P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

Primary Offer in the Philippines of up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, Philippine peso-denominated, Perpetual Preferred Shares With an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features

Series "3A" (PNX3A) : 7.4278% per annum

Series "3B" (PNX3B) : 8.1078% per annum

AT THE OFFER PRICE OF ₽100.00 PER PREFERRED SHARE
TO BE LISTED AND TRADED IN THE PHILIPPINE STOCK EXCHANGE, INC.

Sole Issue Manager

Penta Capital & Investment Corporation

Joint Lead Underwriters

Penta Capital & Investment Corporation	**Multinational Investment Bancorporation**	**AB Capital and Investment Corporation**

Prospectus dated November 26, 2015

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
STELLA HIZON REYES ROAD
BO. PAMPANGA, LANANG,
DAVAO CITY, PHILIPPINES
TELEPHONE NO. +6382 235 8888

(Satellite Office)
25TH FLOOR FORT LEGEND TOWERS
31ST ST., COR. 3RD AVENUE
BONIFACIO GLOBAL CITY, TAGUIG CITY
TELEPHONE NO. +632 403 4013

www.phoenixfuels.ph

This Prospectus relates to the sale and new issuance of up to 20,000,000 cumulative, non-voting, non-participating, non-convertible, Philippine peso-denominated, perpetual preferred shares consisting of 10,000,000 preferred shares (the "Firm Shares") with an option to subscribe to an additional 10,000,000 preferred shares (the "Option Shares") both having a par value of ₱1.00 per share of P-H-O-E-N-I-X Petroleum Philippines, Inc., a corporation organized under Philippine laws (the "Company") at the issue price of ₱100.00 per share for a total amount of up to ₱2,000,000,000.00 in proceeds. The Firm Shares and the Option Shares comprise the Offer Shares. This issuance of the Offer Shares is being taken from the authorized but unissued preferred capital stock of the Company. The Offer Shares will be issued in two (2) series: Series 3A (PNX3A) and Series 3B (PNX3B). Based on the bookbuilding conducted, the dividend rates for Series 3A (PNX3A) and for Series 3B (PNX3B), are 7.4278% per annum and 8.1078% per annum, respectively.

Each Trading Participant shall be allocated 15,200 preferred shares (computed by dividing the Offer Shares allocated to the Trading Participants by 132), subject to reallocation as may be determined by the Joint Lead Underwriters. Trading Participants may undertake to purchase more than their allocation of 15,200 shares. Any requests for shares in excess of 15,200 shares may be satisfied by reallocation of any preferred shares not taken up by other Trading Participants. Please refer to the "Summary of Offer" section on page 23 for a discussion on the allocation to Trading Participants.

This issuance of the Offer Shares is the third tranche ("Third Tranche") in the preferred shares securities category of the Company. The first and second tranches of preferred shares were issued on September 21, 2010 and December 20, 2013, respectively. Please refer to the section "Description of the Offer Shares" on page 56 for a discussion on the 1st tranche of preferred shares, and on page 58 for a discussion on the 2nd tranche of preferred shares. The stock symbol used for the 2nd tranche of preferred shares is PNXP with no series type.

The Company has a total of 2,550,000,000 authorized capital stock, divided into 2,500,000,000 common shares and 50,000,000 preferred shares, out of which 1,428,777,232 common shares and 5,000,000 preferred shares are issued and outstanding. For purposes of this Prospectus, immediately after the completion of this offering, the Company will have a total of up to 25,000,000 preferred shares issued and outstanding.

There are two classes of securities issued by the Company, common and preferred. On March 8, 2010, after complying with the necessary documentary requirements, as well as separate approvals from the Company's Board of Directors and from the shareholders owning and/or holding at least 2/3 of the outstanding capital stock entitled to vote, the Commission approved the reclassification of 50,000,000 preferred shares with the following features: (i) non-convertible into common shares; (ii) non-participating in any other corporate activities or further dividends and non-voting except in cases specified by law; (iii) no pre-emptive rights to any issue of the Company's share but shall enjoy preference over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The Board of Directors shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; (iv) the preferred shares shall be redeemable at the Company's option under such terms as the Board of Directors may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

The Offer shall enable the Company to raise up to ₱2,000,000,000.00 in gross proceeds at ₱100.00 per share for 20,000,000 preferred shares. The whole amount of the proceeds, net of taxes and expenses, shall be used to finance capital expenditures and/or additional working capital requirements.

Proceeds from the Firm Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company to complete the construction of 61 retail stations in the key cities of North and South Luzon, Visayas, and Mindanao, and the storage facilities in Cebu and General Santos.

Proceeds from the Option Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company for the construction of additional 80 retail stations in the key cities of North and South Luzon, Visayas, and Mindanao. The remaining amount will be utilized for working capital.

Except for the purposes stated in the preceding paragraphs, there are no other current plans for the proceeds or any significant portion thereof. The proceeds shall not be used to reimburse any of the officers, directors, employees or other shareholders for services rendered, assets previously transferred, loans, advances or otherwise.

Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 1.50% while the issue management fees shall be equivalent to 0.50% for a total of 2% of the gross proceeds from the Offer. After deducting listing fees, taxes and other fees and expenses related to the Offer, the net proceeds from the Offer is estimated at about ₱1,953,143,550.00.

On August 24, 2015, the Company filed a Registration Statement with the Commission in connection with the registration and licensing of the Offer Shares with an aggregate amount of up to ₱2,000,000,000.00 constituting the Offer. The Commission is expected to issue an Order rendering the Registration Statement effective in connection with the listing of the Offer Shares with the Exchange.

An application for listing of the Offer Shares was filed on September 21, 2015 and was approved on November 11, 2015 by the board of directors of the Exchange, subject to the fulfillment of certain listing conditions. Such approval for listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the Exchange. The Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the Exchange makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Board of Directors will not declare and pay dividends where (a) payment would cause the Company to breach any of its financial covenants under existing agreements or (b) the profits available to the Company to distribute as dividends are not sufficient to enable the Company to pay in full both the dividends on the preferred shares and the dividends on all other classes of the Company's shares that are scheduled to be paid on or before the same date as the dividends on the preferred shares, and that have an equal right to dividends as the preferred shares. Please refer to the "Summary of Offer" section for a discussion on the dividend rate(s) on page 24, dividend payment(s) period and/or dates on page 24, redemption period and/or date on page 25. The final dividend rates for Series 3A (PNX3A) and for Series 3B (PNX3B) are 7.4278% per annum and 8.1078% per annum, respectively.

Foreign ownership of common shares of the Company as of September 30, 2015 is at 14.4%. As of the same date, there is no foreign ownership of preferred shares of the Company.

The price of securities can and does fluctuate; any individual security may experience upward or downward movements; and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. This Prospectus is not intended to provide the sole basis of any evaluation and decision whether or not to purchase the Offer Shares. Each investor should make his/its own independent evaluation of the issue, and of the relevance and accuracy of the information contained herein, and should make such other investigation as he/it deems necessary to determine whether he/it should purchase the Offer Shares. An investment in the Offer Shares in this Prospectus involves a certain degree of risk. A prospective purchaser of Offer Shares should carefully consider several risk factors inherent to the Company (which are detailed in the "Risk Factors" section on pages 31 to 42 of this Prospectus), in addition to the other information contained in this Prospectus, in deciding whether to invest in the Offer Shares.

This Prospectus contains certain “forward-looking statements”. These forward-looking statements can generally be identified by use of statements that include words or phrases such as the Company or its Management “believes”, “expects”, “intends”, “plans”, and other words or phrases of similar import. Similarly, statements that describe the Company’s objectives, plans, and goals are also forward-looking statements. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Nothing in this Prospectus is or should be relied upon as a promise or representation as to the future. The forward-looking statements included herein are made only as of the date of this Prospectus, and the Company undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board of Directors, having made all reasonable inquiries, accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all information with regard to the Company, its business and operations and the Offer Shares, which, as of the date of this Prospectus, are material in the context of the offering; that, to the best of its knowledge and belief as of the date hereof, the information contained in this Prospectus are true and correct and are not misleading in any material respect; that the opinions and intentions expressed herein are honestly held; that projections are fair and accurate in all material respects having regard to the circumstances now prevailing and in light of assumptions made; and that there are no other facts, the omission of which makes this Prospectus, as a whole or in part, inaccurate, untrue or misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof. The Company accepts responsibility for the information contained in this document.

Penta Capital & Investment Corporation (“PentaCapital” or the “Sole Issue Manager and Joint Lead Underwriter”) has been mandated by the Company to arrange the offering described in this Prospectus.

PentaCapital has not independently verified the information, opinions, projections or statements contained or referred to in the Prospectus, and no representation or warranty, expressed or implied, is given by PentaCapital or its affiliated companies as to the completeness or accuracy thereof or of any further information, opinions, projections or statements that may be supplied in connection with the Offer Shares. This Prospectus does not purport to be all-inclusive or to contain all information that a prospective investor may desire and PentaCapital does not undertake to update or keep under review the information contained herein.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter, to issue any advertisement or to give any information or make any representation in connection with the offering, other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter.

On September 10, 2015, the Company filed a Registration Statement covering the issuance of the Short-Term Commercial Papers (the “STCPs”) with the Commission in accordance with the provisions of the Securities Regulation Code. Up to Three Billion Five Hundred Million Pesos (₱3,500,000,000.00) in aggregate principal amount of STCPs will be issued by the Company upon approval and issuance by the Commission of the Order of Registration and Certificate of Permit to Offer Securities for Sale. This is the Company's third issuance following its two previous successful issuances last year for the same aggregate amount, which were both oversubscribed. The STCPs, which may be issued in lump sum or in tranches, shall have an interest rate fixed prior to issuance. Net proceeds will be used by the Company to augment existing bank lines used for general working capital requirements such as for the importation of petroleum products and lubricants. In connection with this STCP issuance, on August 28, 2015, the Philippine Rating Services Corporation (“PhilRatings”) assigned an Issuer Credit Rating of *PRS Aa minus (corp.)* to the Company. A company rated *PRS Aa* has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. *PRS Aa* is the second highest rating category on PhilRatings’ existing credit rating scale. PhilRatings can also include a plus (+) or a minus (-) sign to further qualify the above rating.

The Company benefits from this STCP issuance as it provides interest cost savings versus higher costing short-term loans from its banks thereby improving the overall profitability of the Company. Thus, the STCP issuance has no material adverse effect on the financial condition of the Company. Being a publicly traded instrument, it provides a more transparent and market-driven credit standing and complements the Company's listed common shares by providing media mileage and public exposure. The Company's STCP issuances are currently the only listed short-term investment instrument at the Philippine Dealing Exchange.

The information in this Prospectus may not be reproduced or used, in whole or in part, for any purpose whatsoever other than for the purpose of determining whether to participate in the Offer Shares, without the written permission of the Company and PentaCapital. If at any time any such reproduction or use is made and PentaCapital suffers loss, damage or liability of any kind arising out of or in connection with any such reproduction or use, the recipient of this Prospectus breaching the restriction on reproduction or use shall indemnify PentaCapital from and against such loss, damage or liability.

This Prospectus does not constitute an offer of, or an invitation by or in behalf of, the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter, to subscribe for or purchase any of the Offer Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful. The distribution of this Prospectus and the Offer in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company, PentaCapital and the other Joint Lead Underwriters to inform themselves about, and to observe, any such restrictions.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

Any inquiries regarding this Prospectus should be addressed to P-H-O-E-N-I-X Petroleum Philippines, Inc. (Attention: Office of the Corporate Secretary) at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines, with telephone number +6382 235 8888.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

By:

Dennis A. Uy
President and Chief Executive Officer

TABLE OF CONTENTS

DEFINITION OF TERMS

Applicant…………………………………	An Eligible Investor who submits an Application to Purchase as defined below
Application to Purchase………………	An application to purchase the Offer Shares pursuant to the Offer
Banking Day…………………………….	Any day in a week (except Saturdays, Sundays and holidays) on which banks are required or authorized to open in Makati City, Philippines
BFP……………………………….........	The Bureau of Fire Protection of the Philippines
BIR………………………………………….	The Bureau of Internal Revenue of the Philippines
BOI……………………………….........	Board of Investments of the Philippines
BSP……………………………….........	Bangko Sentral ng Pilipinas (the central bank of the Philippines)
BPD……………………………….........	Barrels per day
Chevron………………………………….	Chevron Texaco Phils.
Clean Air Act………………………….	Republic Act No. 8749 or "The Philippine Clean Air Act"
Clean Water Act…………………….	Republic Act No. 9275 or "The Philippine Clean Water Act"
CODOs……………………………......	Company-Owned, Dealer-Operated retail service stations
Common Shares…………………….	The Company's shares of common stock, each with a par value of ₽1.00
Commission…………………………….	The Securities and Exchange Commission of the Philippines
Company…………………………………	P-H-O-E-N-I-X Petroleum Philippines, Inc. or Phoenix
Directors…………………………………	The members of the Board of Directors of the Company
DODOs……………………………………	Dealer-Owned, Dealer-Operated retail service stations
DOE……………………………………….	The Department of Energy of the Philippines
DOTSCO……………………………….	Davao Oil Terminal Services Corporation
Downstream Oil Industry Deregulation Act…………………..	Republic Act No 8479 and its implementing rules and regulations
DTI………………………………………….	The Department of Trade and Industry of the Philippines
Eligible Investors…………………….	Applicants who are qualified to subscribe to the Offer Shares

ERB………………………………….........	Energy Regulatory Board (now Energy Regulatory Commission) of the Philippines
Exchange……………………………….	The Philippine Stock Exchange, Inc.
Group…………………………………….	The Company and its wholly-owned subsidiaries
MB………………………………………..	Thousand Barrels
MMB……………………………………..	Million Barrels
MOPS………………………….........	Mean of Platts Singapore
NPC………………………………………	The National Power Corporation of the Philippines
Offer…………………………………..	The public offering of up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, Philippine peso-denominated, perpetual preferred shares of the Company with an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features
Offer Price…….…...................	₱100.00 per Offer Share
Offer Shares ……………….…......	Up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, Philippine peso-denominated, perpetual preferred shares of the Company (“Firm Shares”) with an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features (“Option Shares”)
OIMB…………………………………….	The Oil Industry Management Bureau of the DOE
₱…………………………………………..	Philippine Pesos, the lawful currency of the Republic of the Philippines
Petron………………………..........	Petron Corporation
Philippine National…………….	The term shall mean any of the following: (1) a citizen of the Philippines or a domestic partnership or association wholly owned by citizens of the Philippines; or (2) a corporation organized under the laws of the Philippines at least sixty per cent (60%) of the capital stock outstanding and entitled to vote of which is owned and held by citizens of the Philippines; or (3) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent (60%) of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least sixty per cent (60%) of the capital stock outstanding and entitled to vote of both corporations must be

	owned and held by citizens of the Philippines and at least sixty per cent (60%) of the members of the board of directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national.
Phoenix System……………………..	The unique system relating to the establishment, development and operation of the Phoenix retail gasoline station developed by the Company. The distinguishing characteristics of the system include, but are not limited to, petroleum products, services and signages, and the Phoenix Confidential Operations Manual; uniform operating methods, procedures and techniques; other confidential operation procedures; and methods and techniques for inventory and cost controls, records keeping and reporting, personnel management, sales promotion, marketing and advertising; and optional operation of onsite convenience store, all of which may be changed, improved and further developed by the Company.
PNXP…………………………………….	The stock symbol of the 2nd tranche preferred shares of the Company
PNX3A……………………………….	The stock symbol for Series 3A of the Third Tranche preferred shares of the Company
PNX3B……………………………….	The stock symbol for Series 3B of the Third Tranche preferred shares of the Company
PPHI or Parent Company………..	Phoenix Petroleum Holdings, Inc.
Registrar……………………………….	BDO Unibank, Inc.-Trust and Investments Group
Selling Agents……………………….	Trading Participants of the Exchange
Shell…………………………………….	Pilipinas Shell Petroleum Corporation
Sole Issue Manager………………	Penta Capital & Investment Corporation or PentaCapital
SRC…………………………………….	Republic Act No. 8799, otherwise known as The Securities Regulation Code
Total………………………………….	Total Philippines Corporation
Trading Day ……………………….	Any day on which trading is allowed in the PSE
UC……………………………............	Udenna Corporation
UMRC……................................	Udenna Management & Resources Corp.

