and 2021, respectively (Notes 4 and 23). The direct costs and expenses arising from the investment property that generated income amounted to P17 in 2022 and 2021, respectively.

The fair value of investment property amounting to P5,423 and P5,328 as at December 31, 2022 and 2021, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Company’s investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment range from 4.00% to 6.45%.

11. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2022**	2021
Noncurrent receivables	*22*	**P11,367**	P8,606
Less allowance for impairment losses	*4*	**253**	253
	4, 22, 28, 29	**11,114**	8,353
Retirement asset	*24*	**-**	3,285
Noncurrent derivatives assets	*28, 29*	**1,101**	584
Intangible assets	*4*	**221**	165
Lease receivable	*22*	**85**	59
Others		**997**	1,019
		P13,518	P13,465

The amounts owed by related parties, included as part of “Noncurrent receivables” account, amounted to P11,114 and P8,353 as at December 31, 2022 and 2021, respectively (Notes 22, 28 and 29). As at December 31, 2022 and 2021, amounts owed by related parties also include lease receivable amounting to P84 and P52, respectively (Note 22).

Others consists mainly of option deposit paid by the Company amounting to P975. On February 17, 2017, the Company entered into an option agreement (the Agreement) with the non-controlling stockholder of SMCACDC for the grant to the Company of the option to acquire 35% ownership interest in SMCACDC. The option is exercisable within a period of two years from the execution of the Agreement or such other date as may be agreed upon by the parties in writing. The option deposit shall be applied as partial payment of the option exercise price upon exercise of the option. As at December 31, 2022, the Agreement was extended under the same terms and conditions.

No impairment loss was recognized on other noncurrent assets in 2022 and 2021.

The movements in intangible assets are as follows:

	Computer Software	Licenses	Project Development Cost	Total
Cost				
January 1, 2021	P358	P195	P81	P634
Additions	-	-	196	196
Disposals and reclassifications	7	(107)	(127)	(227)
December 31, 2021	365	88	150	603
Additions	3	-	117	120
Disposals and reclassifications	-	(52)	(60)	(112)
December 31, 2022	**368**	**36**	**207**	**611**
Accumulated Amortization				
January 1, 2021	346	180	-	526
Amortization	5	-	-	5
Disposals and reclassifications	-	(93)	-	(93)
December 31, 2021	351	87	-	438
Amortization	4	-	-	4
Disposals and reclassifications	-	(52)	-	(52)
December 31, 2022	**355**	**35**	**-**	**390**
Carrying Amount				
December 31, 2021	P14	P1	P150	P165
December 31, 2022	**P13**	**P1**	**P207**	**P221**

Amortization expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P4 and P5 in 2022 and 2021, respectively (Notes 17 and 18).

12. Loans Payable

Loans payable consist of:

	Note	2022	2021
Peso-denominated		**P22,457**	P51,450
Foreign currency-denominated		**33,168**	-
	28, 29	**P55,625**	P51,450

Loans payable represent unsecured peso and foreign currency-denominated loans obtained from local and foreign banks. Interest rates per annum for peso-denominated loans range from 4.70% to 6.06% and 2.20% to 2.40% in 2022 and 2021, respectively. Interest rate per annum for foreign currency-denominated loans is 5.25% in 2022.

Interest expense on loans payable recognized in the separate statements of income amounted to P1,701 and P793 in 2022 and 2021, respectively (Note 20).

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2022**	2021
Accrued expenses		**P10,531**	P10,424
Amounts owed to related parties	*4, 22*	**6,084**	559
Derivative liabilities	*22, 28, 29*	**2,048**	197
Deposits		**20**	20
	28, 29	**P18,683**	P11,200

14. Long-term Debt

Long-term debt consists of:

	2022	2021
Peso-denominated Bonds:		
Series A Bonds, fixed interest rate of 4.8243% maturing in 2022	**P -**	P6,680
Series B Bonds, fixed interest rate of 5.284% maturing in 2024	**7,278**	7,265
Series C Bonds, fixed interest rate of 5.7613% maturing in 2027	**5,989**	5,982
Series D Bonds, fixed interest rate of 5.1923% maturing in 2022	**-**	9,993
Series E Bonds, fixed interest rate of 6.25% maturing in 2023	**13,138**	13,101
Series F Bonds, fixed interest rate of 6.625% maturing in 2025	**2,427**	2,422
Series G Bonds, fixed interest rate of 7.125% maturing in 2028	**4,382**	4,377
Series H Bonds, fixed interest rate of 5.55% maturing in 2024	**9,953**	9,928
P60,000 fixed rate bonds (a)	**43,167**	59,748
Series I Bonds, fixed interest rate of 3.3832% maturing in 2027 (b)	**29,700**	29,640
Series J Bonds, fixed interest rate of 5.2704% maturing in 2027	**17,237**	-
Series K Bonds, fixed interest rate of 5.8434% maturing in 2029	**12,407**	-
P30,000 fixed rate bonds (c)	**29,644**	-
Series L Bonds, fixed interest rate of 7.4458% maturing in 2028	**26,728**	-
Series M Bonds, fixed interest rate of 7.8467% maturing in 2029	**9,571**	-
Series N Bonds, fixed interest rate of 8.4890% maturing in 2032	**22,866**	-
P60,000 fixed rate bonds (d)	**59,165**	-
Peso-denominated bonds	**161,676**	89,388
Peso-denominated Term Notes:		
Fixed interest rate at 6.9375% with maturities up to 2026 (e)	**15,373**	15,517

Forward

	2022	2021
Foreign currency-denominated Term Notes:		
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2024 (f)	**P110,492**	P100,417
Floating interest rate based on LIBOR plus margin, maturing in 2026 (g)	**49,172**	21,887
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2035 (h)	**47,534**	-
Floating interest rate based on SOFR plus margin, maturing in 2027 (i)	**38,201**	-
Floating interest rate based on LIBOR plus margin, maturing in 2023 (j)	**22,282**	20,278
Floating interest rate based on LIBOR plus margin, maturing in 2023 (k)	**16,697**	15,211
Floating interest rate based on LIBOR plus margin, maturing in 2023 (l)	**16,682**	15,194
Floating interest rate based on LIBOR plus margin, maturing in 2023 (m)	**11,116**	10,127
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)	**5,512**	-
Floating interest rate based on LIBOR plus margin, maturing in 2026 (o)	**5,510**	5,020
Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (p)	**4,999**	4,561
	505,246	297,600
Less current maturities	**80,073**	16,833
	P425,173	P280,767

a. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by the Company amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed in the Philippine Dealing & Exchange Corp. (PDEx).

   - The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and (iii) 10-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.

   - The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprises five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.

   - The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000 consists of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and (iii) 10-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.

   - The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprises five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to partially refinance various loans.

The Series A Bonds and Series D Bonds matured on March 1, 2022 and April 7, 2022, respectively, and were accordingly redeemed by the Company on the same day.

Unamortized debt issue costs amounted to P150 and P252 as at December 31, 2022 and 2021, respectively.

b. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by the Company amounting to P30,000. The Bonds were listed in the PDEx.

The first tranche of the fixed rate bonds listed on July 8, 2021, comprises Series I Bonds, due in 2027 with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to repay existing obligations.

Unamortized debt issue costs amounted to P300 and P360 as at December 31, 2022 and 2021, respectively.

c. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by the Company amounting to P30,000. The Bonds were listed in the PDEx.

The first tranche of the fixed rate bonds listed on March 4, 2022, consists of: (i) five-year Series J Bonds, due in 2027 with an interest rate of 5.2704% per annum; and (ii) seven-year Series K Bonds, due in 2029 with an interest rate of 5.8434% per annum. Interest is payable every 4th of March, June, September and December of each year.

Proceeds from the issuance of the bonds were used for refinancing the Company's short-term loan facilities and other general corporate purposes.

Unamortized debt issue costs amounted to P356 as at December 31, 2022.

d. The amount represents the P60,000 fixed rate bonds issued by the Company consisting of: (i) Series L Bonds, due in 2028 with an interest rate of 7.4458% per annum; (ii) Series M Bonds, due in 2029 with an interest rate of 7.8467% per annum; and (iii) Series N Bonds, due in 2032 with an interest rate of 8.4890% per annum. The Bonds were listed in the PDEx. Interest is payable every 14th of March, June, September and December of each year.

Proceeds from the issuance of the bonds were used for optional redemption of its Series "2" Preferred Shares - Subseries "2-H" and repayment of its peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds and will be used for the final redemption and payment of its Series E Bonds due in 2023 and refinancing certain US dollar-denominated obligations.

Unamortized debt issue costs amounted to P835 as at December 31, 2022.

e. The amount represents the drawdown by the Company on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

   The Company paid the scheduled amortizations amounting to P560 and P400 as at December 31, 2022 and 2021, respectively.

   Unamortized debt issue costs amounted to P67 and P83 as at December 31, 2022 and 2021, respectively.

f. The amount represents the drawdown by the Company of US$50 (P2,532) and US$1,950 (P99,645) on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US$2,000. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans were used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,018 and P1,581 as at December 31, 2022 and 2021, respectively.

g. The amount represents the drawdown by the Company on various dates in 2022 and 2021 from its term loan facility amounting to US$900 (P46,080). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,008 and P1,062 as at December 31, 2022 and 2021, respectively.

h. The amount represents the drawdown by the Company of US$871 (P49,453) on various dates in 2022 from its US$2,165 term loan facility. The term of the loan is for 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the Airport Project in Bulacan.

   Unamortized debt issue costs amounted to P1,043 as at December 31, 2022.

i. The amount represents the drawdown by the Company on various dates in 2022 from its term loan facility amounting to US$700 (P39,953). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P828 as at December 31, 2022.

j. The amount represents the drawdown by the Company on March 16, 2018 from its term loan facility amounting to US$400 (P20,772). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in San Miguel Global Power to partially finance the acquisition of Masinloc Group of Companies.