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the Offer Shares, see the section entitled "Risk Factors" beginning on page 31 of this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary. Prospective investors should therefore read this Prospectus in its entirety.

OVERVIEW OF THE COMPANY

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the "Company" or "Phoenix", interchangeably) was incorporated in the Philippines on May 8, 2002 under its original name "Oilink Mindanao Distribution, Inc." On January 11, 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp." On August 7, 2006, the Commission approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc." As of September 30, 2015, the Company is 41.22% owned by PPHI, a company organized in the Philippines.

The Company is registered with the BOI effective November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under Republic Act (RA) No. 8479 or the Downstream Oil Industry Deregulation Act. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. Under its registration, the Company is also entitled to certain tax and non-tax incentives to include Income Tax Holiday (ITH) for five (5) years from November 16, 2005.

The Company was also registered with the BOI in 2010 and 2012 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in various locations. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, with respect to its transactions relating to its BOI-registered investments, the Company is also entitled to certain tax and non-tax incentives. Details of these registrations are as follows:

Location of Project	Date of Registration	Income Tax Holiday Period	Income Tax Holiday Expiry
Calaca, Batangas	February 26, 2010	5 years	February 25, 2015*
Davao Expansion	May 14, 2010	5 years	May 13, 2015*
Zamboanga	November 25, 2010	5 years	November 24, 2015*
Bacolod City	May 10, 2012	5 Years	May 9, 2017
Cagayan de Oro City	May 10, 2012	5 Years	May 9, 2017

** The Company's BOI registrations for the availment of the income tax holiday which are expiring or have expired in 2015 pertaining to the abovedescribed original projects are no longer subject to renewal. However, in line with the Company's retail and commercial operation expansion, the Company plans or intends to increase the* *tank capacities of its depots by constructing additional tanks in Calaca, Zamboanga, Aklan and Davao, among others. Consequently, the Company will file, at the appropriate time, with the BOI new applications for registration relating to each such expansion.*

On July 11, 2007, the Company went public making available twenty-five per cent (25%) of its total outstanding shares to the public. The Company, thus, became the first petroleum company to list in the Exchange after the enactment of RA 8479 in 1998. The aforementioned law encourages petroleum companies to be listed in the Exchange.

The Company's operations consist of trading, terminalling and hauling services. Under trading, the Company offers its refined petroleum products (including Jet A1) and lubricants to retailers and commercial/industrial customers. As of June 30, 2015, the Company has a total of 443 service stations, where 158 service stations are in Luzon, 62 in Visayas and 223 in Mindanao. The retail service stations are classified as either CODO or DODO.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depots, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Starting 2005, Cebu Pacific designated the Company as its exclusive logistics partner in all its Mindanao operations.

Subsidiaries:

The Company is the 100% owner of the following subsidiaries as of June 30, 2015:

- **P-H-O-E-N-I-X Global Mercantile, Inc. ("PGMI")**
- **P-F-L Petroleum Management, Inc. ("PPMI")**
- **Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Industrial Park Corporation)**
- **Subic Petroleum Trading and Transport Phils., Inc. ("SPTT").**
- **Chelsea Shipping Corp. ("CSC")**

- **PGMI** was incorporated and registered at the Commission's Davao Extension Office on July 31, 2006. It was previously engaged in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds, and other petroleum products purposely for motor vehicles and other transportation. PGMI, which used to do business in the provinces of Davao, temporarily ceased its operations and has been dormant since 2008.

- **PPMI** is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of service-oriented companies such as petroleum service stations. PPMI was organized and registered on January 31, 2007. PPMI maintains its business address at 26/F Fort Legend Towers, 3rd Ave. corner 31st Street, Bonifacio Global City, Taguig City, Metro Manila. PPMI serves as a transient operator for the Company's retail station awaiting a qualified franchisee dealer to operate it.

- **PPIPC** (formerly known as the Bacnotan Industrial Park Corporation or BIPC) was organized and registered at Mandaluyong, Metro Manila on March 7, 1996 and is engaged in real estate development. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted a license to sell parcels of land on March 31, 2000 covering the Phoenix Petroterminal and Industrial Park (the "Park"). PPIPC owns, manages and develops the Park, which occupies 94 hectares of land and is situated within three (3) Calaca barangays of Salong, Puting Bato West and Lumbang Calzada, with its own port facilities. PPIPC was granted a permit to operate a permanent and non-commercial port by the Philippine Ports Authority on April 6, 1999 until the expiration date of the Foreshore Lease Contract on July 22, 2022. PPIPC's principal place of business is at Km. 117, National Highway, Calaca, Batangas, 4212 Philippines.

- **SPTT** is engaged in the buying and selling, supply and distribution, importation and exportation, storage, and delivery of all types of petroleum for industrial, marine, aviation and automotive use. SPTT is duly registered with the Subic Bay Metropolitan Authority and was issued the Certificate of Registration and Tax Exemption on May 7, 2015 effective until May 6, 2016, subject to annual renewal by SPTT. It was organized and registered at Mandaluyong City, Metro Manila on February 20, 2007. The registered office of SPTT, which is also its principal place of business, is at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales. SPTT imports petroleum products from Singapore, Thailand, and Taiwan and sells petroleum products to companies operating inside Subic Freeport Zone in Zambales.

- **CSC** is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines and in the Asia-Pacific region. It has 12 vessels in its fleet, two of which serve the regional trade route (Taiwan to Philippines). Chelsea owns the two largest Philippine-registered oil tankers "M/T Chelsea Thelma" and" M/T Chelsea Donatela" with 9,366 gross tonnage each. With a total fleet size of 48,367.96 gross tonnage, Chelsea is among the top 5 major petroleum tanker owners in the country. It was organized and registered at the Commission's Davao Extension Office on July 17, 2006, and started commercial operations on January 1, 2007. The registered office of CSC, which is also its principal place of business, is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. It provides the Company services for its regional (Singapore, Taiwan, and Thailand) and domestic (routes to provinces of Davao, Zamboanga, Cagayan de Oro, Cebu, Bacolod, Aklan, Batangas, and Zambales) shipping requirements.

As of the end of 2014, the Company estimates that it has a 6.4% share of the retail service stations network in the Philippines and has captured 4.1% of the total petroleum products market based on the DOE Oil Supply/Demand Report for the full year 2014.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- **Brand**. In an industry that has been dominated by three strong brands for decades, the Company is exerting huge efforts in widening the recognition of its brand. It continues to build up its brand through major marketing activities like mass media placements, celebrity endorsements, participating in trade expositions, and sponsoring key sports events. Its spending on brand equity is a necessary accompaniment to its investments in its retail and logistics infrastructure.

- **Cost-effective approach**. The Company's no-frills investment and station design approach allows a faster start-up time in putting up retail stations, allowing it to realize sales earlier than its competitors. The approach further emphasizes right-sizing in order for the Company and the dealer to realize a shorter payback on investment.

- **Simple organizational structure**. The relatively flat organizational structure allows the Company to respond faster to developments in the market. The Company's quick and proactive mindset allows it to seize opportunities as they become available. The management team has been built up with the addition of many key personnel with extensive experience in various areas of the petroleum industry.

BUSINESS STRATEGY

The Company continues to expand in other areas by building on its existing business model and by improving the alignment of its frontline revenue units with the logistics and other support areas of the organization. The Company is cognizant of the need to enhance further its profit-oriented and cost-effective approach and maintains a highly responsive organization. Its strategy focuses on the following elements:

- **Retail Network Expansion**. The increase in retail presence in viable trade areas allows the Company to increase its assured base volume of fuel sales. The retail network expansion likewise enhances the market for the Company's lubricants. A growing base volume for retail fuels also provides the Company with greater flexibility in transacting fuel importations with regional traders at more advantageous terms. The Company believes it has developed the competencies in network planning and operations necessary for efficiently managing the growth of its retail business.

  As of June 30, 2015, the Company has 443 retail service stations throughout the Philippines of which 158 are in Luzon, 62 in Visayas and 223 in Mindanao and additional 61 service stations which are under various stages of construction.

  In this regard, the Company is planning to establish more retail stations throughout the Philippines in 2015. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

  In line with the expansion of its retail service network, the Company continues to develop and strengthen its Retail Network Management Systems in order to support its retail network expansion program in collaboration with dealers and franchisees.

- **Terminal/Depot Expansion**. The Company continues to make strategic investments in storage and transportation to support its retail network expansion program, and the broadening of its commercial customer base. Regional storage facilities will be required where the scale of the prospective retail network growth justifies the investment. Depots pay for themselves in terms of, among other things, savings in freight and handling costs, better aggregation of bulk fuel procurements and faster response time (and incremental profit margin opportunities) to upswings in trade area demand, especially for wholesale and commercial customers.

A major investment by the Company in 2009 was the acquisition of 100% of the shares of PPIPC then known as BIPC, the owner/operator of the Park. The Company has installed a 110 million liter installation in the Park, thereby strengthening its ability to service new retail stations in Metro Manila and Southern Tagalog. The Company's expansion program calls for additional storage capacity for various sites throughout the country.

- **Direct Fuels Importation**. The Company imports almost 100% of its fuel requirements. Aside from diversifying fuel supply sources, importations yield higher gross profit margins due to the multiplicity of price-competitive offshore supply sources.

- **Jet Fuel Trading & Service Business**. The Company markets itself as the logistics partner of choice for the leading domestic airlines. As the exclusive logistics partner of Cebu Pacific in Mindanao for the last ten (10) years, the Company also expanded its business with Cebu Pacific in Luzon and the Visayas. It has built a track record of delivering good service and adherence to quality standards.

- **Financial Strength**. Realizing that financial strength is a critical success factor in the fulfillment of its plans, the Company increased its equity capital from ₱194 million in 2006 to ₱7.050 billion in 2014. As of June 30, 2015, shareholder's equity amounted to ₱7.399 billion. The Company will continue to take advantage of the current liquidity in the financial and capital markets to improve its financial condition by lowering its average cost of capital.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. The risk factors summarized below are arranged in the order of importance and separated into categories for easy reference. The risk factors will be discussed further starting on page 31. These risks include:

Risks Relating to the Company and Its Subsidiaries

Internal Factors:

1. The growth of the Company depends on the successful execution of its expansion plans;
2. Business and growth prospects heavily rely on the services of certain key personnel;
3. Significant disruption in operations arising from casualty loss at the Company's storage and distribution facilities;
4. The business is capital-intensive which may affect the leverage position and profitability of the Company if it depends heavily on debt financing;
5. Increase in the number or severity of claims for which the Company is insured; and
6. Interest of the majority shareholders may be inconsistent with those of other shareholders.

External Factors:

1. Volatility of fuel prices;
2. Significant competition in the downstream oil industry;
3. Regulatory decisions and changes in the legal and regulatory environment;
4. Revocation of tax holiday incentives;
5. Effect of environmental laws on the Company's business;
6. Volatility of the foreign exchange; and
7. Reversal of the favorable ruling on the case involving the Company's President and CEO as a reputational risk.

Risks Relating to the Philippines

1. Slow growth rates and economic instability globally and in the Philippines;
2. Political or social instability;
3. Possible imposition of foreign exchange controls;
4. Possible occurrence of natural catastrophes or major power outages;
5. Philippine foreign ownership limitations; and
6. Fluctuations in the value of the Philippine Peso against the U.S. dollar.

Risks Relating to the Offer Shares

1. The Offer Shares are subordinated to the Company's other indebtedness.
2. Dividends on the Offer Shares may not be paid.
3. The Offer Shares have no stated maturity and the Company has the sole right of redemption.
4. Holders of Offer Shares may be exposed to insufficient distributions upon liquidation of the Company.
5. Holders of Offer Shares have no voting rights except as specifically provided by law.

THE COMPANY'S PRINCIPAL OFFICE

The Company's principal office is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines. The Company's telephone number at this address is (+6382) 235 8888. Information on the Company can be obtained on its website: *www.phoenixfuels.ph.*

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth financial and operating information of the Company. Prospective investors of the Offer Shares should read the summary financial data below together with the financial statements and the notes thereto included in this Prospectus, as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operation". The summary financial data for the three (3) years ended December 31, 2014, 2013, and 2012, as well as for the second (2^{nd}) quarter of 2015, are derived from the Company's audited financial statements and the notes thereto, which are found elsewhere in this Prospectus.