   Unamortized debt issue costs amounted to P20 and P121 as at December 31, 2022 and 2021, respectively.

k. The amount represents the drawdown by the Company on June 26, 2018 from its term loan facility amounting to US$300 (P16,041). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

Unamortized debt issue costs amounted to P29 and P89 as at December 31, 2022 and 2021, respectively.

l. The amount represents the drawdown by the Company of US$120 (P6,517) and US$180 (P9,684) on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate purposes.

   Unamortized debt issue costs amounted to P45 and P106 as at December 31, 2022 and 2021, respectively.

m. The amount represents the drawdown by the Company on November 21, 2018 from its term loan facility amounting to US$200 (P10,470). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

   Unamortized debt issue costs amounted to P35 and P73 as at December 31, 2022 and 2021, respectively.

n. The amount represents the drawdown by the Company on August 2, 2022 from its term loan facility amounting to US$100 (P5,544). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P63 as at December 31, 2022.

o. The amount represents the drawdown by the Company on December 23, 2021 from its term loan facility amounting to US$100 (P5,005). The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes.

   Unamortized debt issue costs amounted to P65 and P80 as at December 31, 2022 and 2021, respectively.

p. The amount represents the drawdown by the Company on October 24, 2017 from its term loan facilities amounting to US$300 (P15,462) entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

   Payments made amounted to US$210 (P10,536) as at December 31, 2022.

   Unamortized debt issue costs amounted to P19 and P29 as at December 31, 2022 and 2021, respectively.

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries.

The Company is required to comply with the following financial ratios:

Financial Ratios	Threshold
Consolidated EBITDA to consolidated total interest expense	Not less than 2.00:1.00
Consolidated net debt to consolidated total equity ratio	Does not exceed 2.10:1.00

The Company is in compliance with the covenants of the debt agreements as at December 31, 2022 and 2021.

Interest expense on long-term debt recognized in the separate statements of income amounted to P16,066 and P8,365 in 2022 and 2021, respectively (Note 20).

The movements in debt issue costs are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P3,836**	P3,414
Additions		**3,452**	1,558
Amortization	*20*	**(1,407)**	(1,136)
Balance at end of year		**P5,881**	P3,836

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2023	P80,212	P139	P80,073
2024	133,982	1,099	132,883
2025	2,598	11	2,587
2026	70,715	1,139	69,576
2027 and thereafter	223,620	3,493	220,127
Total	**P511,127**	**P5,881**	**P505,246**

Contractual terms of the Company's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 28.

15. Income Taxes

The components of income tax expense (benefit) are shown below:

	2022	2021
Current	**P167**	P74
Deferred	**(2,746)**	1,949
	(P2,579)	P2,023

Deferred tax assets and liabilities arise from the following:

	2022	2021
Items Recognized in Profit or Loss		
Allowance for impairment losses	**P2,183**	P2,183
Unrealized foreign exchange loss (gain)	**1,757**	(424)
Retirement benefits	**(238)**	(212)
MCIT	**78**	157
Others	**1,451**	781
	5,231	2,485
Items Recognized Directly in Other Comprehensive Income		
Net gain on financial assets at FVOCI	**(71)**	(57)
Equity reserve for retirement plan	**818**	(603)
Net loss on cash flow hedges	**93**	180
	840	(480)
	P6,071	P2,005

The movements in deferred tax assets are as follows:

2022	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance at December 31**
Allowance for impairment losses	**P2,183**	**P -**	**P -**	**P2,183**
Unrealized foreign exchange loss (gain)	**(424)**	**2,181**	**-**	**1,757**
MCIT	**157**	**(79)**	**-**	**78**
Retirement benefits	**(212)**	**(26)**	**-**	**(238)**
Net gain on financial assets at FVOCI	**(57)**	**-**	**(14)**	**(71)**
Equity reserve for retirement plan	**(603)**	**-**	**1,421**	**818**
Net loss (gain) on cash flow hedges	**180**	**-**	**(87)**	**93**
Others	**781**	**670**	**-**	**1,451**
	P2,005	**P2,746**	**P1,320**	**P6,071**

2021	Balance at January 1	Impact of CREATE Act	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Allowance for impairment losses	P2,559	(P376)	P -	P -	P2,183
Unrealized foreign exchange loss (gain)	703	(117)	(1,010)	-	(424)
MCIT	249	(26)	(66)	-	157
Retirement benefits	(260)	43	5	-	(212)
Net gain on financial assets at FVOCI	(53)	-	-	(4)	(57)
Equity reserve for retirement plan	(495)	83	-	(191)	(603)
Net loss (gain) on cash flow hedges	216	(36)	-	-	180
Others	1,183	(241)	(161)	-	781
	P4,102	(P670)	(P1,232)	(P195)	P2,005

As at December 31, 2022, the MCIT of the Company that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	Balance
2020	December 31, 2023	P78
2021	December 31, 2024	42
2022	December 31, 2025	65
		P185

As at December 31, 2022, the NOLCO of the Company that can be claimed as deduction from future taxable income are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	Balance
2020	December 31, 2025	P3,715
2021	December 31, 2026	7,087
2022	December 31, 2025	1,833
		P12,635

As at December 31, 2022, deferred tax assets in respect of NOLCO and MCIT amounting to P3,159 and P107, respectively, have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Company's effective income tax rate is as follows:

	2022	2021
Statutory income tax rate	**25.00%**	25.00%
Increase (decrease) in income tax rate resulting from:		
Nontaxable income	**46.39%**	(97.24%)
Income subject to final tax	**0.43%**	(0.52%)
Others	**(38.73%)**	135.64%
Effective income tax rate	**33.09%**	62.88%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Company are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2022 and 2021 were computed and measured using the applicable income tax rates.

The impact on the separate financial statements of the Company based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE act, are as follows:

ASSETS	
Prepaid expenses and other current assets	P26
Deferred tax assets	(670)
	(P644)
LIABILITIES AND EQUITY	
Equity reserve	P47
Retained earnings	(691)
	(P644)
Income tax expense:	
Current	(P26)
Deferred	717
	P691

16. Equity

a. Amendments to the Articles of Incorporation

On July 23, 2009, during the annual stockholders' meeting of the Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Company. The authorized capital stock of the Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" preferred shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" preferred shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Company, to increase the authorized capital stock of the Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" preferred shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Company to increase the authorized capital stock, and consequently creating the Series "2" preferred shares.

On June 9, 2015, during the annual stockholders meeting of the Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Company to reclassify 810,000,000 Series "1" preferred shares to Series "2" preferred shares, consisting of 691,099,686 Series "1" preferred treasury shares to Series "2" preferred treasury shares and 118,900,314 Series "1" preferred unissued shares to Series "2" preferred unissued shares. With the approved reclassification, the resulting distribution of the preferred shares of the Company was 300,000,000 for Series "1" preferred shares and 1,910,000,000 for Series "2" preferred shares. The stockholders also approved the issuance of the Series "2" preferred shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Company to reclassify 810,000,000 Series "1" preferred shares to Series "2" preferred shares was approved by the SEC on July 14, 2015.

b. Capital Stock

Common Shares

On July 27, 2010, the BOD of the Company approved the offer to issue approximately 1,000,000,000 common shares (from the unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both are available to foreign investors, subject to the foreign ownership limit.

The Company has a total of 33,653 and 33,828 common shareholders as at December 31, 2022 and 2021, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2022	2021
Issued shares	**3,288,649,125**	3,288,649,125
Less treasury shares	**904,752,537**	904,752,537
Issued and outstanding shares	**2,383,896,588**	2,383,896,588

Preferred Shares

i. Series "1" Preferred Shares
Series "1" preferred shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Company at a fixed rate of 8% per annum calculated in respect of each Series "1" preferred share by reference to the Issue Price thereof in respect of each dividend period.

Series "1" preferred shares are non-voting except as provided for under the Corporation Code. The Series "1" preferred shares are redeemable in whole or in part, at the sole option of the Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Company approved the Offer by the Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Company with Series "1" preferred shares. The exchange ratio was one common share for one Series "1" preferred share and the qualified shareholders of record as at July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" preferred shares.

On October 15, 2009, the BOD of the Company approved the issuance, through private placement, of up to 226,800,000 Series "1" preferred shares.

On December 22, 2009, the Company issued 97,333,000 Series "1" preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series "1" preferred share.

On December 8, 2010 and October 3, 2011, the Company listed 873,173,353 and 97,333,000 Series "1" preferred shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Company approved the redemption of Series "1" preferred shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series "1" preferred shares were reverted to treasury.

On April 14, 2015, the Company reissued 279,406,667 Series "1" preferred shares held in treasury in the name of certain subscribers at P75.00 per share. The Series "1" preferred shares became tradable at the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the Company approved the redemption of Series "1" preferred shares at a redemption price of P75.00 per share.

On April 14, 2020, 279,406,667 Series "1" preferred shares were reverted to treasury.

The Company has 279,406,667 Series "1" preferred shares held in treasury as at December 31, 2022 and 2021.

The Company has no outstanding Series "1" preferred as at December 31, 2022 and 2021.

ii. Series “2” Preferred Shares

Subseries 2-A, Subseries 2-B and Subseries 2-C
In September 2012, the Company issued 1,067,000,000 Series “2” preferred shares at the issue price of P75.00 per share. The said Series “2” preferred shares worth P80,025 were listed at the PSE on September 28, 2012. The SEC approved the registration and issued a permit to sell on August 10, 2012.

The Series “2” preferred shares were issued in three subseries (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Company has the redemption option starting on the third, fifth and seventh year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, and 8.000% per annum for Subseries “2-A”, Subseries “2-B” and Subseries “2-C” preferred shares, respectively.

On September 21, 2015, the Company redeemed its 721,012,400 Series “2” preferred shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Company paid P54,076 to the holders of Subseries “2-A” preferred shares. The redemption was approved by the BOD of the Company on August 20, 2015.

On September 23, 2019, the Company redeemed its 90,428,200 Series “2” preferred shares - Subseries “2-B” at a redemption price of P75.00 per share. The Company paid P6,782 to the holders of Subseries “2-B” preferred shares. The redemption was approved by the BOD of the Company on September 12, 2019.

On September 21, 2021, the Company redeemed its outstanding 255,559,400 Series “2” preferred shares - Subseries “2-C” at a redemption price of P75.00 per share. The Company paid P19,167 to the holders of Subseries “2-C” preferred shares. The redemption was approved by the BOD of the Company on August 5, 2021.

As of September 21, 2021, there are no more outstanding Series “2” preferred shares out of the 1,067,000,000 Series “2” preferred shares subject of the SEC’s permit to sell on August 10, 2012 and listed with the PSE on September 28, 2012.

Subseries 2-D, Subseries 2-E and Subseries 2-F
On September 21, 2015, the Company issued and listed at the PSE 446,667,000 Series “2” preferred shares held in treasury in three subseries (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, Subseries “2-E” and Subseries “2-F” preferred shares, respectively. The SEC approved the registration and issued a permit to sell on August 6, 2015.

On September 21, 2020, the Company redeemed its 89,333,400 Series "2" preferred shares - Subseries "2-D" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Company paid P6,700 to the holders of Subseries "2-D" preferred shares. The redemption was approved by the BOD of the Company on August 6, 2020.

On September 21, 2021, the Company redeemed its 134,000,100 Series "2" preferred shares - Subseries "2-E" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Company paid P10,050 to the holders of Subseries "2-E" preferred shares. The redemption was approved by the BOD of the Company on August 5, 2021.

As of September 21, 2021, only the Subseries "2-F" preferred shares remain outstanding out of the 446,667,000 Series "2" preferred shares subject of the SEC's permit to sell on August 6, 2015 and listed with the PSE on September 21, 2015.

Subseries 2-G, Subseries 2-H and Subseries 2-I
On February 24, 2016, the BOD of the PSE approved the listing application of the Company of up to 975,571,800 shares of Series "2" preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 400,000,000 shares of Series "2" preferred shares (the First Tranche) with a par value of P5.00 and an offer price of P75.00 per share. The SEC approved the Shelf Registered Shares and issued a permit to sell on March 8, 2016.

The Company offered the "First Tranche" of up to: (i) 280,000,000 shares of Series "2" preferred shares consisting of Subseries "2-G", Subseries "2-H" and Subseries "2-I" and (ii) 120,000,000 shares of Series "2" preferred shares to cover the oversubscription option. The First Tranche was re-issued and offered from the Series "2" Preferred Shares Subseries held in treasury. The First Tranche was issued on March 30, 2016 which was also the listing date of the Shelf Registered Shares.

Dividend rates are 6.5793%, 6.3222% and 6.3355% per annum for Subseries "2-G", Subseries "2-H" and Subseries "2-I" preferred shares, respectively.

Following the completion of the Company's follow-on offering of 280,000,000 Series "2" preferred shares, with an oversubscription option of 120,000,000 Series "2" preferred shares, the Company re-issued the Series "2" preferred shares held in treasury, as follows: (i) 244,432,686 Series "2" preferred shares; and (ii) 155,567,314 Subseries "2-A" preferred shares (collectively, the "Offer Shares"). The Series "2" preferred shares were Series "1" preferred shares held in treasury that were reclassified to Series "2" preferred shares on June 9, 2015.

The remaining 575,571,800 Shelf Registered Shares will no longer be issued due to the expiration of the shelf registration, which is a period of three years from the date of approval.

On March 30, 2021, the Company redeemed its 66,666,600 Series "2" preferred shares - Subseries "2-G" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Company paid P5,000 to the holders of Subseries "2-G" preferred shares. The redemption was approved by the BOD of the Company on March 11, 2021.

On December 21, 2022, the Company redeemed its 164,000,000 Series “2” preferred shares - Subseries “2-H” at a redemption price of P75.00 per share, plus any unpaid cash dividends. The Company paid P12,300 to the holders of Subseries “2-H” preferred shares. The redemption was approved by the BOD of the Company on September 22, 2022.

As of December 21, 2022, only the Subseries “2-I” preferred shares remain outstanding out of the 400,000,000 shelf-registered Series “2” preferred shares subject of the SEC’s permit to sell on March 8, 2016 and listed with the PSE on March 30, 2016.

Subseries 2-J and Subseries 2-K
On September 30, 2020, the BOD of the PSE approved the listing application of the Company of up to 533,333,334 Series “2” preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series “2” preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

The Company offered the First Tranche consisting of: (i) 133,333,400 Subseries “2-J” preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries “2-J” preferred shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Subseries “2-J” Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed at the PSE.

The Company offered a Second Tranche of the Shelf Registered Shares, consisting of: (i) 133,333,400 Subseries “2-K” preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries “2-K” preferred shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Subseries “2-K” was issued and listed at the PSE on December 10, 2020.

The First and Second Tranche were re-issued and offered from the Subseries “2-A” preferred shares held in treasury.

Dividend rates are 4.75% and 4.50% per annum for Subseries “2-J” and Subseries “2-K” preferred shares, respectively.

The Company has 914,861,219 and 750,861,219 Series “2” preferred shares held in treasury as at December 31, 2022 and 2021, respectively.

The Company has 843,238,467 and 1,007,238,467 outstanding Series “2” preferred shares as at December 31, 2022 and 2021, respectively.

The Company has a total of 251 and 366 preferred shareholders as at December 31, 2022 and 2021, respectively.

c. Treasury Shares

Treasury shares consist of:

	2022	2021
Common	**P67,093**	P67,093
Preferred	**89,570**	77,270
	P156,663	P144,363

Common Shares
The Company has 904,752,537 common shares held in treasury as at December 31, 2022 and 2021.

1. In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" preferred shares of the Coconut Industry Investment Fund (CIIF) companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

   On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the "Manifestation and Omnibus Motion" filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 CIIF Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the Republic of the Philippines (ROP) to file the appropriate action or proceeding to determine the legal right of the Company to the 25,450,000 treasury shares of the Company. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the ROP. To date, no such further action or proceeding has been filed by the ROP relating to the 25,450,000 Treasury Shares of the Company.

2. In 2009, 873,173,353 common shares reverted to treasury were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Company consisting of 27,580,000 common shares from the treasury shares of the Company and 82,740,000 common shares held by Top Frontier, priced at P110.00 per share.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Company sold to overseas investors were simultaneously listed at the Singapore Exchange Securities Trading Limited (SGX-ST). The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares to be re-issued from the treasury shares of the Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

   On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Company.

   In 2014, 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Company were transacted and crossed at the PSE on various dates via special block sales.

   A total of 9,794,587 common shares were issued to the bondholders of the Company's exchangeable bonds as at December 31, 2014.

5. In 2014 and 2013, 68,150 common shares and 3,410,250 common shares, respectively, under the Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.

   In 2016, the Company discontinued the ESPP.

d. Capital Securities

Senior Perpetual Capital Securities

On December 5, 2019, the BOD approved the establishment of a medium term note programme amounting to US$3,000 (the "Programme"), and the issuance of US$500 perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities will be both registered at the SGX-ST.

The Programme will be available for a medium term and will allow the Company to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give the Company ready access to funding and will give the Company the flexibility to fund its contemplated investments and projects such as the Metro Rail Transit 7 construction, the Manila International Airport, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, the Company issued US$500 (P24,595) SPCS at an issue price of 100%, with a rate of distribution of 5.5% per annum payable every January 29 and July 29 of each year. The securities were issued under the Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations and for general corporate purposes.

Redeemable Perpetual Securities

On various dates in June and July 2020, the Company issued a total of P14,810 RPS at an issue price of 100%, with a rate of distribution of 5% per annum.

On September 29 and October 19, 2020, the Company purchased and cancelled a total amount of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by the Company to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The outstanding P4,000 RPS issued to a related party, with a rate of distribution of 5% per annum, is payable every January 1, April 1, July 1 and October 1 of each year.

On August 4, 2020, the Company issued US$100 (P4,909) RPS to a related party at an issue price of 100%, with a rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. The Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Company for general corporate purposes.

e. Unappropriated Retained Earnings

The unappropriated retained earnings of the Company is restricted in the amount of P67,093 in 2022 and 2021 representing the cost of common shares held in treasury.