Income Statement Data (in ₱ millions)				
	2012**	**2013**	**2014**	**January-June 2015**
Revenues	34,586	43,552	34,734	14,408
Cost and Expenses	33,435	42,240	33,321	13,570
Other Income/ (Charges)	(479)	(646)	(794)	(399)
Income/ (Loss) Before Tax and Other Items	671	666	619	439
Pre-Acquisition Loss				
Excess of Fair Value over Acquisition Costs				
Tax Income (Expense)	(20)	(1)	(3)	(14)
Net Income	**651**	**665**	**616**	**425**

**Re-stated Figures

Consolidated Financial Position Data				
ASSETS **Current Assets**	**2012****	**2013**	**2014**	**January-June 2015**
Cash and cash equivalents	439	357	555	823
Trade and other receivables	3,557	7,344	7,833	6,847
Inventories	3,689	3,813	2,871	3,502
Land held for sale	502	504	486	486
Due from related parties	8	3	10	14
Restricted deposits	83	95	70	71
Input value-added tax	393	449	604	577
Other current assets	282	490	1,147	1,108
Total Current Assets	**8,953**	**13,055**	**13,576**	**13,428**
Non-current Assets				
Installment Receivable				
Property, plant and equipment — net	6,998	8,628	10,688	11,256
Land held for future development	289	298	313	313
Investment in Associate		2	2	2
Goodwill	85	85	85	85
Other non-current assets – net	168	270	336	450
Total Non-current Assets	**7,540**	**9,283**	**11,424**	**12,106**
Total Assets	**16,493**	**22,338**	**25,000**	**25,534**

LIABILITIES AND EQUITY Current Liabilities	2012**	2013	2014	January-June 2015
Loans and borrowings	4,119	8,207	8,479	9,973
Trade and other payables	1,547	1,570	3,735	1,924
Due to related parties	86	64	17	0
Total Current Liabilities	**5,752**	**9,842**	**12,231**	**11,897**
Non-current liabilities				
Loans and borrowings	5,796	5,544	5,364	5,834
Due to related parties	-	-	-	-
Deferred Tax Liabilities-net	106	77	72	142
Other non-current liabilities – net	357	377	283	263
Total Non-current Liabilities	**6,259**	**5,998**	**5,719**	**6,238**
Total Liabilities	**12,011**	**15,840**	**17,950**	**18,135**
EQUITY				
Capital stock-Common	906	1,429	1,429	1,429
Preferred Stocks	5	5	5	5
Additional paid-in capital	2,052	3,368	3,368	3,368
Revaluation and Other Reserves	(341)	(350)	(251)	(232)
Retained earnings	1,860	2,046	2,499	2,829
Total Equity	**4,482**	**6,498**	**7,050**	**7,399**
Total Liabilities and Equity	**16,493**	**22,338**	**25,000**	**25,534**

**Re-stated Figures

THE OFFER

As the Third Tranche of preferred shares issuance, the Company is offering to the public 10,000,000 cumulative, non-voting (except as specifically provided by law), non-participating, non-convertible Philippine peso-denominated, perpetual preferred shares at an Offer Price of ₱100.00 per share ("Firm Shares"). In the event of an oversubscription of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and Joint Lead Underwriters, shall have the right to further issue up to an additional 10,000,000 preferred shares having the same features as the Firm Shares ("Option Shares"). The Firm Shares and the Option Shares comprise the Offer Shares. The Offer Shares have a par value of ₱1.00 per share and shall be issued by the Company from the unissued portion of its 50,000,000 authorized preferred share capital.

Previously, on September 21, 2010, the Company issued 5,000,000 preferred shares (the 1st tranche) at the issue price of ₱100.00 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to qualified institutional buyers, which was underwritten by PentaCapital. Under this 1st tranche issuance, the Company declared dividends on the preferred shares at a fixed rate of 11.50% p.a. paid quarterly. The Company was given an option to redeem the whole issuance of 5,000,000 on the 3rd year. In the event the Company fails to redeem in whole the issued preferred shares, the dividend rate shall be increased to 13.50% p.a. beginning on the 5th year. The Company raised gross proceeds of ₱500,000,000.00 from the 1st tranche issuance.

On December 20, 2013, the third year since the issuance of the 1st tranche, the Company issued another 5,000,000 preferred shares (the 2nd tranche) for the purpose of redeeming the 1st tranche at the issue price of ₱100.00 per share. The 2nd tranche had a dividend rate of 8.25% p.a. paid quarterly. The Company raised gross proceeds of ₱500,000,000.00 from the 2nd tranche issuance. After the 2nd tranche issuance, there are no preferred shares issued from the 1st tranche that remain outstanding.

On March 19, 2014, the Commission's Davao Extension Office issued Resolution No. DS-669 that the sale of the 2nd tranche of preferred shares is considered an exempt transaction under Section 10.1 (k) of the SRC and, therefore, exempt from registration.

Nonetheless, on May 06, 2014, the Company filed a Registration Statement with the Commission in connection with the registration of the 2nd tranche of preferred shares with an aggregate principal amount of ₱500,000,000.00.

Pursuant to Section 2 (b) of SEC Memorandum Circular No. 9, Series of 2008 which states that no registration shall be required for the outstanding shares of the company covered by Sections 10.1 and 10.2 (Exempt Transactions) of the SRC that are applying for listing at the Exchange, the Exchange approved the listing of the 2nd tranche of preferred shares on September 24, 2014.

On November 10, 2014, the Commission issued an order rendering the Registration Statement effective in connection with the listing of the 2nd tranche of preferred shares with the Exchange. The Company listed these shares on January 08, 2015.

SUMMARY OF THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective shareholder must rely on his/its own appraisal of the Company and the proposed *investment and his/its own independent verification of the information contained herein and any other investigation he/it may deem appropriate for the purpose of determining whether to participate in the proposed public offering and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.*

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Shares. Accordingly, any decision by a prospective investor to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

The Offer

The Company, through the Sole Issue Manager and the Joint Lead Underwriters, is offering the Offer Shares in the following series:

Series 3A (PNX3A) is entitled to an Optional Redemption as defined herein on the 3rd anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 5th anniversary of the Listing Date; and

Series 3B (PNX3B) is entitled to an Optional Redemption as defined herein on the 5th anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 7th anniversary of the Listing Date.

Offer Size

Base Offer Size (Firm Shares) of ten million (10,000,000) preferred shares with an oversubscription option (Option Shares) of up to an additional ten million (10,000,000) preferred shares

Allocation to Trading Participants

Each Trading Participant shall be allocated 15,200 preferred shares (computed by dividing the Offer Shares allocated to the Trading Participants by 132), subject to reallocation as may be determined by the Joint Lead Underwriters. Trading Participants may undertake to purchase more than their allocation of 15,200 shares. Any requests for shares in excess of 15,200 shares may be satisfied by reallocation of any preferred shares not taken up by other Trading Participants.

The respective allocation to the Trading Participants and the Joint Lead Underwriters' clients and the general public are as follows:

	Offer Shares (100%)	Allocation to Joint Lead Underwriters' clients and General Public (80%)	Allocation to Trading Participants (20%)	Allocation per Trading Participant (132 active Trading Participants)
PNX3A	6,250,000	4,996,000	1,254,000	9,500
PNX3B	3,750,000	2,997,600	752,400	5,700
Total	**10,000,000**	**7,993,600**	**2,006,400**	**15,200**

Par Value

The Offer Shares shall have a par value of ₱1.00 per share.

Offer Price	The Offer Shares shall be offered at a price of ₱ 100.00 per share.
Dividend Rate	As and if dividends are declared by the Company's Board of Directors, dividends on the Offer Shares shall be paid at fixed rates as follows: For Series 3A: 7.4278% per annum; and For Series 3B: 8.1078% per annum. Dividend Rate Setting Date is November 25, 2015.
Conditions on Payment of Dividends	The Offer Shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of dissolution and liquidation of the Company. As such, the Company's Board of Directors, to the extent permitted by law, shall declare dividends each quarter sufficient to pay the dividend rate on the Offer Shares. Dividends on the Offer Shares shall be cumulative. If, for any reason, the Company's Board of Directors does not declare a dividend on the Offer Shares for a particular dividend period, the Company shall not pay a dividend on the Dividend Payment Date for that dividend period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares shall receive the dividends due them on such Dividend Payment Date, as well as all dividends accrued and unpaid to the holders of said shares prior to such Dividend Payment Date. Holders of Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.
Dividend Payment Dates	Subject to limitations described in this Prospectus, dividends on the Offer Shares shall be payable on March 18, June 18, September 18 and December 18 of each year (each a "Dividend Payment Date"). Cash dividends on the Offer Shares will be payable once for every Dividend Period on such date set by the Company's Board of Directors at the time of declaration of such dividends (each a "Dividend Payment Date") in accordance with the terms and conditions of the Offer Shares. A "Dividend Period" shall refer to the period commencing on the Issue Date and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to but excluding the first day of the immediately succeeding Dividend Period. The dividends on the Offer Shares shall be calculated on a 30/360-day basis and shall be paid quarterly in arrears on the last day of each 3-month Dividend Period based on the Offer Price calculated in respect of each share for each Dividend Period, as and if declared by the Company's Board of Directors. If the Dividend Payment Date is not a Banking Day, dividends shall be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

Step-Up Dividend Rate	Unless the Offer Shares are redeemed by the Company, the Dividend Rate will be adjusted as follows: For Series 3A: the Dividend Rate plus 2.00% per annum on the 5th anniversary of the Listing Date ; and For Series 3B: the Dividend Rate plus 2.00% per annum on the 7th anniversary of the Listing Date.
Debt-to-Equity Ratio	The Company shall maintain a Debt-to-Equity Ratio of 3:1 throughout the life of the Offer Shares.
Oversubscription Option / Condition on the Issuance of Option Shares	In the event of an oversubscription of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and the Joint Lead Underwriters, shall have the right to issue the Option Shares.
Optional Redemption and Purchase	As and if declared by the Company's Board of Directors, the Company may redeem the Offer Shares as follows: For Series 3A: on the third (3rd) anniversary of the Listing Date; and For Series 3B: on the fifth (5th) anniversary of the Listing Date (the "Optional Redemption Date") or on any Dividend Payment Date thereafter subject to a minimum of ninety (90) days written notice to all holders of the Offer Shares prior to the Optional Redemption Date, at a redemption price equal to the Offer Price of ₱100.00 per share plus accrued and unpaid dividends for all dividend periods, if any, up to the date of actual redemption by the Company.
Early Redemption Due to Taxation or Accounting Standards	If dividend payments become subject to additional or increased tax or any new tax as a result of certain changes in law, rule or regulation, or accounting standards, or in the interpretation thereof, and such change cannot be avoided by the use of lawful measures available to the Company, the Company may redeem the Offer Shares in whole, but not in part, on any Dividend Payment Date at the Offer Price of ₱100.00 per share plus all accrued and unpaid dividends, if any; provided, that notice must be given to all holders of the Offer Shares at least thirty (30) days but not more than sixty (60) days prior to the redemption date.
Taxation	All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or in behalf of the Republic of the Philippines, including, but not limited to, stamp, issue, registration, documentary, value-added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable; provided, however, that the Company shall not be liable for: (a) the applicable withholding tax on dividends earned on the Offer Shares as prescribed under the National Internal Revenue Code of 1997; (b) the expanded value-added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the Offer; and (c) any withholding tax on any amount payable to any holder of the

Offer Shares; provided, that all sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.

Documentary stamp tax for the primary issue of the Offer Shares and the documentation, if any, shall be for the account of the Company.

The standard taxes applicable to the subsequent sale or other disposition of the Offer Shares by any holder of the Offer Shares, which are the same taxes for any sale or disposition of the common shares of the Company, shall be for the account of said holder.

See also the discussion under "Taxation" on page 140.

Liquidation Rights

In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntary or involuntary) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Offer Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the Company's assets available for distribution to shareholders, together with the holders of any other of the Company's shares ranking, as regards repayment of capital, *pari passu* with the Offer Shares, and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period up to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in respect of the Company's winding up, the amount payable with respect to the Offer Shares and any other of the Company's shares ranking as to any such distribution *pari passu* with the Offer Shares are not paid in full, the holders of the Offer Shares and of such other shares will share ratably in any such distribution of the Company's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the Company's remaining assets and will not be entitled to any other or further participation or return of capital in a winding up.

Other Features of the Offer Shares: No Voting (in general); No Pre-emptive Rights; and Non-Convertible to Common Shares

The Offer Shares shall have no voting rights except as specifically provided by the Philippine Corporation Code. Thus, holders of the Offer Shares shall not be eligible, for example, to vote for or elect the Company's Directors or to vote for or against the issuance of a stock dividend. Holders of the Offer Shares, however, may vote on matters which the Philippine Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders of the Company, including those holding shares denominated as non-voting in its Articles of Incorporation. These acts, which require the approval of shareholders of the Company representing at least two-thirds (2/3) of the total issued and outstanding capital stock of the Company in a meeting duly called for the purpose, are as follows:

- Amendment of the Company's Articles of Incorporation (including any increase or decrease of its capital stock);
- Amendment of the Company's By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company's assets;
- Incurring, creating or increasing the Company's bonded indebtedness;
- Increase or decrease of the Company's capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

There are no pre-emptive rights extended to holders of the Offer Shares over all share issuances of the Company.

The Offer Shares shall not be convertible into the Company's common shares.

Form, Title and Registration of the Offer Shares	The Offer Shares will be issued in scripless form through the book-entry system of the Registrar for the Offer and lodged with the Philippine Depository and Trust Corporation ("PDTC") as depository agent through the PSE Trading Participants nominated by the Applicants. Legal title to the Shares will be shown in a register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders at the cost of the requesting shareholder. After the listing date, shareholders may request the Registrar through their nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that shall be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.
Status of the Offer Shares in the Distribution of Corporate Assets in the Event of Dissolution	The Offer Shares will constitute the direct and unsecured obligations of the Company and shall have priority in the distribution of corporate assets in the event of dissolution and liquidation of the Company.
Title and Transfer	Legal title to the Offer Shares shall pass by endorsement and delivery to the transferee and registration in the Registry of Shareholders to be maintained by the Registrar.
Governing Law	The Offer Shares will be issued pursuant to the laws of the Republic of the Philippines.