17. Costs and Expenses

Costs and expenses consist of:

	Note	**2022**	2021
Personnel	*19*	**P1,112**	P1,465
Contracted services		**909**	623
Professional fees		**812**	919
Travel, entertainment and representation		**771**	477
Rent, repairs and maintenance, supplies and utilities	*23*	**225**	169
Taxes and licenses		**137**	140
Depreciation and amortization	*18*	**134**	154
Others		**69**	53
		P4,169	P4,000

18. Depreciation and Amortization

Depreciation and amortization arise from the following accounts:

	Note	**2022**	2021
Right-of-use assets	*9*	**P81**	P75
Property, plant and equipment	*8*	**41**	65
Investment property	*10*	**8**	9
Intangible assets	*11*	**4**	5
	17	**P134**	P154

19. Personnel Expenses

Personnel expenses consist of:

	Note	**2022**	2021
Salaries and wages		**P857**	P1,190
Retirement costs	*24*	**87**	108
Other employee benefits		**168**	167
	17	**P1,112**	P1,465

20. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	2022	2021
Interest expense	**P17,812**	P9,206
Other financing charges	**1,816**	1,549
	P19,628	P10,755

Amortization of debt issue costs, included as part of “Other financing charges”, amounted to P1,407 and P1,136 in 2022 and 2021, respectively (Note 14).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	**2022**	2021
Long-term debt	*14*	**P16,066**	P8,365
Loans payable	*12*	**1,701**	793
Lease liabilities	*23*	**45**	48
		P17,812	P9,206

21. Interest Income

Interest income consists of:

	Note	**2022**	2021
Interest from short-term investments, cash in banks and others		**P2,865**	P1,309
Interest on amounts owed by related parties	*22, 24*	**725**	475
Interest on actuarial	*24*	**191**	91
		P3,781	P1,875

22. Related Party Disclosures

The Company, certain subsidiaries and their shareholders and associates purchase products and services from one another in the normal course of business. The Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	*6*	2021	P -	P -	P3,653	P -	On demand; non - interest bearing	Unsecured; no impairment
	11	**2022**	**-**	**-**	**3,037**	**-**	To be settled on the first	Unsecured;
		2021	-	-	3,037	-	anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
	25	**2022**	**-**	**-**	**-**	**516**	Settled on dividend	Unsecured
		2021	-	-	-	551	payment date	
Entities under		**2022**	**54**	**-**	**57**	**-**	On demand;	Unsecured;
Common Control		2021	8	-	41	-	non-interest bearing	no impairment
Subsidiaries	*6, 7, 11, 13*	**2022**	**5,092**	**565**	**59,905**	**8,423**	On demand; non-	Unsecured;
		2021	3,681	478	57,908	2,467	interest bearing	no impairment
		2022	**537**	**-**	**37,336**	**-**	On demand and 90 days;	Unsecured;
		2021	286	-	6,503	-	interest bearing	no impairment
		2022	**-**	**-**	**8,067**	**-**	5 years and 20 years;	Unsecured;
		2021	-	-	5,306	-	interest bearing	no impairment
Associates of	*6, 11*	**2022**	**25**	**96**	**20**	**16**	On demand;	Unsecured;
Subsidiaries		2021	34	1	18	16	interest bearing and non-interest bearing	no impairment
Retirement Plan	*6, 21, 24*	**2022**	**23**	**-**	**3,480**	**-**	On demand;	Unsecured;
		2021	23	-	4,433	-	non-interest bearing	no impairment
		2022	**188**	**-**	**3,233**	**-**	On demand;	Unsecured;
		2021	188	-	3,233	-	interest bearing	no impairment
		2022	**P5,919**	**P661**	**P115,135**	**P8,955**		
		2021	P4,220	P479	P84,132	P3,034		

1. Purchases consist of purchase of power, products and services from related parties.

2. Amounts owed by related parties consist of receivables arising from management fees, share in expenses, royalty, rental and interest; and non-interest bearing non-trade receivables.

   a) Amounts owed by related parties also include prepaid rent amounting to P2 as at December 31, 2022 and 2021, presented as part of "Prepaid expenses and other current assets" account in the separate statements of financial position.

   b) Amounts owed by related parties include interest bearing receivable from the Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Company amounting to P725.

      (i) Amounts owed by the Parent Company amounting to P2,312: On September 27, 2019, the parties agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. As a result, no accrual of interest was made as at December 31, 2022 and 2021. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of noncurrent receivables under "Other noncurrent assets" account in the separate statements of financial position as at December 31, 2022 and 2021 (Note 11).

      (ii) Amounts owed by the Parent Company amounting to P725: These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As a result, no accrual of interest was made as at December 31, 2022 and 2021. These amounts are included as part of noncurrent receivables under "Other noncurrent assets" account in the separate statements of financial position as at December 31, 2022 and 2021 (Note 11).

   c) Amounts owed by related parties include non-interest bearing receivable from the Parent Company, used for working capital purposes. In 2022, the Company collected its non-interest bearing receivable from the Parent Company amounting to US$72 (P4,030).

   d) Amounts owed by related parties include interest bearing advances.

      Current Shareholder Advances:

      - *Amounts owed by SMEII:* The Company provided interest bearing advances to SMEII amounting to P30,227 in 2022. These amounts are subject to interest rate of 5.75% per annum, payable upon maturity on March 21, 2023.

      - *Amounts owed by Atlantic Aurum Investments B.V. (AAIBV)*: The Company provided interest bearing advances to AAIBV amounting to US$128 (P7,109) in 2013. These amounts are subject to interest rate of 3.00% per annum, payable upon maturity on May 28, 2018, or until the note is fully paid.

These amounts are included as part of amounts owed by related parties under "Receivable - net" account in the separate statement of financial position as at December 31, 2022 (Note 6).

Noncurrent Shareholder Advances:

- *Amounts owed by SMC Metro Manila Rail Transit 7 Inc. (MRT7):* The Company provided interest bearing shareholder advances to MRT 7 amounting to P2,761 and P2,239 in 2022 and 2021, respectively. These amounts are subject to interest rate of 3.00% per annum on the 1st 90 days. The interest rate is subject to quarterly review by the Company and MRT7, based on the prevailing market rates. These amounts are payable upon maturity on October 19, 2026.

- *Amounts owed by SMILSI:* The Company provided interest bearing shareholder advances to SMILSI amounting to P2,250 in 2021. These amounts are subject to interest rate of 3.00% per annum on the 1st 90 days. The interest rate is subject to quarterly review by the Company and SMILSI based on the prevailing market rates. These amounts are payable upon maturity on various dates in 2026.

- *Amounts owed by SMAI:* The Company provided interest bearing shareholder advances to SMAI amounting to P817 in 2020. These amounts are subject to interest rate of 5.00% per annum for the initial interest period and interest rate based on 10-year PHP BVAL (on interest resetting date) plus 3.00% per annum (or such other applicable premium to be agreed upon between the Company and SMAI) for the second initial and final interest period. These amounts are payable upon maturity on various dates in 2040.

These amounts are included as part of "Other noncurrent assets" account in the separate statements of financial position as at December 31, 2022 and 2021 (Note 11).

Interest income earned from the advances amounted to P725 and P475 in 2022 and 2021, respectively (Note 21).

3. Amounts owed to related parties consist of payables, subscription of shares, insurance, advance rental, security deposits, dividends and distributions payable and commodity hedges. Derivative liability amounted to P44 and P22 as at December 31, 2022 and 2021, respectively, presented as part of "Accounts payable and accrued expenses" in the separate statements of financial position. Subscriptions payable amounted to P1,850 and P1,444 as at December 31, 2022 and 2021, respectively. Dividends and distributions payable amounted to P566 and P551 as at December 31, 2022 and 2021, respectively, presented as part of "Dividends and distributions payable" account in the separate statements of financial position. Lease liabilities amounted to P411 and P457 as at December 31, 2022 and 2021, respectively, presented as "Other noncurrent liabilities" in the separate statements of financial position. Deferred rent income amounted to P1 as at December 31, 2021 presented as "Other noncurrent liabilities" account in the separate statement of financial position.

4. The compensation of key management personnel of the Company, by benefit type, follows:

	Note	**2022**	2021
Short-term employee benefits		**P370**	P232
Retirement benefits	*24*	**(5)**	2
		P365	P234

23. Leasing Agreements

Company as Lessor
The Company has entered into various property leases. These non-cancellable leases will expire up to year 2044. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2022	2021
Within one year	**P179**	P168
One to two years	**183**	173
Two to three years	**188**	175
Three to four years	**193**	182
Four to five years	**201**	188
More than five years	**868**	950
	P1,812	P1,836

Rent income recognized in the separate statements of income amounted to P270 and P355 in 2022 and 2021, respectively (Notes 4 and 10).

Company as Lessee
The Company leases building and improvements and a parcel of land. These leases typically run for a period of 10 to 25 years. The Company has the option to renew the lease after the expiration of the lease term.

The minimum annual rental commitments under these non-cancellable leases, which are payable within one year from reporting date, amounted to P124 and P118 as at December 31, 2022 and 2021, respectively.

The Company recognized interest expense related to these leases amounting to P45 and P48 in 2022 and 2021, respectively (Note 20).

The Company also leases office facilities. The leases typically run for a period of one year. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The expenses relating to these short-term leases are recognized as rent expense in 2022 and 2021.

Rent expense, included as part of “Costs and expenses” account in the separate statements of income, amounted to P21 and P20 in 2022 and 2021, respectively (Note 17).

The Company's total cash outflows for the lease amounted to P95 and P127 in 2022 and 2021, respectively.

24. Retirement Plan

The Company has funded, noncontributory, defined benefit retirement plan (Retirement Plan) covering all of its permanent employees. The Retirement Plan of the Company pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined using the projected unit credit method. The latest actuarial valuation date is December 31, 2022. Valuations are obtained on a periodic basis.

The Retirement Plan is registered with the BIR as a tax-qualified plan under Republic Act No. 4917, as amended. The control and administration of the Retirement Plan is vested in the Board of Trustees. The Board of Trustees of the Retirement Plan who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Company. The Retirement Plan's accounting and administrative functions are undertaken by the Retirement Funds Office of the Company.