Other Terms of the Offer

Minimum Subscription to the Offer Shares	Each Application to Purchase ("ATP") shall be for a minimum of 500 Offer Shares, and thereafter, in multiples of 100 Offer Shares. No ATP for multiples of any other number of Offer Shares will be considered.
Eligible Investors	The Offer Shares may be purchased, owned or subscribed to by any natural person of legal age, or any corporation, association, partnership, trust account, fund or other entity. Due to the constitutional limit on foreign ownership applicable to the Company, foreign shareholdings in the Company cannot exceed forty percent (40%) of the issued and outstanding capital stock thereof. The Company reserves the right to reject or scaledown ATPs received from foreign applicants if acceptance of such ATPs will result in a violation by the Company of foreign ownership restrictions applicable to it.
Procedure for ATPs	ATPs may be obtained from any of the Joint Lead Underwriters or any of the participating underwriters and any of the Selling Agents. The ATPs may also be obtained from the website of the Company at www.phoenixfuels.ph. If and when the oversubscription option is exercised, the subscription thereto follows the same procedure as that of the subscription to the Firm Shares. All ATPs shall be evidenced by the ATP duly executed in each case by an authorized signatory of the Applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Offer Shares covered by the ATP and all other required documents, including documents required for registry with the Registrar and PDTC. The duly executed ATP and required documents should be submitted to the Joint Lead Underwriters or any participating underwriter at or prior to 12:00 noon, Manila time of the last day of the Offer Period. If the Applicant is a corporation, partnership, or trust account, the ATP must be accompanied by the following documents: (a) a certified true copy of the Applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary; (b) a certified true copy of the Applicant's SEC certificate of incorporation or certificate of registration, duly certified by the corporate secretary; and (c) a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the ATP and (ii) the designated signatories for the purpose, including their respective specimen signatures. Individual Applicants must also submit a photocopy of any one of the following identification cards ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or

such other ID and documents as may be required by or acceptable to the Selling Agents.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the ATP and also submit additional documents as may be required by the Company, including, but not limited to, the documents required for a tax treaty relief application in respect of dividends as follows:

(a) BIR Form No. 0901-D duly filed with the BIR;

(b) a certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR approving the tax treaty relief application; and

(c) proof of tax residence in the country that is a party to the tax treaty with the Philippines. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of the Offer Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of the Offer Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Payment of the Offer Shares

The Offer Shares must be paid in full on Listing Date.

Acceptance/Rejection of ATPs

The actual number of preferred shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Sole Issue Manager and the Joint Lead Underwriters. The Company reserves the right to accept or reject, in whole or in part, or to reduce any ATP due to any grounds specified in the Underwriting Agreement entered into by the Company and the Sole Issue Manager and the Joint Lead Underwriters. ATPs which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the ATPs does not constitute approval or acceptance by the Company of the ATPs.

An ATP, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the preferred shares at the time, in the manner and subject to terms and conditions set forth in the ATP and those described in this Prospectus. Notwithstanding the acceptance of any ATP by the Company, the actual subscription by the Applicant for the preferred shares will become effective only upon listing of the preferred shares in the Exchange and upon the obligations of the Sole Issue Manager and the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of said Agreement. If such conditions have not been fulfilled on or before the periods provided above, all ATP payments will be returned to the Applicants without interest.

Refunds for Rejected ATPs	In the event that the number of preferred shares to be allotted to an Applicant, as confirmed by a Joint Lead Underwriter or Selling Agent, is less than the number covered by its ATP, or if an ATP is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) banking days from the end of the Offer Period, all or the portion of the payment corresponding to the number of preferred shares wholly or partially rejected. All refunds shall be made through the Joint Lead Underwriter or Selling Agent with whom the Applicant has filed the ATP at the Applicant's risk.
Sole Issue Manager	Penta Capital & Investment Corporation
Joint Lead Underwriters	Penta Capital & Investment Corporation AB Capital and Investment Corporation Multinational Investment Bancorporation
Selling Agents	Trading Participants of the Exchange
Depository Agent	Philippine Depository and Trust Corporation
Receiving Agent, Registrar and Paying Agent	Banco de Oro Unibank, Inc.-Trust and Investments Group
Counsel to the Company	The Law Firm of Uy Cruz Lo & Associates ("UCLA")
Counsels to the Joint Lead Underwriters	DB Law Partnership ("DB Law") / Nava & Associates ("N&A")
Listing Date	December 18, 2015

EXPECTED TIMETABLE

The indicative timetable of the Offer is expected to be as follows:

Particulars	***Dates***
Filing of the Initial Registration Statement with the SEC………………………………………..	August 24, 2015
Filing of the PSE Listing Application………………………………………………………………	September 21, 2015
Regulatory Review Period………………………………………………………………………………	August 24 - October 29, 2015
Securing SEC Pre-Effective Clearance………………………………………………………………	October 30, 2015
Securing PSE Board Approval…………………………………………………………………………	November 11, 2015
Book Building Period……………………………………………………………………………………	November 25, 2015
Dividend Rate Setting Date……………………………………………………………………………..	November 25, 2015
Submission to SEC of Final Prospectus……………………………………………………………….	December 2, 2015
Securing SEC Order of Registration and Certificate of Permit to Offer Securities for Sale……………………………………………..	December 3, 2015
Submission to PSE of Final Prospectus………………………………………………………………	December 3, 2015
Offer Period………………………………………………………………………………………………..	December 7-11, 2015
Subscription Payment Date…………………………………………………………………………….	December 11, 2015
Settlement Period……………………………………………………………………………………….	December 14-17, 2015
Issue and Listing Date……………………………………………………………………………………	December 18, 2015

The dates indicated above are subject to market and other conditions and may be changed by the agreement of the Company, the Sole Issue Manager and the Joint Lead Underwriters, subject to the approval by the Commission and the Exchange.

RISK FACTORS

General Risk Warning

The price of securities can and does fluctuate; any individual security may experience upward or downward movements; and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Offer Shares and the Company from the Commission and the Exchange.

Professional Advice

An investor should seek professional advice if he/it is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

An investment in the Offer Shares described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Offer Shares should carefully consider the factors below, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Offer Shares. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of the Company, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below.

The risk factors summarized below are arranged in the order of importance and separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The Company's business, financial condition and results of operations could be materially affected by any of these risk factors.

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARIES

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects of investment in the Offer Shares. Investors are encouraged to make their own independent legal, financial, and business evaluation of the Company.

INTERNAL FACTORS

1) The growth of the Company is dependent on the successful execution of its expansion plans.

Proper execution and successful implementation of the Company's expansion plans are critical to maintain the growth of the Company going forward. These plans are based on certain assumptions about oil demand, oil prices, competition, financing cost and acquiring the necessary timely regulatory approvals, among other things. The Company cannot and does not represent with absolute certainty that these assumptions would materialize as predicted. In the event that these prove to be incorrect, the Company's future financial performance may be negatively affected.

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. This should enable the Company to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans.

2) The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services are lost.

Certain key executives and employees are important for the efficient operation of the Company's business. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted. This may result to a potential material effect on the financial condition and operating results of the Company.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its officers, staff and rank-and-file are competitive with industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs in the Philippines and abroad to ensure that their knowledge and skills are continually updated. The Company has also established a Company-wide succession plan.

3) Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could affect its business and results of operations and result in potential liabilities.

The Company's operation of its storage and terminal facilities and retail gasoline stations could be affected by several factors, including, but not limited to, equipment failure and breakdown, accidents, power interruption, human error, natural disasters, and other unforeseen incidents and issues. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company has purchased insurance policies covering a majority of foreseeable risks but do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company aims to mitigate this risk by following best practices to prevent the occurrence of or minimize the impact of accidents or other untoward incidents. These include measures to isolate the physical effects of any incidents (for example, the dispersed locations of its storage depots and alternative storage arrangements), minimize their financial impact on the Company (by ensuring that insurance coverage is adequate) and prevent their occurrence (for example, by ensuring that maintenance and safety procedures follow ISO standards and maintaining an adequate security force).

4) The Company's business strategies require significant capital expenditures and financing, which are subject to a number of risks and uncertainties. Its financial condition and results of operations may be affected by its debt levels.

The Company's business is capital intensive, particularly the importation, storage and distribution of petroleum products. The Company's financial condition, sales, net income and cash flows will depend on its capital expenditures for, among others, the construction of storage and wholesale distribution facilities and equipment, the construction of retail gas stations and the acquisition of tanker trucks. Its business strategies involve the construction of new terminal facilities and the expansion of its service station networks. If the Company fails to complete its capital expenditure projects on time or at all or within the allotted budget, or to operate such facilities at their designed capacity, it may be unable to maintain and increase its sales and profits or to capture additional market share as planned, and its business, results of operations and financial condition could be affected.

The Company has incurred additional indebtedness to support its capital expenditure program. The Company's ability to follow this program and meet its debt obligations will partly depend on the ability of the business to generate cash flows from its operations and obtain additional financing. There can be no assurance that the Company will be able to generate sufficient cash flows from its operations or obtain adequate financing for its capital expenditure projects, or to meet its debt servicing obligations, on acceptable terms or at all. The inability of the Company to meet its capital expenditure program whether through unsuccessful implementation or insufficient funding could affect its business, financial condition and results of operations.

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs.

5) If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims prove to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially affected.

The Company uses a combination of self-insurance and reinsurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third party liability. The Company estimates the liabilities associated with the risks retained by it in part by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect their uncertainty and variability including, but not limited to, future inflation rates, discount rates, litigation trends, legal interpretation and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessment, the Company's financial condition, results of operations and cash flows may be materially affected.

To mitigate this risk, the Company continually reviews and updates its insurance policies so that it is reasonably protected from foreseeable events and risks. Insurance coverage is acquired through competitive bidding to ensure that the Company's premium costs are reasonable and at par with industry standards.

6) The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.

Udenna Corporation, directly or indirectly with PPHI and UMRC, holds 63.15% of the Company's outstanding common shares as of June 30, 2015. Neither Udenna Corporation nor PPHI is obligated to provide the Company financial support or to exercise its rights as a shareholder in the Company's best interests or in the best interests of the Company's other shareholders. Should there be a conflict between the interests of Udenna Corporation or PPHI and the interests of the Company, the Company may be affected by the actions of Udenna Corporation.

The Company has an operating lease agreement with its parent, Udenna Corporation, for the use of various properties for its operations and for office space. While the Company believes that the terms of these transactions were negotiated on an arms-length basis, there is no assurance that the Company cannot avail of better terms if it contracted with parties other than its affiliates.

To mitigate this risk, the Company follows good corporate governance standards in dealing with its shareholders and other related parties. These standards include, but are not necessarily limited to, "arms-length" practices in all commercial dealings with related interests and transparency and full disclosure in all such dealings.

EXTERNAL FACTORS

1) Volatility of the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition.

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for almost 90% of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including, but not limited to, the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.

International crude oil prices have been volatile, particularly in 2014, and are likely to continue to be so. Dubai spot crude oil was at US$105/bbl in July 2014 and went down to under US$62/bbl in December 2014. There is no assurance that prices will remain stable over the near and medium-term.

The Company holds about twenty (20) to thirty (30) days of inventory and uses the average method to account for its inventory. Should global fuel prices suddenly drop significantly, the Company may be constrained to sell its petroleum products at a price below acquisition cost of its existing inventory. In a period of rising crude oil prices, social and competitive concerns, and government intervention, the Company may be further constrained to keep current selling prices resulting in its inability to pass on to the consumers the price increases in a timely manner. The Government has previously intervened to restrict price increases for petroleum products, following a declaration of a state of national calamity by former President Gloria Macapagal-Arroyo after typhoons “Ondoy” and “Pepeng” left a trail of disaster. In 2013, during the declaration of a state of calamity brought about by the monsoon rains in Luzon and the earthquakes in Bohol, Cebu and neighboring places, the Department of Trade and Industry issued a price freeze order on basic commodities including fuel. Another declaration of a state of national calamity may result in the Company being unable to pass on price increases effectively, which could affect profitability for the period of effectivity of such order. Such inability to pass on price increases may result to an adverse effect on the Company’s business, results of operations and financial condition. Demand for the Company’s products may also be affected as a result of price increases.

A sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company’s financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital.

To mitigate this risk, the Company closely monitors the prices of fuel in the international and domestic markets. This enables the Company to anticipate any significant price movement and plan out contingencies to hasten the disposition of its existing inventory as necessary to various distributors and wholesalers.

2) The Company’s business, financial condition and results of operations may be affected by intense competition.

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines. Competition is driven and dictated primarily by the price as oil is one of the basic commodities. Differences in product specifications and other overhead costs such as transportation, distribution and marketing costs account for the price differentials among industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources, and access to capital than the Company, and could arguably dictate domestic marketing and selling conditions to the detriment of the Company.

As competition is mainly driven by price, the Company’s business, operational and financial condition may be materially affected if it is unable to compete effectively against other players, which will be primarily driven by its ability to manage overhead costs, streamline transportation and distribution costs, and maximize utilization of its assets.

Smuggling and illegal trading activities of petroleum products have affected the domestic petroleum market. These activities have translated to lower sales price and volumes for legitimate market players in the domestic market. The Company’s financial condition and results of operations may be affected if the Government is unable to properly enforce laws and regulate the domestic oil market.

Competition risk is primarily mitigated by the Company continually strengthening and expanding its distribution network to improve its presence in both growing and high potential markets. The Company continues to invest in building brand equity to ensure that it is consistently recognized and recalled by its target market, and improving customer service to a level at par with or superior to its competitors.

3) ***Regulatory decisions and changes in the legal and regulatory environment could increase the Company's operating costs and affect its business, results of operations and financial condition.***

Even though the local downstream oil industry is a deregulated industry, the Government has historically intervened to limit and restrict increases in the prices of petroleum products. On October 2, 2009, a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng" was called by former President Gloria Macapagal-Arroyo. Executive Order No. 839 was issued which called for the prices of petroleum products in Luzon to be kept at October 15, 2009 levels effective October 23, 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company affecting its profitability in Luzon for the period that the executive order was in effect. On November 16, 2009, the price freeze was lifted. There is no assurance that the Government will not invoke similar measures or reinstate price regulation in the future, which may affect the Company's results of operations.

The Company's operations are subject to various taxes, duties and tariffs. The oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in January 1, 2005 from 3% to 5% which was then rolled back to 3%. In 2006, an additional 12% VAT was imposed by the Government on the sale or importation of petroleum products. As of July 4, 2010, import duties on crude oil and petroleum products were lifted. Such taxes, duties and tariffs may or may not change going forward, and this could result to a material adverse effect on the Company's business, financial condition and results of operations.