The following table shows a reconciliation of the net defined benefit retirement asset and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Asset (Liability)	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Balance at beginning of year	**P6,927**	P6,379	**(P1,898)**	(P2,204)	**(P1,744)**	(P1,637)	**P3,285**	P2,538
Recognized in Profit or Loss								
Service costs	**-**	-	**(87)**	(108)	**-**	-	**(87)**	(108)
Interest expense	**-**	-	**(95)**	(83)	**-**	-	**(95)**	(83)
Interest income	**374**	236	**-**	-	**-**	-	**374**	236
Interest on the effect of asset ceiling	**-**	-	**-**	-	**(88)**	(62)	**(88)**	(62)
	374	236	**(182)**	(191)	**(88)**	(62)	**104**	(17)
Recognized in Other Comprehensive Income								
Remeasurements								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**(105)**	80	**-**	-	**(105)**	80
Changes in financial assumptions	**-**	-	**101**	121	**-**	-	**101**	121
Changes in demographic assumptions	**-**	-	**16**	-	**-**	-	**16**	-
Return on plan assets excluding interest income	**(7,527)**	608	**-**	-	**-**	-	**(7,527)**	608
Changes in the effect of asset ceiling	**-**	-	**-**	-	**1,832**	(45)	**1,832**	(45)
	(7,527)	608	**12**	201	**1,832**	(45)	**(5,683)**	764
Others								
Contributions	**1,135**	-	**-**	-	**-**	-	**1,135**	-
Benefits paid	**(74)**	(296)	**74**	296	**-**	-	**-**	-
Transfers from other plans	**3**	-	**(3)**	-	**-**	-	**-**	-
Transfers to other plans	**(6)**	-	**6**	-	**-**	-	**-**	-
	1,058	(296)	**77**	296	**-**	-	**1,135**	-
Balance at end of year	**P832**	P6,927	**(P1,991)**	(P1,898)	**P -**	(P1,744)	**(P1,159)**	P3,285

The Company's annual contribution to the Retirement Plan consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized as part of "Personnel expenses" under "Cost and expenses" account in the separate statements of income amounted to P87 and P108 in 2022 and 2021, respectively (Note 19).

The net interest on the defined benefit retirement asset recognized as part of "Interest income" account in the separate statements of income amounted to P191 and P91 in 2022 and 2021, respectively (Note 21).

The defined benefit retirement liability included as part of "Other noncurrent liabilities" account amounted to P1,159 as at December 31, 2022. The defined benefit retirement asset included as part of "Other noncurrent assets" account amounted to P3,285 as at December 31, 2021 (Note 11).

The carrying amounts of the Company's retirement fund approximate fair values as at December 31, 2022 and 2021.

The Company's plan assets consist of the following:

	In Percentages	
	2022	2021
Investments in marketable securities and shares of stock	**83.43**	91.73
Investments in pooled funds:		
Fixed income portfolio	**1.08**	0.56
Stock trading portfolio	**0.58**	0.31
Investments in real estate	**9.07**	3.17
Others	**5.84**	4.23

Investments in Marketable Securities
As at December 31, 2022 the plan assets include:

- 2,392,597 common shares of the Company with fair market value per share of P92.95;
- 1,917,608 common shares of Top Frontier with fair market value per share of P95.00;
- 5,817,380 common shares of SMFB with fair market value per share of P38.70;
- 5,085,800 common shares of SMB with fair market value per share of P20.00;
- 11,200,601 common shares of GSMI with fair market value per share of P105.00;
- 273,580,000 common shares of Petron with fair market value per share of P2.40;
- 300 common shares of SMPI with fair market value per share of P134.12; and
- investment in shares of stock of the PSE and other equity securities which amounted to P1,259.

As at December 31, 2021, the plan assets include:

- 2,392,597 common shares of the Company with fair market value per share of P114.90;

- 1,917,608 common shares of Top Frontier with fair market value per share of P127.70;
- 5,817,380 common shares of SMFB with fair market value per share of P71.40;
- 5,085,800 common shares of SMB with fair market value per share of P20.00;
- 11,200,601 common shares of GSMI with fair market value per share of P113.80;
- 273,580,000 common shares of Petron with fair market value per share of P3.17;
- 300 common shares of SMPI with fair market value per share of P134.12; and
- investment in shares of stock of the PSE and other equity securities which amounted to P1,687.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 3).

The Company's Retirement Plan recognized a gain (loss) on the investment in marketable securities of the Company, its subsidiaries and Top Frontier amounting to (P7,271) and P482 in 2022 and 2021, respectively.

Dividend income from the investment in shares of stock of the Company and its subsidiaries amounted to P82 and P64 in 2022 and 2021, respectively.

Investment in Shares of Stock
The Retirement Plan has 432,626,860 common shares, representing 38.54% equity interest in Bank of Commerce (BOC), accounted for under the equity method of accounting amounting to P10,064 as at December 31, 2021. The Retirement Plan recognized its share in total comprehensive income of BOC amounting to P468 in 2021.

The *Bangko Sentral ng Pilipinas* (BSP) and SEC approved the Amendment of Articles of Incorporation of BOC on October 4 and November 2, 2021, respectively, for the change in the par value of BOC's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BOC on May 25 and July 8, 2021, respectively. As a result, the Retirement Plan's investment in BOC's common shares increased from 43,262,686 to 432,626,860 common shares.

On October 20, 2021, the Retirement Plan sold its investment in 1,571,600 common shares of BOC for a total consideration of P356.

In 2022, the BOC listed its shares through Initial Public Offering for P12.00 per share in the PSE. Accordingly, the Retirement Plan remeasured its investment in shares of stock of BOC using the available quoted price and reclassified the investment to investment in marketable securities. The change in the valuation estimate from equity method to available quoted price resulted to the recognition by the Retirement Plan of unrealized loss on marketable securities amounting to P6,651 in 2022.

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Company and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plan based on its pro-rata share in net assets of the pooled funds. The Retirement Plan's interests in the net assets of the pooled funds were 4.55% and 3.37% of fixed income portfolio as at December 31, 2022 and 2021, respectively and 14.95% and 8.34% of stock trading portfolio as at December 31, 2022 and 2021, respectively.

Approximately 2.79% and 2.27% of the Retirement Plan's investment in fixed income portfolio represents investment in shares of stock of the Company and its subsidiaries as at December 31, 2022 and 2021, respectively.

Approximately 12.56% and 5.44% of the Retirement Plan's investment in stock trading portfolio represents investment in shares of stock of the Company and its subsidiaries as at December 31, 2022 and 2021, respectively.

Investments in Real Estate
The Retirement Plan has investments in real estate properties as at December 31, 2022 and 2021. The fair value of investment property amounted to P808 and P516 as at December 31, 2022 and 2021, respectively.

Others
Others include the Retirement Plan's investment in trust account, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

The Company is expected to contribute P377 to its defined benefit retirement plan in 2023.

The Retirement Plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plan. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Company to manage the Retirement Plan efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2022	2021
Discount rate	**7.19**	5.02
Salary increase rate	**5.00**	4.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 4.7 and 5.5 years as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below:

	Defined Benefit Retirement Obligation			
	2022		2021	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P77)**	**P86**	(P85)	P96
Salary increase rate	**87**	**(79)**	96	(86)

The Company has advances to and receivables from the Retirement Plan amounting to P6,713 and P7,666 as at December 31, 2022 and 2021, respectively, included as part of "Amounts owed by related parties" under "Receivables" account in the separate statements of financial position (Notes 6 and 22). Portion of the advances are subject to 5.75% interest rate per annum in 2022 and 2021. Interest income earned from the advances amounted to P188 in 2022 and 2021 (Note 21).

Transactions with the Retirement Plan are made at normal market prices and terms. Outstanding balances as at December 31, 2022 and 2021 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Company has not made any provision for impairment losses relating to the receivables from the Retirement Plan in 2022 and 2021.

25. Cash Dividends and Distributions

Cash Dividends

The BOD of the Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 10, 2022	April 1, 2022	April 29, 2022	**P0.35**
	June 14, 2022	July 1, 2022	July 27, 2022	**0.35**
	September 22, 2022	October 7, 2022	October 28, 2022	**0.35**
	December 7, 2022	January 6, 2023	January 27, 2023	**0.35**
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	**1.27635**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.27635**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.27635**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.27635**
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	**1.1854125**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.1854125**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.1854125**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.1854125**
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	**1.18790625**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.18790625**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.18790625**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.18790625**
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	**0.890625**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.890625**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.890625**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.890625**
SMC2K	February 10, 2022	March 21, 2022	April 1, 2022	**0.84375**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.84375**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.84375**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.84375**

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 11, 2021	April 5, 2021	April 30, 2021	P0.35
	June 8, 2021	July 2, 2021	July 28, 2021	0.35
	September 9, 2021	October 8, 2021	October 29, 2021	0.35
	December 2, 2021	January 4, 2022	January 21, 2022	0.35
Preferred				
SMC2C	January 21, 2021	March 19, 2021	April 5, 2021	1.50
	May 6, 2021	June 21, 2021	July 2, 2021	1.50
	August 5, 2021	September 21, 2021	October 1, 2021	1.50
SMC2E	January 21, 2021	March 19, 2021	April 5, 2021	1.18603125
	May 6, 2021	June 21, 2021	July 2, 2021	1.18603125
	August 5, 2021	September 21, 2021	October 1, 2021	1.18603125
SMC2F	January 21, 2021	March 19, 2021	April 5, 2021	1.27635
	May 6, 2021	June 21, 2021	July 2, 2021	1.27635
	August 5, 2021	September 21, 2021	October 1, 2021	1.27635
	November 11, 2021	December 21, 2021	January 7, 2022	1.27635
SMC2G	January 21, 2021	March 19, 2021	April 5, 2021	1.23361875
SMC2H	January 21, 2021	March 19, 2021	April 5, 2021	1.1854125
	May 6, 2021	June 21, 2021	July 2, 2021	1.1854125
	August 5, 2021	September 21, 2021	October 1, 2021	1.1854125
	November 11, 2021	December 21, 2021	January 7, 2022	1.1854125
SMC2I	January 21, 2021	March 19, 2021	April 5, 2021	1.18790625
	May 6, 2021	June 21, 2021	July 2, 2021	1.18790625
	August 5, 2021	September 21, 2021	October 1, 2021	1.18790625
	November 11, 2021	December 21, 2021	January 7, 2022	1.18790625
SMC2J	January 21, 2021	March 19, 2021	April 5, 2021	0.890625
	May 6, 2021	June 21, 2021	July 2, 2021	0.890625
	August 5, 2021	September 21, 2021	October 1, 2021	0.890625
	November 11, 2021	December 21, 2021	January 7, 2022	0.890625
SMC2K	January 21, 2021	March 19, 2021	April 5, 2021	0.84375
	May 6, 2021	June 21, 2021	July 2, 2021	0.84375
	August 5, 2021	September 21, 2021	October 1, 2021	0.84375
	November 11, 2021	December 21, 2021	January 7, 2022	0.84375

On January 26, 2023, the BOD of the Company declared cash dividends to all preferred shareholders of record as at March 21, 2023 on the following shares to be paid on April 4, 2023, as follows:

Class of Shares	Dividends Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375

On March 9, 2023, the BOD of the Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 31, 2023 to be paid on April 28, 2023.

Distributions

The Company paid P381 and P1,957 to the holders of RPS and SCPS, respectively, in 2022 and P364 and P1,804 to the holders of RPS and SCPS, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Company. As at December 31, 2022, the Company has outstanding distribution payable amounting to P50 to the holders of RPS, presented as part of "Dividends and distributions payable" account in the statement of financial position (Note 22).

26. Basic/Diluted Earnings Per Share

Basic/diluted EPS is computed as follows:

	2022	2021
Net income (loss)	**(P5,215)**	P1,194
Dividends on preferred shares	**(4,293)**	(6,002)
Distributions to capital securities	**(2,338)**	(2,168)
Net loss attributable to common shareholders (a)	**(P11,846)**	(P6,976)
Weighted average number of common shares outstanding (in millions) - basic (b)	**2,384**	2,384
Basis/diluted loss per common share (a/b)	**(P4.97)**	(P2.93)

27. Supplemental Cash Flow Information

Supplemental information with respect to the separate statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the separate statements of financial position):

	2022	2021
Receivables	**P1,022**	(P1,563)
Prepaid expenses and other current assets	**(340)**	(245)
Accounts payable and accrued expenses	**5,514**	(1,264)
Income and other taxes payable and others	**262**	42
	P6,458	(P3,030)

b. Changes in liabilities arising from financing activities

	Loans Payable	Long-term Debt	Dividends and Distributions Payable	Lease Liabilities
Balance at January 1, 2022	**P51,450**	**P297,600**	**P2,879**	**P537**
Changes from financing cash flows				
Proceeds from borrowings	**445,680**	**205,366**	**-**	**-**
Payments of borrowings	**(441,840)**	**(16,843)**	**-**	**-**
Cash dividends and distributions paid	**-**	**-**	**(9,911)**	**-**
Payments of lease liabilities	**-**	**-**	**-**	**(30)**
Total change from financing cash flows	**3,840**	**188,523**	**(9,911)**	**(30)**
Effect of changes in foreign exchange rates	**283**	**18,192**	**-**	**-**
Cash dividends and distributions declared	**-**	**-**	**10,018**	**-**
Other changes	**52**	**931**	**-**	**-**
	335	**19,123**	**10,018**	**-**
Balance at December 31, 2022	**P55,625**	**P505,246**	**P2,986**	**P507**

	Loans Payable	Long-term Debt	Dividends and Distributions Payable	Lease Liabilities
Balance at January 1, 2021	P23,950	P261,382	P3,291	P596
Changes from financing cash flows				
Proceeds from borrowings	260,200	56,133	-	-
Payments of borrowings	(232,700)	(31,691)	-	-
Cash dividends and distributions paid	-	-	(11,919)	-
Payments of lease liabilities	-	-	-	(59)
Total change from financing cash flows	27,500	24,442	(11,919)	(59)
Effect of changes in foreign exchange rates	-	10,640	-	-
Cash dividends and distributions declared	-	-	11,507	-
Other changes	-	1,136	-	-
	-	11,776	11,507	-
Balance at December 31, 2021	P51,450	P297,600	P2,879	P537

28. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company has significant exposure to the following financial risks primarily from its use of financial instruments:

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Company include cash and cash equivalents, financial assets at FVOCI, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Company such as receivables, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Company such as currency options, currency swaps and interest rate swap are intended mainly for risk management purposes. The Company uses derivatives to manage its exposures to foreign currency and interest rate risks arising from operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the separate financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Company.

The risk management policies of the Company are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the separate financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the separate financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Company and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Company and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Company. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Company's exposure to changes in interest rates relates primarily to long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Company is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Company invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Company's financial instruments to various standard and non-standard interest rate scenarios.

The Company uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Company applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Company assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Company's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2022	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P13,306**	**P17,454**	**P2,598**	**P14,960**	**P53,463**	**P76,976**	**P178,757**
Interest rate	**6.25% - 6.9375%**	**5.284% - 6.9375%**	**6.625% - 6.9375%**	**6.9375%**	**3.3832% - 5.7613%**	**5.8434% - 8.4890%**	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	**66,906**	**116,528**	**-**	**55,755**	**44,604**	**48,577**	**332,370**
Interest rate	**LIBOR + margin**	**LIBOR + margin**	**-**	**LIBOR + margin**	**SOFR + margin**	**SOFR + margin**	
	P80,212	**P133,982**	**P2,598**	**P70,715**	**P98,067**	**P125,553**	**P511,127**

December 31, 2021	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P16,843	P13,306	P17,454	P2,598	P14,960	P40,439	P105,600
Interest rate	4.8243% - 6.9375%	6.25% - 6.9375%	5.284% - 6.9375%	6.625% - 6.9375%	6.9375%	3.3832% - 7.125%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	-	61,199	106,588	-	28,049	-	195,836
Interest rate	-	LIBOR + margin	LIBOR + margin	-	LIBOR + margin	-	
	P16,843	P74,505	P124,042	P2,598	P43,009	P40,439	P301,436

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax (through the impact on floating rate borrowings) by P3,324 and P1,958 in 2022 and 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Company's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Company's transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Company. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Company enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Company applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Company assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Company's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

	December 31, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,028**	**P113,081**	US$1,686	P85,940
Receivables	**173**	**9,636**	234	11,948
	2,201	**122,717**	1,920	97,888
Liabilities				
Loans payable	**(600)**	**(33,453)**	-	-
Accounts payable and accrued expenses	**(104)**	**(5,817)**	(1)	(27)
Long-term debt	**(5,961)**	**(332,370)**	(3,840)	(195,836)
	(6,665)	**(371,640)**	(3,841)	(195,863)
Net Foreign Currency-denominated Monetary Liabilities	**(US$4,464)**	**(P248,923)**	(US$1,921)	(P97,975)

The Company reported net loss on foreign exchange amounting to P5,640 and P2,390 in 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2022	**55.755**
December 31, 2021	50.999

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Company's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's other comprehensive income.

	December 31, 2022		December 31, 2021	
	Effect on Income before Income Tax		Effect on Income before Income Tax	
	P1 Decrease in the US Dollar Exchange Rate	**P1 Increase in the US Dollar Exchange Rate**	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate
Cash and cash equivalents	**(P2,028)**	**P2,028**	(P1,686)	P1,686
Receivables	**(173)**	**173**	(234)	234
	(2,201)	**2,201**	(1,920)	1,920
Loans payable	**600**	**(600)**	**-**	**-**
Accounts payable and accrued expenses	**104**	**(104)**	1	(1)
Long-term debt	**5,961**	**(5,961)**	3,840	(3,840)
	6,665	**(6,665)**	3,841	(3,841)
	P4,464	**(P4,464)**	P1,921	(P1,921)

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.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Company enters into commodity derivative transactions on behalf of certain subsidiaries to reduce cost by optimizing purchasing synergies within the subsidiaries and managing inventory levels of common materials.

Commodity Swaps and Options. Commodity swaps and options are used to manage the exposures of certain subsidiaries to volatility in prices of certain commodities such as aluminum, fuel oil and coal.

Liquidity Risk

Liquidity risk pertains to the risk that the Company will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Company's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Company constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Company also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2022	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years**
Financial Assets					
Cash and cash equivalents	**P137,258**	**P137,258**	**P137,258**	**P -**	**P -**
Receivables - net	**121,883**	**121,883**	**121,883**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**1,798**	**1,798**	**697**	**806**	**295**
Financial assets at FVOCI (included under "Investments and advances - net" account)	**67,832**	**67,832**	**-**	**-**	**67,832**
Noncurrent receivables - net (included under "Other noncurrent assets - net" account)	**11,114**	**15,352**	**454**	**457**	**14,441**
Financial Liabilities					
Loans payable	**55,625**	**56,434**	**56,434**	**-**	**-**
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent and lease liabilities)	**16,679**	**16,679**	**16,679**	**-**	**-**
Subscriptions payable	**1,850**	**1,850**	**1,850**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**1,845**	**1,845**	**1,845**	**-**	**-**
Long-term debt - net of debt issue costs (including current maturities)	**505,246**	**633,082**	**107,061**	**156,716**	**369,305**
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**507**	**625**	**121**	**124**	**380**
Other noncurrent liabilities (excluding noncurrent retirement liabilities and lease liabilities)	**201**	**201**	**-**	**-**	**201**

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year – 2 Years	>2 Years
Financial Assets					
Cash and cash equivalents	P96,509	P96,509	P96,509	P -	P -
Receivables - net	91,323	91,323	91,323	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	615	615	31	-	584
Financial assets at FVOCI (included under "Investments and advances - net" account)	84,676	84,676	-	-	84,676
Noncurrent receivables - net (included under "Other noncurrent assets - net" account)	8,353	10,850	280	454	10,116
Financial Liabilities					
Loans payable	51,450	51,507	51,507	-	-
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent and lease liabilities)	11,001	11,001	11,001	-	-
Subscriptions payable	1,444	1,444	1,444	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	751	751	33	718	-
Long-term debt - net of debt issue costs (including current maturities)	297,600	326,532	24,155	80,636	221,741
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	537	690	109	113	468
Other noncurrent liabilities (derivative liabilities, lease liabilities and deferred rent)	289	289	-	-	289

Credit Risk

Credit risk is the risk of financial loss to the Company when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Company manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Company has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Company ensures that sales on account are made to customers with appropriate credit history. The Company has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of homogenous counterparties. The Company does not execute any credit guarantee in favor of any counterparty.