The Company's Corporate Affairs Department is dedicated to monitoring compliance with regulations, as well as anticipating any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

4) ***The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability will be affected as it will have to pay income tax at the prevailing rates.***

Under its registration with the BOI, the Company enjoys certain benefits, including an income tax holiday ("ITH") on the operations of the Davao Extension, the Calaca (Batangas) and the Zamboanga depots. In addition, the Company secured approvals in 2012 for BOI registration with corresponding ITH for its Cagayan de Oro City (Phividec) and Bacolod depots. The ITH runs for a period of five (5) years from the commencement of operations of each depot. Upon expiration of a tax holiday, the Company's income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the ITH. In such event, the Company may not be able to continue to avail of the benefits under the ITH. The loss of the ITH would affect the Company's profitability as it may have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar ITH for any new depots that it may establish in the future or for the statutes granting said ITH to be superseded or amended. For example, the Company's registration as a New Industry Participant with New Investment in Storage, Marketing and Distribution of Petroleum Products (with Certificate of Registration No. 2010-184) provides that it is entitled to ITH until November 15, 2010. After the lapse of the ITH, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy ITH benefits may have a material effect on its business prospects, financial condition and results of operations.

The Company continuously monitors its compliance with the requirements and conditions imposed by the BOI to mitigate this risk.

5) Exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations.

The operation of the Company's business is subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, storage, handling, discharge and disposal of waste, location of storage facilities, and other aspects of the operations of the Company's business. Financial penalties, administrative and/or legal proceedings against the Company, or revocation or suspension of the Company's licenses or operation of its facilities may arise should the Company fail to comply with relevant laws and regulations.

The Company has incurred and expects to continue to incur operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations.

Safety, health, environmental and zoning laws and regulations in the Philippines are becoming more and more stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, or increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

To mitigate this risk, the Company keeps itself updated on government policies and regulations pertaining to the oil industry. Through its Corporate Affairs Department, the Company maintains lines of communication with regulatory agencies to allow the Company to identify potential regulatory risks and proactively respond to these risks.

6) The Company's business and financial condition may be impacted by the fluctuations in the value of the Philippine Peso against the U.S. Dollar.

The Company's revenues are denominated in Philippine Pesos while the bulk of its expenses, notably the cost of its imported petroleum products, are U.S. Dollar-denominated. The Company's reporting currency in its financial statements is the Philippine Peso. Further, the Company has several U.S. Dollar loans from certain banks which were used to finance its capital expenditures. Changes in the US Dollar-Philippine Peso exchange rate may affect the financial condition of the Company. Should the Philippine Peso depreciate, this would translate to higher foreign currency-denominated costs affecting the Company's financial condition. There can be no assurance that the Company could increase its Philippine Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Philippine Peso. There can be no assurance that the value of the Philippine Peso will not decline or continue to fluctuate significantly against the U.S. Dollar and any significant future depreciation of the Philippine Peso could have a material adverse effect on the Company's margins, results of operations and financial condition.

The Company has swapped 100% of its long-term U.S. Dollar loans to Philippine Pesos to effectively eliminate its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations in the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs by way of adjustments to its selling prices.

7) Reversal of the favorable ruling in the case involving the Company's President and CEO may pose a reputational risk to the Company and its business.

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and dismissed all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the three (3) Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

The criminal case subject of the *Petition for Certiorari* the resolution of which is currently pending before the CA, Cagayan de Oro City ("Subject Case") may pose a reputational risk to the Company considering that Mr. Uy is the chief executive of the Company. Being the face of the Company, any negative publicity against Mr. Uy may have a negative impact on the Company and its business. Against this reputational risk, the Company will continue to assert the same strong defenses for Mr. Uy which have been correctly upheld by the courts.

RISKS RELATING TO THE PHILIPPINES

1) ***The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines.***

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential continued downturn in the U.S. and the global economy, which would likely cause the economic conditions in the Philippines to deteriorate.

A slowdown in the Philippine economy may affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

2) ***Political instability or acts of terrorism in the Philippines could destabilize the country and may have a negative effect on the Company.***

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal-Arroyo, and public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

3) ***If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products could be affected.***

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations. The Company purchases some critical materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. Although the Government has, from time to time, made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restrictions imposed in the future could affect the ability of the Company to purchase petroleum and other materials and equipment from abroad in US Dollars.

4) The occurrence of natural catastrophes or major power outages may materially disrupt the Company's operations.

The Philippines has encountered and is expected to experience a number of major natural catastrophes including typhoons, volcanic eruptions, earthquakes, mudslides, droughts or floods. Such natural catastrophes may cause disruption to the Company's operations, and distribution of its petroleum products. Power outages are also experienced from time to time caused by insufficient power generation especially following strong typhoons and other natural catastrophes. These types of events may materially disrupt and affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or major power outages, including possible business interruptions.

5) The Company's shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict the grant of leases covering foreshore land to Philippine Nationals. As of the date of this Prospectus, the foreshore land over which the pier facilities of the Company's wholly-owned subsidiary, PPIPC, are located is leased from the Philippine Government and, therefore, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock. Furthermore, the Company owns land which likewise subjects it to foreign ownership restrictions under the Philippine Constitution. This nationality restriction on ownership may affect the liquidity and market price of the Offer Shares to the extent international investors are restricted from purchasing the Offer Shares in normal secondary transactions. This risk is beyond the control of the Company.

Foreign ownership of common shares of the Company as of July 31, 2015 is at 14.4%. As of the same date, there is no foreign ownership of preferred shares.

RISKS RELATING TO THE OFFER SHARES

1) The Offer Shares are subordinated to the Company's other indebtedness.

The Company's obligations in respect of the Offer Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Offer Shares unless it can satisfy in full all of its other obligations that rank senior to the Offer Shares.

The Company's obligations under the Offer Shares are unsecured and will, in the event of the winding-up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Offer Shares. Accordingly, the Company's obligations under the Offer Shares will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the Offer Shares.

There are no terms in the Offer Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Offer Shares.

2) Payment of dividends subject to unrestricted retained earnings.

Under existing law and the Commission's regulations, the Company may not pay dividends during any period where the Company does not have unrestricted retained earnings out of which to pay dividends.

The payment of dividends by the Company may be limited by the terms of the Company's other indebtedness. The terms of the Company's existing loans contain provisions that could limit the ability of the Company to make dividend payments on the Offer Shares. Also, the Company may, directly or indirectly through its subsidiaries, enter into other financing arrangements in the future which may restrict or prohibit the ability of the Company to make dividend payments on the Offer Shares. There can be no assurance that existing or future financing arrangements will not affect the Company's ability to make payments on the Offer Shares.

3) The Offer Shares have no stated maturity date and the Company has the sole right of redemption.

The Offer Shares have no fixed maturity date, and the Offer Shares are not repayable in cash unless the Company, at its sole discretion, redeems them for cash. Furthermore, holders of the Offer Shares have no right to require the Company to redeem the Offer Shares. The Offer Shares are only redeemable at the option of the Company on the Optional Redemption Date or any Dividend Payment Date thereafter. In addition, the Offer Shares may be redeemed by the Company in the event that dividend payments become subject to additional or increased tax or any new tax as a result of certain changes in law, rule or regulation, or accounting standards, or in the interpretation thereof, and such change cannot be avoided by the use of lawful measures available to the Company. Accordingly, if the holder of the Offer Shares wishes to obtain the cash value of the investment, the holder will have to sell the Offer Shares in the secondary market.

4) Holders of Offer Shares may be exposed to insufficient distributions upon liquidation of the Company.

Upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of Offer Shares will be entitled only to the available assets of the Company remaining after the Company's indebtedness is satisfied. If any such assets are insufficient to pay the full amount due the holders of the Offer Shares, then holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

5) Holders of Offer Shares have no voting rights.

Holders of Offer Shares will not be entitled to elect the Directors of the Company. Except as specifically set forth in the Articles of Incorporation and as provided by Philippine law, holders of the Offer Shares will have no voting rights (see ''Description of the Offer Shares'' on page 56).

MANAGEMENT OF RISKS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies. See discussion on "Competitive Strengths" and "Business Strategy" on pages 67 and 68 of this Prospectus, respectively.

USE OF PROCEEDS

The Offer shall enable the Company to raise up to ₱2,000,000,000.00 in gross proceeds at ₱100.00 per share for 20,000,000 preferred shares. The whole amount of the proceeds, net of taxes and expenses, amounting to ₱1,953,143,550.00, shall be used to finance capital expenditures and/or additional working capital requirements.

Firm Shares

Proceeds from the Firm Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company to complete the construction of sixty-one (61) retail stations in the key cities of North and South Luzon, Visayas, and Mindanao, and the storage facilities in Cebu and General Santos.

Breakdown of Usage for the P1.0B Firm Shares	Total Amount (in Thousand Pesos)	Timeline of Acquisition	Timing of Disbursement				
			2015	2016			
			Dec	Q1	Q2	Q3	Q4
A. Capital Expenditures							
A.1. Issuance Cost	46,107	November 2015	46,107				
A.2. Retail Stations							
Construction of 61 retail stations	340,000	July-December 2015	340,000				
A.3. Storage/terminal facilities							
Cebu	360,000	Nov – Dec 2015	360,000				
General Santos	253,893	Nov 2015 – Dec 2016	101,557	38,084	38,084	38,084	38,084
Total	**1,000,000**		**847,664**	**38,084**	**38,084**	**38,084**	**38,084**

Jul-Dec 2015	Average Unit Cost of Retail Station (In P000)	Status			
		Stage of Development	No. of Station	Average %age To Complete	Amount Needed (In P000)
Total			61		340,800
Mindanao	8,000	Ongoing construction	8	30%	19,200
		Under negotiation	2	100%	16,000
Visayas	8,000	Ongoing construction	8	50%	32,000
		Under negotiation	3	100%	24,000
Luzon	8,000	Ongoing construction	22	60%	105,600
		Under negotiation	18	100%	144,000

Of the sixty-one (61) retail stations abovementioned, thirty-eight (38) are being constructed and are in various stages of completion and twenty-three (23) are under negotiation. The Company bids out the civil works the terms and conditions of which are stipulated in the Contractor's Agreement, and retains the other activities to complete the construction of a retail station. These activities include installation of signages, underground tanks, dispensing pumps, standby generator sets, and other items not specified in the Contractor's Agreement.

a) Cebu Depot

Currently the Company is subleasing three (3) tanks from Udenna Development Corporation (UDEVCO) in Tupas St., Cebu City with total tank capacity of 11,500,000 liters.

As part of the long term plans of the Company to establish its presence in Cebu and nearby islands and to be able to have complete and efficient control of depot operations which support the retail and commercial sales operation in the island, the Company was able to acquire a parcel of land in Tayud, Consolacion ("Property") intended for operation of its depot with pier facilities.

The Property has an area of 32,367 square meters, more or less, and an existing Other Law Purposes (OLP) Permit from DENR in lieu of a foreshore lease permit covered under TCT No. TP-26106. The Property likewise has an existing causeway. The Property was acquired sometime in March 12, 2014 and was transferred in the name of the Company under TCT No. 111-2015000611 on February 25, 2015.

The Company is currently applying for several permits from various government agencies including the local government unit of Consolacion, Cebu in order to commence the construction of its depot and pier facilities soon.

The Cebu Depot is designed to accommodate seventeen (17) million liters combined storage capacity for finished petroleum products in order to serve the growing retail, commercial, and aviation customers of the Company in Cebu and neighboring islands. At least nine (9) vertical tanks, each with varying capacity, will be constructed on the property. They will be complemented with receiving pipelines, loading lines, tank truck loading racks, office and warehouse buildings, mechanical and generator set buildings, and fire-fighting facility and equipment. Moreover, the depot will have its own pier or receiving platform that will be supported by mooring and breasting dolphins.

To complete the project, the Company will need at least ₱360 million. The construction has yet to begin since the permits and licenses for the improvements are still being processed. The project is projected to be operational by the third (3rd) quarter of 2016.

b) General Santos (GenSan) Depot

For efficient supply of fuel products and in support of the continuous expansion of its retail and commercial sales operation in the cities of GenSan and Cotabato, provinces of Saranggani and South Cotabato, and parts of Central Mindanao, the Company is negotiating for the acquisition of a parcel of land consisting of 40,000 square meters and the right to operate and use 20,000 square meters under a Special Use Agreement in Protected Areas issued by the DENR in Tambler, GenSan City. The area has an existing and established pier facility developed by its owner Dominico Congson of Southern Fishing Industry.

In the GenSan Depot, the Company plans to build at least six (6) vertical tanks with combined storage capacity of nine (9) million liters. It will also feature receiving and loading pipelines, tank truck loading racks, office and warehouse buildings, mechanical and generator set rooms, steel catwalk, and fire-fighting facility and equipment.

Construction of the depot facilities will not start until the land purchase is finalized and all permits are issued in favor of the Company. The project is estimated to cost the Company some ₱300 million and is expected to be operational by the fourth (4th) quarter of 2016.

<u>Option Shares</u>

Proceeds from the Option Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company for the construction of additional eighty (80) retail stations in the key cities of North and South Luzon, Visayas, and Mindanao. The remaining amount will be utilized for working capital.

Breakdown of Usage for the P1.0B Option Shares	Total Amount (in Thousand Pesos)	Timeline of Acquisition	Timing of Disbursement				
			2015	2016			
			Dec	Q1	Q2	Q3	Q4
A. Capital Expenditures							
A.1. Retail Stations							
Construction of 80 retail stations	640,000	Jan-December 2016		160,000	160,000	160,000	160,000
B. Working Capital							
B.1. Purchase/importation of petroleum products	360,000	November 2015	360,000				
Total	**1,000,000**		**360,000**	**160,000**	**160,000**	**160,000**	**160,000**

Jan-Dec 2016	Average Unit Cost of Retail Station (In P000)	Status			
		Stage of Development	No. of Station	Average %age To Complete	Amount Needed (In P000)
Total			80		640,000
Mindanao	8,000	Ongoing construction	-	0%	-
		Under negotiation	12	100%	96,000
Visayas	8,000	Ongoing construction	-	0%	-
		Under negotiation	15	100%	120,000
Luzon	8,000	Ongoing construction	-	0%	-
		Under negotiation	53	100%	424,000

The construction of all these eighty (80) stations is still being negotiated. Per practice, the Company broadly identifies geographic areas that register high retail fuel consumption and show potential demand for petroleum products. Then, the respective network development units scan these areas for possible retail station sites. As soon as a site is identified, the process of knowing and negotiating with the owners begins.