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	December 31, 2022					
	Financial Assets at Amortized Cost					
	12-Month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P137,254**	**P -**	**P -**	**P -**	**P -**	**P137,254**
Receivables	**121,883**	**-**	**7,269**	**-**	**-**	**129,152**
Derivative assets	**-**	**-**	**-**	**697**	**1,101**	**1,798**
Noncurrent receivables	**-**	**11,114**	**253**	**-**	**-**	**11,367**
	P259,137	**P11,114**	**P7,522**	**P697**	**P1,101**	**P279,571**

	December 31, 2021					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P96,505	P -	P -	P -	P -	P96,505
Receivables	91,323	-	7,269	-	-	98,592
Derivative assets	-	-	-	31	584	615
Noncurrent receivables	-	8,353	253	-	-	8,606
	P187,828	P8,353	P7,522	P31	P584	P204,318

The aging of receivables is as follows:

	December 31, 2022			December 31, 2021		
	Amounts Owed by Related Parties	**Non-trade Receivables**	**Total**	Amounts Owed by Related Parties	Non-trade Receivables	Total
Current	**P101,160**	**P20,723**	**P121,883**	P72,950	P18,373	P91,323
Over 90 days past due	**2,775**	**4,494**	**7,269**	2,775	4,494	7,269
	P103,935	**P25,217**	**P129,152**	P75,725	P22,867	P98,592

Majority of the receivables pertain to related party accounts that are not impaired, and are collectible. The Company computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of financial assets is being managed by the Company using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements with reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets, collectively amounting to P139,052 and P97,120 as at December 31, 2022 and 2021, respectively.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Company's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include receivables and noncurrent receivables, collectively amounting to P140,519 and P107,198 as at December 31, 2022 and 2021, respectively.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Other Market Price Risk
The Company's market price risk arises from its investments carried at fair value (financial assets at FVOCI). The Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Company maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debt, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the separate statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Company's business, operation and industry.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirement.

29. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Company's financial instruments:

	December 31, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P137,258**	**P137,258**	P96,509	P96,509
Receivables - net	**121,883**	**121,883**	91,323	91,323
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**1,798**	**1,798**	615	615
Financial assets at FVOCI (included under "Investments and advances - net" account)	**67,832**	**67,832**	84,676	84,676
Noncurrent receivables - net (included under "Other noncurrent assets - net" account)	**11,114**	**11,114**	8,353	8,353
Financial Liabilities				
Loans payable	**55,625**	**55,625**	51,450	51,450
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent, and lease liabilities)	**16,679**	**16,679**	11,001	11,001
Subscriptions payable	**1,850**	**1,850**	1,444	1,444
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**1,845**	**1,845**	751	751
Long-term debt - net of debt issue costs (including current maturities)	**505,246**	**506,270**	297,600	302,006
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**507**	**507**	537	537
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, lease liabilities and deferred rent)	**201**	**201**	289	289

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Receivables. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of derivative instruments are based on quotes obtained from the counterparties.

Financial Assets at FVOCI. The fair values of publicly traded equity instruments are based on quoted market prices in an active market. For equity instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable, Accounts Payable and Accrued Expenses and Subscriptions Payable. The carrying amount of loans payable, accounts payable and accrued expenses and subscriptions payable approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 3.8% to 7.0% and 1.0% to 4.5% as at December 31, 2022 and 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Company's derivative financial instruments according to the type of financial risk being managed and the details of freestanding derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Company enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Financial Instruments Accounted for as Cash Flow Hedges

The Company designated the following derivative financial instruments as cash flow hedges:

	Maturity			
December 31, 2022	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swap:				
Notional amount	**US$ -**	**US$190**	**US$40**	**US$230**
Average strike rate	**-**	**P48.00 to P53.70**	**P51.35 to P55.40**	**-**
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$220**	**US$30**	**US$ -**	**US$250**
Average strike rate	**P51.26 to P54.31**	**P50.64**	**-**	**-**
Fixed interest rate	**4.50% to 5.80%**	**3.60% to 4.01%**	**-**	**-**
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$ -**	**US$ -**	**US$225**	**US$225**
Interest rate	**-**	**-**	**0.50% to 3.00%**	**-**

	Maturity			
December 31, 2021	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk:				
Call spread swap:				
Notional amount	US$ -	US$ -	US$190	US$190
Average strike rate	-	-	P48.00 to P53.70	-
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US$ -	US$220	US$30	US$250
Average strike rate	-	P51.26 to P54.31	P50.64	-
Fixed interest rate	-	4.50% to 5.80%	3.60% to 4.01%	-

The following are the amounts relating to hedged items:

December 31, 2022	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**(P384)**	**P -**	**(P423)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**(1,942)**	**68**	**(35)**
Interest rate risk:			
US dollar-denominated borrowings	**(276)**	**203**	**(90)**

December 31, 2021	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P570)	P -	(P319)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(747)	(730)	509

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

December 31, 2022	**Notional Amount**	**Carrying Amount**		**Line Item in the Separate Statement of Financial Position where the Hedging Instrument is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income**	**Cost of Hedging Recognized in Other Comprehensive Income**	**Amount Reclassified from Hedging Reserve to the Separate Statement of Income**	**Amount Reclassified from Cost of Hedging Reserve to the Separate Statement of Income**	**Line Item in the Separate Statement of Income Affected by the Reclassification**
		Assets	**Liabilities**						
Foreign currency risk:									
Call spread swaps	**US$230**	**P743**	**P -**	Other noncurrent assets - net	**P384**	**(P310)**	**(P384)**	**P170**	Interest expense and other financing charges and loss (gain) on foreign exchange
Foreign currency and interest rate risks:									
Cross currency swap	**250**	**813**	**-**	Other noncurrent assets - net and Other noncurrent liabilities	**1,942**	**(725)**	**(877)**	**-**	Interest expense and other financing charges and loss (gain) on foreign exchange
Interest rate risk:									
Interest rate collar	**225**	**151**	**-**	Other noncurrent assets - net	**276**	**(119)**	**(5)**	**-**	Interest expense and other financing charges

December 31, 2021	Notional Amount	Carrying Amount		Line Item in the Separate Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Separate Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Separate Statement of Income	Line Item in the Separate Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk:									
Call spread swaps	US$190	P573	P -	Other noncurrent assets - net	P570	(P525)	(P570)	P100	Interest expense and other financing charges and loss (gain) on foreign exchange
Foreign currency and interest rate risks:									
Cross currency swap	250	11	718	Other noncurrent assets - net and Other noncurrent liabilities	747	(124)	(199)	-	Interest expense and other financing charges and loss (gain) on foreign exchange

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the separate statements of income.

The table below provides a reconciliation, by risk category, of the components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	2022		2021	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	**(P730)**	**P190**	(P1,065)	P562
Changes in fair value				
Foreign currency risk	**384**	**(310)**	570	(525)
Foreign currency risk and interest rate risks	**1,942**	**(725)**	747	(124)
Interest rate risk	**276**	**(119)**	-	-
Amount reclassified to profit or loss	**(1,267)**	**170**	(769)	100
Tax effect	**(334)**	**246**	(213)	177
Balance at end of year	**P271**	**(P548)**	(P730)	P190

Derivative Financial Instruments Not Designated as Hedges

The Company enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding derivatives which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the separate statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Company.

Interest Rate Swap

The Company has outstanding interest rate swap with notional amount of US$365 as at December 31, 2022. Under the agreement, the Company receives floating interest rate based on LIBOR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 as at December 31, 2022.

Currency Options

The Company has outstanding currency options with an aggregate notional amount of US$1,689 and US$390, as at December 31, 2022 and 2021, respectively, and with various maturities in 2022 and 2023. The positive (negative) fair value of these currency options amounted to (P1,800) and P1 as at December 31, 2022 and 2021, respectively.

Commodity Swaps

The Company has outstanding swap agreements covering the fuel oil and coal requirements of subsidiaries, with various maturities in 2022 and 2023. Under the agreement, payment is made either by the Company or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil was 6,000 metric tons as at December 31, 2021. The positive fair value of these swaps on fuel oil amounted to P10 as at December 31, 2021. The Company has no outstanding commodity swaps on the purchase of fuel as at December 31, 2022.

The outstanding notional quantity of coal was 27,000 and 15,000 metric tons as at December 31, 2022 and 2021, respectively. The positive fair value of these swaps on coal amounted to P44 and P12 as at December 31, 2022 and 2021, respectively.

The Company recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P1,976) and P65 in 2022 and 2021, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2022	2021
Balance at beginning of year	**(P136)**	(P2,398)
Net change in fair value of derivatives:		
Designated as accounting hedges	**1,543**	1,196
Not designated as accounting hedges	**(1,976)**	65
	(569)	(1,137)
Less fair value of settled instruments	**(522)**	(1,001)
Balance at end of year	**(P47)**	(P136)

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the separate statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

	December 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P1,798**	**P1,798**	P -	P615	P615
Financial assets at FVOCI	**1,027**	**66,805**	**67,832**	974	83,702	84,676
Financial Liabilities						
Derivative liabilities	**-**	**1,845**	**1,845**	-	751	751

The Company has no financial instruments valued based on Level 3 as at December 31, 2022 and 2021. In 2022 and 2021, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

30. Other Matters

a. Contingencies

The Company is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the separate financial statements of the Company.