The Company imports finished petroleum products from Singapore, Thailand, and Taiwan through its existing major suppliers, namely: Total Trading Asia Pte. Ltd.; Winson Oil Trading Pte. Ltd.; PTT International Trading Pte. Ltd.; and Vitol Asia Pte. Ltd. They have been the Company's suppliers for the last four (4) years, allowing the Company to enter into informal contracts with them which are done by emails, for its quarterly volume purchase commitments. However, these suppliers issue pro-forma commercial invoices for actual importations. The average monthly importation reaches eighty (80) million liters with a value of some US$40 million or roughly ₱1.8 billion. Of this monthly requirement, only ₱360 million will be permanently financed by the proceeds from the oversubscription of preferred shares.

Except for the purposes stated in the preceding paragraphs, there are no other current plans for the proceeds or any significant portion thereof. The proceeds shall not be used to reimburse any of the officers, directors, employees or other shareholders for services rendered, assets previously transferred, loans, advances or otherwise. No amount of the proceeds will be used by the Company to pay any outstanding obligations or debt from the Sole Issue Manager and the Joint Lead Underwriters.

Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

The expenses for the Offer shall be as follows:

Particulars of Expenses	Amount
Issue Management Fee (0.50%)	10,000,000.00
Underwriting and Selling Fees (1.50%)	30,000,000.00
SEC registration and legal research fees	1,073,125.00
SEC listing and legal research fees	2,525.00
PSE listing and processing fees + 12% VAT	2,296,000.00
PDTC lodgment fees	110,800.00
Reimbursement of out-of-pocket expenses*	3,000,000.00
Legal Fees of Issuer's Counsel + 12% VAT (with out-of-pocket expenses)	274,000.00
Documentary Stamp Tax	100,000.00
Total Expenses*	**46,856,450.00**

**** Estimated amounts***

In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the Commission, the Exchange and the holders of the Offer Shares in writing before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments in the use of proceeds, as indicated above, should be approved by the Board and disclosed to the Exchange. In addition, the Company shall submit via the Electronic Disclosure Generation Technology (EDGE) of the Exchange, the following disclosures to ensure transparency in the use of proceeds:

(i) the actual disbursements made in connection with the planned use of proceeds from the Offer;
(ii) quarterly progress report on the application of the proceeds from the Offer on or before the first fifteen (15) days of the following quarter;
(iii) annual summary of the application of the proceeds on or before January 31 of the following year; and
(iv) approval by the Board of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company prior to said actual disbursement or implementation.

The Company shall submit a certification by the Treasurer of the Company and external auditor on the accuracy of the information reported by the Company to the Exchange, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any, in the quarterly and annual reports of the Company as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

The Company filed its application for listing of the Offer Shares with the Exchange on September 21, 2015.

DETERMINATION OF OFFER PRICE

The Offer consists of the issuance of up to 20,000,000 Offer Shares out of the Company's authorized and unissued preferred share capital. The Offer Price of ₱100.00 per share is at a premium to the par value of the Offer Shares. The Offer Price was arrived at by dividing the desired gross proceeds by the number of Offer Shares. Prior to the Offer, there has been no market for the Offer Shares.

DILUTION

The Offer pertains to the registration of the Company's preferred shares which have no voting rights, except those granted under Corporation Code of the Philippines. Hence, there is no dilution in the common shares of the Company suffered by its stockholders holding said common shares. The ownership of the common shareholders shall have no effect on the Offer and/or on the issuance of the Offer Shares.

PLAN OF DISTRIBUTION

The Company plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted by the Sole Issue Manager and the Joint Lead Underwriters. The Offer does not include an international offering. The Trading Participants, who are member-brokers of the Exchange, shall act as selling agents for the Offer pursuant to the Exchange's rules and regulations.

THE UNDERWRITERS

The Firm Shares were underwritten by the Sole Issue Manager and Joint Lead Underwriter, PentaCapital, and other Joint Lead Underwriters, Multinational Investment Bancorporation and AB Capital and Investment Corporation, on a firm basis up to the aggregate principal amount of its Underwriting Commitment pursuant to the Underwriting Agreement dated November 25, 2015.

Subject to the fulfillment of the conditions provided in the Underwriting Agreement, each of the Joint Lead Underwriters has committed to underwrite the Firm Shares on a firm basis up to the amount indicated below:

PentaCapital	₱500,000,000.00
Multinational Investment Bancorporation	₱250,000,000.00
AB Capital and Investment Corporation	₱250,000,000.00
TOTAL	₱1,000,000,000.00

In the event of an oversubscription of the Firm Shares and the Joint Lead Underwriters exercise their option to subscribe to the Option Shares, each of the Joint Lead Underwriters commits to underwrite the Option Shares on a firm basis to the same extent as their underwriting commitment on the Firm Shares.

The Joint Lead Underwriters may enter into sub-underwriting agreements, participation agreements or like agreements with other underwriters who may want to participate in the Offer. There is no agreement for any of the Joint Lead Underwriters to put back to the Company any unsold preferred shares.

PentaCapital is a leading independent investment house in the Philippines known for its unique expertise in project development and financing, especially for real estate, leisure and infrastructure projects. It has acquired its niche in the investment banking and financial services sectors, specifically: money market operations; consumer financing (through its 98% owned subsidiary, PentaCapital Finance Corp.); debt and equity underwriting; financial advisory and project financing; especially for Build-Operate-Transfer/Build-Lease-Transfer projects; and securitization transactions. PentaCapital has extensive experience in merchant, investment and commercial banking, corporate finance, underwriting, project financing, mergers and acquisition, securities dealership, money and capital markets, and investment management.

PentaCapital is accredited and licensed by the Commission as an Investment House under CR No. 01-2008-00231 effective November 7, 2014 with validity until November 6, 2015. Its accreditation and license has been renewed by the Commission effective November 12, 2015 with validity until November 11, 2016.

Except for the 3,000,000 (2nd tranche) preferred shares of the Company it holds with stock symbol PNXP with no series type [refer to the section "Description of the Offer Shares" on page 58 for a discussion on the 2nd tranche of preferred shares], PentaCapital does not have any direct or

indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto), and other than as Sole Issue Manager and Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does PentaCapital have any right to designate or nominate a member/s on the Board of Directors of the Company.

Multinational Investment Bancorporation ("MIB") is the oldest existing independent investment house in the Philippines. It provides a full range of investment banking services that include debt and equity underwriting, loan syndication and financial advisory services for mergers and acquisitions, corporate reorganization and financial restructuring.

MIB is accredited and licensed by the Commission as an Investment House under CR No. 01-2004-00161 effective January 1, 2015 with validity until December 31, 2015.

MIB does not have any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto), and other than as Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does MIB have any right to designate or nominate a member/s on the Board of Directors of the Company.

AB Capital and Investment Corporation ("AB Capital") is an investment house that has built its capability on three major areas of strength: corporate finance, fixed-income securities dealership and fund management licensed by the Commission. In March 2011, Vicsal Investment, Inc. signed a Share Purchase Agreement with the Phinma Group for the purchase of AB Capital and Investment Corporation and AB Capital Securities, Inc.

AB Capital is accredited and licensed by the Commission as an Investment House under CR No. 01-2008-00209 effective January 1, 2015 with validity until December 31, 2017.

AB Capital does not have any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto), and other than as Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does AB Capital have any right to designate or nominate a member/s on the Board of Directors of the Company.

UNDERWRITING COMMITMENT

The Company granted the Joint Lead Underwriters the authority to offer for subscription and purchase the Offer Shares to any number of qualified buyers in the Philippines.

It was agreed that the Offer Shares shall be issued in full on a one-time basis on the Listing Date, December 18, 2015, in accordance with the procedure for the issuance of the Offer Shares set forth in the ATP.

The Joint Lead Underwriters, pursuant to its firm commitment, agreed to have irrevocably subscribed for and agreed to purchase on the terms set forth any portion of the underwritten shares not taken up by investors provided that the liability of the Joint Lead Underwriters to the Company arising from the Offer is strictly limited to the amount underwritten by it.

The Issue Management Fee and the Underwriting and Selling Fees to be paid by the Company in relation to the Offer shall be equivalent to 2.00% of the gross proceeds of the Offer. The Company and the Sole Issue Manager have agreed that the Issue Management Fee in relation to the Offer shall be equivalent to 0.5% of the gross proceeds from the Offer while the Underwriting and Selling Fees shall consist of 1.5% of the gross proceeds from the Offer, the latter being inclusive of commissions to be paid to the Selling Agents which shall be equivalent to 0.25% of the total proceeds of the sales of each Trading Participant. (Refer to the table of expenses in page 46 of the "Use of Proceeds" section.)

SALE AND DISTRIBUTION

The Company granted the Joint Lead Underwriters the authority to offer for subscription and purchase 10,000,000.00 Philippine Peso-denominated perpetual preferred shares (the "Firm Shares") to any number of qualified buyers in the Philippines, subject to the restrictions on the transfer, assignment or resale of the Firm Shares under applicable laws.

The Company further grants the Joint Lead Underwriters an option, exercisable during the Offer Period, to subscribe on a firm basis, when exercised, up to an additional 10,000,000 Option Shares with the same terms and conditions as the Firm Shares set forth in this Prospectus, solely to cover oversubscriptions, if any.

The actual number of the Offer Shares that an investor will be allowed to subscribe to shall be subject to the confirmation of the Joint Lead Underwriters. The Company, through the Joint Lead Underwriters, shall have the right to accept or reject, in whole or in part, any offer to subscribe to or purchase the Offer Shares or to scaledown the amount of the Offer Shares for which such offer is made.

In the event that the Offer Shares forming part of the underwriting commitment are insufficient to satisfy the offers to subscribe received by the Joint Lead Underwriters from investors, or in the event of an oversubscription of the Offer Shares, the Company, through the Joint Lead Underwriters, shall exercise the discretion to reallocate the number and amount of the Offer Shares which any investor can subscribe to.

The distribution and sale, and the allocation of the Offer Shares, shall be undertaken by the Joint Lead Underwriters which shall sell and distribute the Offer Shares to third party buyers or investors. The Joint Lead Underwriters are authorized to organize a syndicate of underwriters, soliciting dealers and/or selling agents for the Offer.

Eighty per cent (80%) of the Firm Shares are being offered, through the Joint Lead Underwriters, for subscription and sale to qualified institutional buyers and the general public. The Company plans to make available the remaining twenty percent (20%) for distribution to the respective clients of the one hundred thirty-two (132) trading participants of the Exchange, acting as Selling Agents. 2,006,400 shares will be allocated to the trading participants. Based on the bookbuilding conducted, the dividend rates for Series 3A (PNX3A) and Series 3B (PNX3B) are 7.4278% per annum and 8.1078% per annum, respectively.

Each Trading Participant shall be allocated 15,200 preferred shares (computed by dividing the Offer Shares allocated to the Trading Participants by 132), subject to reallocation as may be determined by the Joint Lead Underwriters. Trading Participants may undertake to purchase more than their allocation of 15,200 shares. Any requests for shares in excess of 15,200 shares may be satisfied by reallocation of any preferred shares not taken up by other Trading Participants.

The respective allocation to the Trading Participants and the Joint Lead Underwriters' clients and the general public are as follows:

	Offer Shares (100%)	Allocation to Joint Lead Underwriters' clients and General Public (80%)	Allocation to Trading Participants (20%)	Allocation per Trading Participant (132 active Trading Participants)
PNX3A	6,250,000	4,996,000	1,254,000	9,500
PNX3B	3,750,000	2,997,600	752,400	5,700
Total	**10,000,000**	**7,993,600**	**2,006,400**	**15,200**

The Company will not allocate the Firm Shares to Local Small Investors (LSI). As defined in the Exchange's Revised Listing Rules, an LSI is a share subscriber whose subscription does not exceed ₱25,000.00. The Offer will have a minimum subscription amount of ₱50,000.00 which is beyond the prescribed maximum subscription amount for LSI. Prior to the close of the Offer Period, any of the Firm Shares not taken up by the Exchange's trading participants shall be distributed by the Joint Lead Underwriters directly to their clients and the general public.

Prior to the close of the Offer Period, the Sole Issue Manager and the Joint Lead Underwriters, in consultation with the Company, reserve the right but not the obligation to increase the offer size up to an additional 10,000,000 preferred shares (the Option Shares).

The oversubscription option, to the extent not fully exercised by the Sole Issue Manager and the Joint Lead Underwriters, shall be deemed cancelled and the relevant filing fee therefor shall be deemed forfeited.

Term of Appointment

The engagement of the Sole Issue Manager and Joint Lead underwriters shall subsist as long as the SEC Order of Registration and Certificate of Permit to Offer Securities for Sale remains valid unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Sole Issue Manager and the Joint Lead Underwriters shall, at their discretion, determine the manner by which proposals for subscription to, and issuances of, the preferred shares shall be solicited, with the primary sale of the preferred shares to be effected only through the Sole Issue

Manager and the Joint Lead Underwriters. The Sole Issue Manager and the Joint Lead Underwriters may appoint other entities, including Trading Participants to sell in their behalf.

Offer Period

The Offer Period shall commence at 9:00 a.m. on December 7, 2015 and end at 12:00 noon on December 11, 2015, or such other date as may be agreed between the Company and Sole Issue Manager and Joint Lead Underwriters subject to the approval of the Commission and the Exchange.

Application to Purchase

Each ATP shall be duly completed and signed, together with two (2) fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Offer Shares applied for, by check or by the appropriate payment instruction, and the required documents which must be submitted to the Joint Lead Underwriters (which may be through other participating underwriters) and Selling Agents.

Corporate and institutional purchasers must also submit a copy of SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Incorporation or Certificate of Registration, Articles of Incorporation and By-laws, or such other relevant organizational or charter documents, and the original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Offer Shares and designating the authorized signatory/ies therefor. Individual applicants must submit a photocopy of any one of the following identification cards (“ID”): passport/driver's license, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Receiving Agent and Registrar and Paying Agent.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriter (which may be through the other underwriters) and Selling Agents (together with their ATPs) who shall then forward the same to the Registrar and Paying Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) BIR Form No. 0901-D duly filed with the BIR; (ii) certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR on file with the Applicant as certified by its duly authorized officer; (iii) with respect to tax treaty relief, proofs to support applicability of reduced tax treaty rates, consularized proof of tax domicile issued by the relevant tax authority of the Preferred Shareholder, and original or SEC-certified true copy of the SEC confirmation that the relevant entity is not doing business in the Philippines; (iv) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Paying Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax, and (v) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

The Sole Issue Manager and the Joint Lead Underwriters shall be responsible for accepting or rejecting any ATP or scaling down the amount of Offer Shares applied for. The ATP, once accepted, shall constitute the duly executed purchase agreement covering the amount of preferred shares so accepted and shall be valid and binding on the Company and the Applicant. On the Banking Day following the Closing Date, the Sole Issue Manager and the Joint Lead Underwriters shall advise all the other underwriters and Selling Agents of any ATPs that were rejected and/or scaled down, with copy to the Company.

Minimum Purchase

A minimum purchase of 500 shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 100 shares.

Refunds

In the event an ATP is rejected or the amount of Offer Shares applied for is scaled down, the Sole Issue Manager and the Joint Lead Underwriters, upon receipt of such rejected and/or scaled down ATPs, shall notify the Applicant concerned that his ATP has been rejected or the amount of Offer Shares applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose ATP was rejected, refund shall be made by the Sole Issue Manager and the Joint Lead Underwriters by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose ATP has been scaled down, refund shall be made by the issuance by the concerned Sole Issue Manager and the Joint Lead Underwriters of its own check payable to the order of the Applicant and crossed for "Payees' Account Only" corresponding to the amount in excess of the accepted ATP. All checks shall be made available for pick up by the Applicants concerned at the office of the Sole Issue Manager and the Joint Lead Underwriters to whom the rejected or scaled down ATP was submitted within five (5) Banking Days from the end of the Offer Period. The Company shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled down ATP which is not returned by the relevant Sole Issue Manager and the Joint Lead Underwriters; in which case, the relevant Joint Lead Underwriter shall be responsible directly to the Applicant for the return of the check or otherwise for the refund of the payment.

Secondary Market

The Company may purchase the Offer Shares at any time without any obligation to make *pro rata* purchases of Offer Shares from all shareholders.

Registry of Shareholders

The Offer Shares will be issued in scripless form through the electronic book-entry system of the Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the ATP the name of the PSE Trading Participant under whose name their shares will be registered.

Legal title to the shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a registry confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders at the cost of the requesting shareholder. The Registrar shall send at the cost of the Company at least once every year a Statement of Account to all shareholders named in the Registry of Shareholders, except certificated shareholders and PDTC Participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant shareholder as of a given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

Expenses

All out-of-pocket expenses, including, but not limited to, registration with the Commission, printing, publication, communication and signing expenses incurred by the Joint Lead Underwriters in the negotiation and execution of the transaction will be for the Company's account irrespective of whether the Offer is completed. Such expenses are to be reimbursed upon presentation of a complete statement of account. See "Use of Proceeds" on page 43 for details of expenses.

DESCRIPTION OF THE OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and the Company's Articles of Incorporation and By-laws, copies of which are available at the Commission.

The Company's Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the Articles of Incorporation and the By-Laws of the corporation.

On March 8, 2010, the Commission approved the application of the Company for the reclassification of 50,000,000 out of its 130,839,323 unissued common shares into 50,000,000 preferred shares and the corresponding amendment to its Articles of Incorporation.

The Company's Board of Directors approved on January 18, 2010 an amendment to the Company's Articles of Incorporation to reclassify a total of 50,000,000 unissued common shares with par value of One Peso (₱1.00) per share to 50,000,000 preferred shares with par value of One Peso (₱1.00) per share. The amendment was likewise approved by the stockholders holding at least 2/3 of the outstanding capital stock of the Company through written assent on January 18, 2010.

As of February 18, 2010, the Company had an authorized capital stock consisting of 400,000,000 common shares with a par value of ₱1.00 per share, of which 269,160,674 shares were issued and outstanding.

As of March 8, 2010, and following the Commission's approval of the Amended Articles of Incorporation embodying the preferred shares, the Company had an authorized capital stock consisting of:

(d) 350,000,000 common shares with a par value of ₱1.00 per share of which 267,660,677 shares are issued and outstanding; and
(e) 50,000,000 preferred shares with a par value of ₱1.00 per share, which are unissued.

On September 7, 2010, the Commission approved the Company's increase in authorized capital stock from 400,000,000 shares divided into 350,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share, to 800,000,000 shares divided into 750,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share. The amendment was approved by the Company's Board of Directors on April 8, 2010 and by the shareholders holding at least 2/3 of the outstanding capital stock of the Company during the annual stockholders' meeting on July 15, 2010.

On September 21, 2010, the Company issued 5,000,000 preferred shares (the 1st tranche) at the issue price of ₱100.00 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to qualified institutional buyers, which was underwritten by PentaCapital. (Refer to paragraph 1 of page 57)

On April 23, 2012, the Commission approved the Company's increase in authorized capital stock from 800,000,000 shares divided into 750,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share to 2,550,000,000 shares, divided into 2,500,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share. The amendment was approved by the

Company's Board of Directors on February 8, 2012 and by shareholders holding at least 2/3 of the outstanding capital stock of the Company during the annual stockholders' meeting on March 8, 2012.

In the Third Tranche of preferred shares issuance, the Company is offering to the public 10,000,000 cumulative, non-voting (except as specifically provided by law), non-participating, non-convertible Philippine peso-denominated, perpetual preferred shares at an Offer Price of ₱100.00 per share ("Firm Shares"). In the event of an oversubscription of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and the Joint Lead Underwriters, shall have the right to further issue up to an additional 10,000,000 preferred shares having the same features as the Firm Shares ("Option Shares"). The Firm Shares and the Option Shares comprise the Offer Shares. The Offer Shares have a par value of ₱1.00 per share and shall be issued by the Company from the unissued portion of its 50,000,000 authorized preferred share capital. The Offer was approved on August 24, 2015 by the Company's Board of Directors and the same was subsequently approved by the Company's stockholders representing more than 2/3 of the Company's total issued and outstanding voting stock by written assent.

Except for those rights provided by law and by the terms and conditions of the Offer, there are no other material rights given to the holders of preferred shares. There are no provisions in the Articles of Incorporation and/or By-laws of the Company that would delay, defer or prevent a change in control of the Company.

As of date, the Company has 5,000,000 issued and outstanding preferred shares. Following the Offer, the Company will have the following issued and outstanding shares:

(a) 1,428,777,232 common shares; and
(b) 25,000,000 preferred shares (assuming the Offer is fully taken up).

History of Dividend Income Payment

1. Company

   a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60
February 08, 2012	50% Stock Dividend	March 28, 2012	April 26, 2012	₱244,936,203.00
	Cash Dividend of ₱0.10 per share	March 23, 2012	April 23, 2012	₱48,973,955.30

   b. Cash Dividend on Preferred Shares

Since the issuance of the preferred shares of the Company on September 21, 2010 (the 1st tranche), the Company has declared quarterly dividends fixed at 11.50% per annum, calculated in respect of each share with reference to the issue price thereof on each dividend period. This translates to a cash dividend amounting to ₱2.875 per share per quarter. The cash dividends were paid on

September 21, December 21, March 21 and June 21 of each year starting December 21, 2010 until the preferred shares were redeemed on December 20, 2013.

1st Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
December 5, 2013	₽2.875 per share	N/A	December 20, 2013	₽14,375,000.00
September 5, 2013	₽2.875 per share	N/A	September 21, 2013	₽14,375,000.00
June 5, 2013	₽2.875 per share	N/A	June 21, 2013	₽14,375,000.00
Mar 5, 2013	₽2.875 per share	N/A	March 21, 2013	₽14,375,000.00
December 5, 2012	₽2.875 per share	N/A	December 21, 2012	₽14,375,000.00
September 5, 2012	₽2.875 per share	N/A	September 21, 2012	₽14,375,000.00
June 4, 2012	₽2.875 per share	N/A	June 21, 2012	₽14,375,000.00
March 05, 2012	₽2.875 per share	N/A	March 21, 2012	₽14,375,000.00
December 1, 2011	₽2.875 per share	N/A	December 21, 2011	₽14,375,000.00
August 12, 2011	₽2.875 per share	N/A	September 21, 2011	₽14,375,000.00
May 12, 2011	₽2.875 per share	N/A	June 21, 2011	₽14,375,000.00
March 11, 2011	₽2.875 per share	N/A	March 21, 2011	₽14,375,000.00
September 21, 2010	₽2.875 per share	N/A	December 21, 2010	₽14,375,000.00

On December 20, 2013, in order to redeem the 1st tranche of preferred shares, the Company issued the 2nd tranche of preferred shares with the same amount and features except for the rate, which was reduced to 8.25% per annum. The dividends are calculated on a 30/360 day basis and have a priority in the payment of dividends at the fixed rate of 8.25% per annum at the time of issuance, which translates to a cash dividend amounting to ₽2.0625 per share per quarter. These shares are also preferred in the distribution of corporate assets in the event of liquidation and dissolution of the Company.

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
August 10, 2015	₽2.0625 per share	August 25, 2015	September 21, 2015	₽10,312,500.00
May 12, 2015	₽2.0625 per share	May 26, 2015	June 22, 2015	₽10,312,500.00
February 6, 2015	₽2.0625 per share	February 24, 2015	March 20, 2015	₽10,312,500.00
N/A	₽2.0625 per share	N/A	December 22, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	September 22, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	June 20, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	March 20, 2014	₽10,312,500.00

2. Subsidiaries

Except for CSC which declared a 20% stock dividend on December 3, 2012 to all stockholders of record of CSC as of December 1, 2012 and paid said dividends on December 14, 2012, no other subsidiary of the Company has declared dividends for the past three (3) years.

INTEREST OF NAMED EXPERTS AND INDEPENDENT COUNSEL

All legal opinions and matters in connection with the issuance of the preferred shares which are the subject of this Offer shall be passed upon by DB Law Partnership ("DB Law") and Nava & Associates ("N&A") for the Sole Issue Manager and the Joint Lead Underwriters, and the Law Firm of Uy Cruz Lo & Associates ("UCLA") for the Company. DB Law, N&A and UCLA have no direct or indirect interest in the Company. From time to time, DB Law, N&A and UCLA are engaged by the Company to advise in its transactions and perform legal services on the same basis that they provide such services to their other clients.

Independent Auditors

The Company's results of operations and financial position have been and will be affected by certain changes to the Philippine Financial Reporting Standards ("PFRS"), which are intended to further align PFRS with the International Financial Reporting Standards.

The Financial Statements of the Company appearing in this Prospectus have been audited by Punongbayan & Araullo ("P&A"), independent auditors, as set forth in their report thereon appearing elsewhere in this Prospectus.

The Company's Audit Committee reviews and approves the scope of audit work of the independent auditor and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards the services rendered by the external auditor other than the audit of financial statements, the scope of services and the fees for the same are subject to review and approval by the Company's Audit Committee.

The Company's aggregate audit fees for each of the last two (2) fiscal years for professional services rendered by the external auditor were ₱6,102,140 and ₱6,088,090 for 2013 and 2014, respectively.

There is no direct or indirect interest in the Company of any named expert as defined by the SRC nor its independent counsel.

INDUSTRY OVERVIEW and COMPETITIVE OVERVIEW

The information and data contained in this section have been taken from sources in the public domain. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company, the Joint Lead Underwriters nor any of their respective affiliates or advisors has independently verified the information included in this section.

PHILIPPINE OIL INDUSTRY

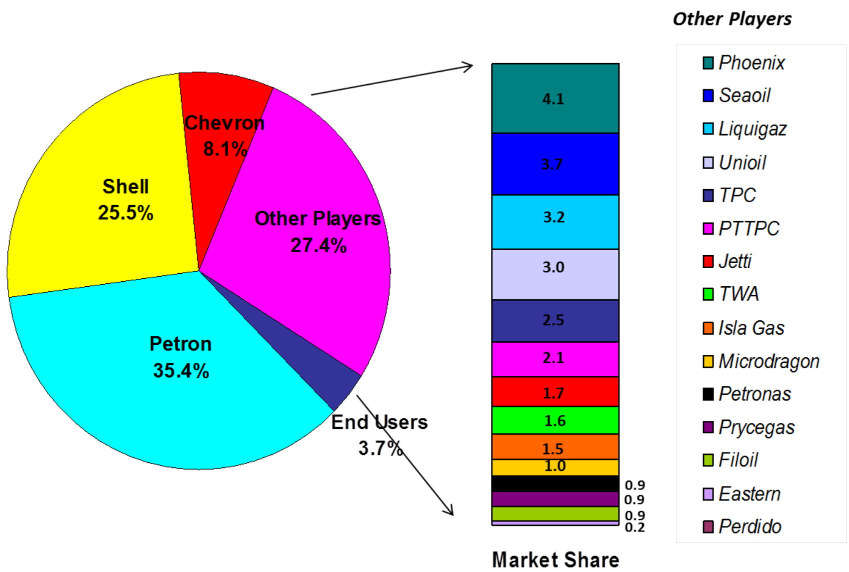
Following the enactment of the Downstream Oil Industry Deregulation Act in 1998, the deregulated Philippine downstream oil industry is currently dominated by three major players, Petron, Shell, and Chevron (who had previously converted its refinery into an import terminal in 2003 and operates as a marketing and distribution company), which together with the end users accounted for 72.8% of the total market share as of year end 2014.

On the other hand, fifteen (15) other new players include foreign-owned firms such as PTT of Thailand, Petronas of Malaysia, Liquigaz of Netherlands and Total of France, and other local players including Phoenix Petroleum, Isla Gas, W. Precision, Cross Country, Ixion, Jetti, Prycegas, Seaoil Corp., TWA/Filpride, Filoil, Micro Dragon, which captured 27.4% of the market for said year.

The entry of these new players resulted in increased competition among local players leading to better quality of products and facilities, improved service at gas stations, and a shift to a new image of retail service stations which provide amenities (i.e. convenience stores, restrooms, and automated teller machine counters, etc.) within their premises.