Excess Excise Tax Payments

In 2004, the Company was assessed excise taxes by the BIR on “San Mig Light” which at that time was one of its products. These assessments were contested by the Company but nonetheless made the corresponding payments. Consequently, the Company filed three (3) claims for refund for overpayments of excise taxes with the BIR.

The first and second claims for refund were then elevated to the Court of Tax Appeals (CTA) and went all the way to the Supreme Court which was resolved in favor of the Company. On September 8, 2020, the BIR issued Tax Credit Certificates No. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively in favor of SMC. P255 and P62 out of P782 Tax Credit Certificate was partially applied to the Company's 2022 and 2021 tax obligations, respectively. As at December 31, 2022, the P926 Tax Credit Certificate was not yet applied to any of the Company's tax obligations.

The third claim for refund was consolidated with a claim for refund which was filed by SMB, a company to which, effective October 1, 2007, the Company had spun off its domestic beer business. The claim was also favorably resolved in favor of the Company and SMB. On August 10, 2020, the BIR issued Tax Credit Certificate No. 121-20-00010 amounting to P105 in favor of SMC which was applied in full to the Company's tax obligations as at December 31, 2021.

b. Tax-free Asset-for-share Agreements

The following are the tax-free asset-for-share agreements as confirmed by BIR:

- SMFB

  On April 5, 2018, the Company and SMFB signed the Deed of Exchange of Shares pursuant to which the Company will transfer to SMFB, its 7,859,319,270 common shares of the capital stock of SMB and 216,972,000 common shares of the capital stock of GSMI. As consideration for the acquisition by SMFB of the Exchange Shares, SMFB issued in favor of the Company 4,242,549,130 new common shares of the capital stock of SMFB on June 29, 2018, upon approval by the SEC of the increase in authorized capital stock of SMFB.

  As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "SMFB Shares") commencing July 6, 2019 and until SMFB is able to secure a favorable ruling/opinion from the BIR on the appropriate taxes to be imposed on the trades of SMFB Shares through the PSE for a period not exceeding six months (the "MPO Exemption Period").

  On July 20, 2019, SMFB received BIR Ruling No. 1092-2019, granting temporary exemption from the MPO Rule and states that the Share Swap and the follow-on offer of common shares and all trades of SMFB Shares through the PSE during the period not exceeding six months are not subject to capital gains tax of 15% under RR No. 16-2012 as amended by RR No. 11-2019 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of SMFB Shares during the same period. The temporary exemption is effective until December 31, 2019.

  On July 23, 2019, the PSE lifted the trading suspension of SMFB Shares.

  The tax-free exchange between SMFB and the Company was confirmed by the BIR in its Certification No. SN: 010-2019 dated October 12, 2019. On October 31, 2019, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB on November 5, 2019.

- SMFB [formerly San Miguel Pure Foods Company Inc. (SMPFC)]

  In September 2007, the applications for the approval of the transfer and SMPFC's increase in its authorized capital stock and confirmation of valuation of shares of the Company in San Miguel Foods, Inc., Magnolia Inc. and Monterey Foods Corporation given by way of payment for the shares of SMPFC was approved by the SEC. Following SEC's approval, SMPFC issued 70,865,078 shares to the Company in November 2007 out of its unissued shares and increase in authorized capital stock. This resulted to an increase in the Company's ownership from 99.83% to 99.92%.

  The tax-free exchange between SMPFC and the Company was confirmed by the BIR in its Certification No. SN: 029-2008 dated February 1, 2008.

- SMB

  On September 27, 2007, the SEC approved the transfer of the domestic beer business net assets to SMB and the increase in the authorized capital stock from P100 to P25,000.

  Shares totaling 15,308,416,960, were issued by SMB to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 300-2007 dated October 9, 2007.

- Iconic Beverages, Inc. (IBI)

  On February 27, 2009, the SEC approved the transfer of the Company's IP rights to IBI and the increase in the authorized capital stock of IBI. Shares totaling 100,000,000 were issued by IBI to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 405-2008 dated December 24, 2008. On April 29, 2009, the Company sold its 100% interest in IBI to SMB for a total purchase price of P32,000. Following such sale, IBI became a wholly-owned subsidiary of SMB.

- Brewery Properties Inc. (BPI)

  On September 10, 2009, the SEC approved the increase in the par value of BPI's common shares and the increase in its authorized capital stock. With such approval, the transfer of: (i) the certain parcels of land (used in the domestic beer business of SMB) of the Company to BPI in exchange for additional common shares from the existing unissued authorized capital stock of BPI and increase in authorized capital stock; and (ii) the common shares of San Miguel Brewery Inc. Retirement Plan (SMBRP) in Brewery Landholdings, Inc. to BPI as payment for SMBRP's subscription to BPI preferred shares were also approved by the SEC. The transfer was under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 121-2009.

- SMBIL

  On August 17, 2009, the Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights ("International IP Rights") used in connection with the international beer business of the Company and its international subsidiaries valued at US$31.5 to SMIL. Common shares totaling 2,863,636 were issued to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 233-2009.

On December 18, 2009, the BOD of SMB approved the purchase of the international beer and malt-based beverages business of the Company through the purchase of the shares of SMHL in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares), with an enterprise value of US$300. The BOD of the Company likewise approved the sale of its international beer and malt-based beverage business to SMB, through the sale by SMHL, its wholly-owned subsidiary, of the SMBIL Shares to SMB, on the same day. On the same date, the Company, SMB and SMHL entered into a Share Purchase Agreement for the SMBIL Shares.

On December 21, 2009, the BOD of SMIL and SMHL approved the assignment of International IP Rights to SMHL in exchange for 286,363 SMHL common shares.

Also on the same date, the BOD of SMHL and SMBIL approved the assignment of International IP Rights to SMBIL in exchange for 2,863,636 SMBIL shares.

On January 29, 2010, SMB completed the acquisition of SMBIL shares from SMHL.

- Packaging Businesses

  a) Consolidation of Packaging Business through SMYPC

     In December 2005, the Company started the consolidation of its packaging business through SMYPC [formerly San Miguel Packaging Specialists, Inc. (SMPSI)]. The Company assigned to SMPSI the property, plant and equipment of its Packaging Division, under a tax-free asset-for-share arrangement, as confirmed by the BIR in its Certification No. SN: 051-2006 dated March 14, 2006, with fair value totaling P1,633 and its shares of stock in Premium Packaging International, Inc., Rightpak International Corporation and San Miguel Yamamura Ball Corporation, in a tax-free equity-for-share basis, totaling P1,250. Advances of the Company to SMPSI amounting to P2,250 were converted to equity in October 2005.

  b) Merger of San Miguel Yamamura Asia Corporation (SMYAC) with SMYPC

     On February 24, 2020, the SEC approved the merger of SMYAC with SMYPC whereby the entire assets and liabilities of SMYAC was transferred to and absorbed by SMYPC.

     On March 1, 2020, the effective date of the merger of SMYAC with SMYPC, SMYPC issued 3,901,011 common shares to the Company as consideration for the share of the Company in the net assets of SMYAC pursuant to the terms of the Plan of Merger. With the completion of the merger, SMC retained its ownership in SMYPC of 65%.

     The investment in 3,901,011 common shares of stock in SMYPC resulting from the exchange of investment in SMYAC were acquired for a total cost of P1,320 and a total fair market value amounting to P4,173 as at the date of exchange, pursuant to the merger between SMYAC and SMYPC.

On November 15, 2021, the BIR issued BIR Ruling No. S40M-426-2021 which confirmed the tax-free exchange of investment relative to the merger of SMYPC and SMYAC.

c. Effect of COVID-19

The performance of the Company and its subsidiaries over the past two years showed continuous recovery from the impact of the COVID-19 pandemic with overall volumes and revenues posting robust growth and even surpassing pre-pandemic levels. Improving economic activities and the return of social celebrations were key drivers amidst the challenges brought by economic and ongoing geopolitical concerns.

d. Impact of Russia-Ukraine Conflict

In February 2022, the invasion of Ukraine by Russia resulted to sudden escalation in prices of several commodities, particularly crude oil, coal and wheat, which were among the major raw material importations by the subsidiaries of the Company that have greatly impacted the operating performance of the Fuel and Oil, Energy and Food businesses, respectively.

Prices of crude oil which were already inflated even before the war due to resurgence in demand, soared on the wake of Russia's aggression in Ukraine. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than last year's average of US$69 per barrel. Average price peaked to US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Prices of coal surged to unprecedented levels as economic sanctions imposed by western countries on Russian oil, gas and coal imports caused global disruption on energy supply. Coal price index soared to US$404 per metric tons in December 2022 from US$170 per metric tons in December 2021.

Given the importance of Ukraine and Russia on global wheat market, the ongoing war's impact on wheat supply led to food security concerns which drove up prices worldwide. Prices of wheat increased by 51% to an average of P23.40 per kilogram in 2022 from P15.53 per kilogram in 2021.

Driven by the strong topline growth of the Fuel and Oil, Food and Beverage, Packaging and Infrastructure businesses coupled with groupwide cost management and initiatives which mitigated the continuing challenges of increasing raw material costs, inflationary pressures, and foreign exchange movements, consolidated operating income grew 10% from the exchange movements, consolidated operating income grew 10% from the previous year. This was however tempered by the Energy business which was weighed down by the significant increase in fuel costs.

e. Commitments

The outstanding purchase commitments of the Company amounted to P260 as at December 31, 2022.

f. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar monetary assets and liabilities to Philippine peso were closing rates of P55.755 and P50.999 as at December 31, 2022 and 2021, respectively, for separate statements of financial position accounts.

g. Certain amounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

31. Supplementary Information Required under RR No. 15-2010

BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	0	0	0	2	7	7		

COMPANY NAME

SAN MIGUEL CORPORATION

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

No. 40 San Miguel Avenue

Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
33,873	Second Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Bella O. Navarra		8632-3000	

CONTACT PERSON's ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

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

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