TOTAL PETROLEUM PRODUCTS (MARKET SHARE):

Fig. 1 FY 2014 Market Share (Total Petroleum Products)



Source: DOE website

The following activities characterize the Philippine downstream oil industry:

- Crude oil importation from foreign suppliers;
- Refineries as processing and storage of intermediate and refined products;
- Logistics transfers to various bulk plants/depots through tankers, barges or the Batangas-Manila pipeline; and
- Refined/finished products from depots to retail outlets and industrial clients via land distribution.

DEMAND

Petroleum Product Demand

Year-to-date December 2014 total demand of finished petroleum products grew by 6.0% to 124,503 MB from 117,489 MB of year-to-date December 2013. This can be translated to an average daily requirement of 341.1 MB compared with last year's level of 321.9 MB.

Compared with year-to-date December 2013 figures, all products showed increases in demand volume. Fuel oil recorded the highest growth of 7.1%. Diesel oil and gasoline demand also rose by 6.3% and 4.2%, respectively.

Product demand mix comprised mostly of diesel oil at 42.3%, gasoline at 23.0%, fuel oil and kerosene/avturbo at 10.7%, LPG at 10.5%, and other products at 2.8% share in the total product mix.

Petroleum Product Exports

Fiscal year 2014 total country's petroleum products exports were up by 10.2% from 8,616 MB in 2013 to 9,496 MB. Condensate exports, the top exported product for the period, increased by 15.3% *vis-à-vis* year 2013. Likewise, fuel exports increased by 1.9% for the same period. However, naphtha export decreased by 25.7%. Meanwhile, all petrochemical products such as mixed xylene, toluene, benzene and propylene increased *vis-à-vis* last year.

The total export mix comprised of condensate (46.4%); naphtha (17.7%); fuel oil (17.0%); mixed xylene (7.3%); toluene (3.8%); pygas (2.9%); propylene (2.0%); benzene (1.8%); reformate (1.2%) and LPG (0.02%).

The oil refineries' exports accounted for 50.7% of the total export mix while the remaining 49.3% was attributed to the exports of Shell Philippines Exploration B. V. (SPEX), Liquigaz and Petronas.

Crude Oil Exports

A total of 2,833 MB crude oil from Galoc (Palawan Light) were exported for the year which increased by more than 100% from 1,388 MB in 2013.

MARKET SHARE

Total Petroleum Products

The major oil companies (Petron, Chevron and Shell) got 68.9% market share of the total demand while the other industry players, which include PTT Philippine Corp. (PTTPC), Total Phils., Seaoil Corp., TWA, Filpride, Phoenix, Liquigaz, Petronas, Prycegas, Micro Dragon, Unioil, Isla LPG Corp., Jetti, Eastern Corp., Perdido and Filoil Gas Co., as well as the end users who directly import part of their requirements, captured 31.1% of the market (Fig. 1).

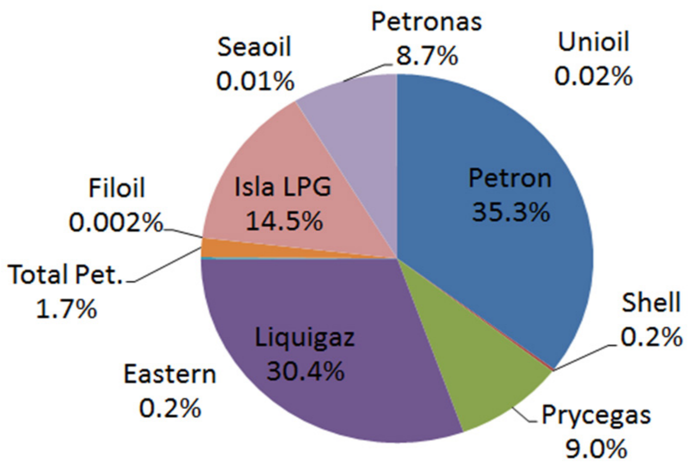
Meanwhile, the local refineries (Petron and Shell) captured 60.9% of the total market demand while 39.1% was credited to direct importers/distributors.

LPG

Since Shell sold the share capital of Shell Gas (LPG) Philippines Inc. to Isla LPG Corp. in 2012, the LPG market share of the oil refineries was reduced to 35.5%. On the other hand, the market share of the other players, with the inclusion of Isla LPG, increased to 64.5%.

Among the other LPG players, Liquigaz got the biggest market share with a 30.4% share, followed by Isla LPG with a share of 14.5% and Petronas with a share of 8.7% (Fig. 2).

Fig. 2 FY 2014 LPG Market Share



Source: DOE website

DOWNSTREAM OIL INDUSTRY DEREGULATION ACT

The Downstream Oil Industry Deregulation Act provides the regulatory framework for the country's downstream oil industry.

Under the Downstream Oil Industry Deregulation Act, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high quality petroleum products. To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004. The DOE is the lead government agency overseeing the oil sector. With the enactment of the Downstream Oil Industry Deregulation Act, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Downstream Oil Industry Deregulation Act include the following:

(a) monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;

(b) monitoring the refining and manufacturing processes of local petroleum products to ensure that clean and safe technologies are applied;

(c) maintaining a periodic schedule of present and future total industry inventory of petroleum products for the purpose of determining the level of the supply and immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and

(d) in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

TRENDS IN THE INDUSTRY

Tighter Fuel Specifications

The Clean Air Act was enacted in 1999 which required gasoline and automotive diesel to have lower sulfur and benzene content. The Act was intended to address growing and looming concerns over the hazardous effects of gas emissions to both the environment and human health. Although local requirements lag behind international standards, local fuel specifications are expected to catch up and meet the stricter standards of developed countries going forward. Effective January 2016, the DOE will implement Euro IV fuel standard with sulfur contents reduced to 50 parts per million (ppm) from its 500 ppm specification.

Alternative Fuels

The Biofuels Act of 2006 (the "Biofuels Act") calls for the mandatory blending of biofuels of oil companies into their oil products to offer ethanol-blended gasoline products. The Biofuels Act also calls for incentives to biofuels producers. A 5% blend of ethanol is mandated for gas by 2009 and 10% by 2011. For diesel products, a 1% blend of biodiesel was required by 2007 and 2% starting 2009.

Taxi owners and operators continue to convert their units to allow the use of LPG instead of gasoline as a means to save on costs and improve their profitability. LPG pumps are slowly increasing in retail service stations of oil companies and new companies are entering the LPG retail service station industry to capture this growing market.

Another alternative fuel being eyed is compressed natural gas (CNG). While Congress has passed the law providing incentives to producers and users of CNG, the necessary infrastructure has not yet been put in place. The planned "mother" and "daughter" natural gas stations of Shell, intended for use by public buses plying the route of Southern Luzon, are not yet operational.

Larger Retail Service Stations

Foreign-owned gasoline stations have put up retail stores following the liberalization of the retail trade industry. Since then, larger retail service stations have been more regularly seen with most of them being put up in strategic areas along major expressways. These retail stations would also have spaces for retail establishments which other companies can lease or rent for their own business operations and expansion. Among the common tenants of these retail establishments are quick-serve businesses including the likes of Jollibee, McDonald's, KFC and Starbucks to name a few. These large retail service stations cater to retail clients who look for gasoline products, snacks and refreshments.

Furthermore, oil companies have put up their own convenience stores alongside their retail service stations carrying their own brand. Petron has "Treats", Shell has "Select" and Chevron has "StarMart". However, in recent years, these oil companies started to outsource the convenience stores to locators like 7-eleven, Mini-Stop and other local brands.

OIL IMPORT BILL

In year 2014 total oil import bill amounting to $13,522.9 million was only slightly up by 0.4% from $13,471.2 million in 2013, which could be attributed to lower import cost (for both crude and petroleum products) although import volume increased.

Total oil import costs were made up of 46.0% crude oil and 54.0% finished products. Total import of crude oil which amounted to $6,215.5 million dropped by 0.5% from 6,247.8 million in 2013 due to lower CIF price per barrel from $110.887/bbl in 2013 to $95.715/bbl in 2014. On the other hand, total product cost increased by 1.2% to $7,307.4 million from $7,223.4 million in 2013. However, CIF average price is lower at $107.257/bbl compared with $116.297bbl in 2013.

Meanwhile, the country's petroleum exports earnings for the period rose by 14.4% from $1,076.0 million in 2013 to $1,230.9 million in 2014. Overall, the country's 2014 net oil import bill amounting to $12,292.0 million was down by 0.8% from $12,394.9 million in 2013.

THE COMPANY

OVERVIEW

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities, and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and the Visayas. Its products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark.

The Company was incorporated in the Philippines on May 8, 2002 under its original name "Oilink Mindanao Distribution, Inc." On 11 January 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp." On August 7, 2006, the Commission approved the amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc." It is owned by PPHI, Udenna Corporation, and Udenna Management and Resources Corp. to the extent of 63.15% in the aggregate. These are companies organized in the Philippines which are controlled by the Company's founder.

The Company is registered with the BOI effective November 16, 2005 as a New Industry Participant with New Investment in Storage, Marketing and Distribution of Petroleum Products pursuant to the Downstream Oil Industry Deregulation Act. As a registered company, it is entitled to certain benefits including ITH for a period of five (5) years from the date of registration. The Company further avails of BOI benefits under the law as a result of the additions and expansion of its storage facilities.

Its operations are divided between trading, and terminalling and hauling services. Under trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations numbering 443 as of June 30, 2015. The retail service stations are classified as either CODO or DODO.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depots in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City, hauling and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft).

HISTORY

The Company was incorporated under the laws of the Republic of the Philippines and registered with the Commission on May 8, 2002.

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities, and allied services. The Company's operations started in Southern Philippines in 2002, and by 2008, operations had expanded to Luzon and Visayas. The Company's products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark.

The Company's operations are comprised of trading, terminalling, depot and hauling services. Under trading, the Company sells its refined petroleum products (including Jet A1 fuel) and lubricants to retailers and commercial and industrial customers.

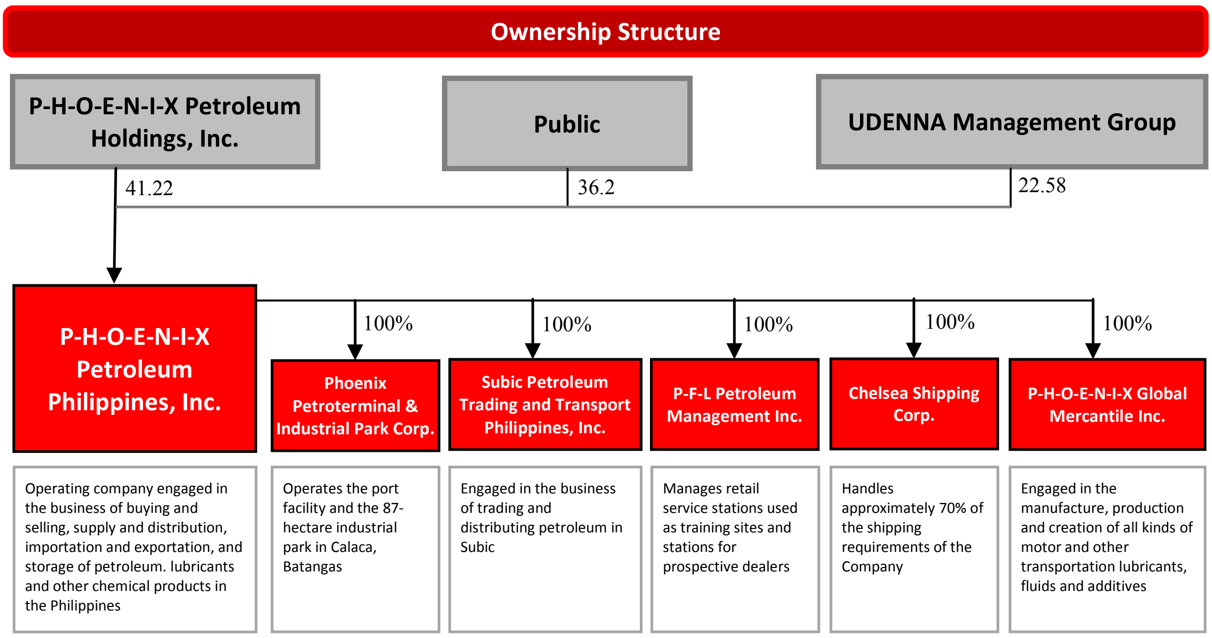
As of June 30, 2015, the Company has a total of 443 retail service stations with 158 retail service stations located in Luzon, 62 in Visayas and 223 in Mindanao. The retail service stations are classified as either CODO or DODO. Its main area of retail operations is in Mindanao, where the Company started its operations in 2002. The Company presently has a nationwide network of depots and retail stations. Its industrial customers include air, land and sea transport companies and other industrial users.

The Company's terminalling, depot and hauling services involve the leasing out of storage space at its terminal depot, hauling of fuels and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) in Davao, Cagayan de Oro City, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Since 2005, the Company has been providing all of Cebu Air's terminal, hauling and into-plane requirements for its Mindanao operations.

Since the inception of its commercial operations, the Company managed to increase its market share from zero in 2005 to 4.1% as of 2014 in total petroleum sales. In the 2014 Oil Supply/Demand Report of the DOE, the Company's market share is pegged at 4.1% of the total petroleum industry.

CORPORATE STRUCTURE

The Company is a publicly-listed company jointly owned by Udenna Corporation, Udenna Management & Resources Corp., Phoenix Petroleum Holdings, Inc., and the general public. The chart below sets forth the ownership structure of the common shares of the Company as of June 30, 2015.



The Company wholly owns the following subsidiaries:

- ***P-H-O-E-N-I-X Global Mercantile Inc. (PGMI)*** was incorporated on July 31, 2006 and is a wholly-owned subsidiary of the Company. Its primary purpose is to engage in the manufacture, production and creation of all kinds of motor and/or all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation.
- ***P-F-L Petroleum Management Inc. (PPMI)*** was incorporated on January 31, 2007 and is a wholly-owned subsidiary of the Company, that as of now has five (5) gasoline stations in operation; one (1) in Lanang, Davao City; two (2) in Panabo City; one (1) in Cebu City; and one (1) in Ozamis City. Its primary purpose is to engage in and carry on the business of organizing, managing, administering, running and supervising the operations and marketing of various kinds of service-oriented companies such as petroleum service stations, hauling

companies and such other companies desirous of strengthening and establishing their operation processes, except management of funds, securities and portfolio and similar assets of managed utilities.

- ***Phoenix Petroterminals & Industrial Park Corp. (PPIPC)*** is engaged in real estate development and is a wholly-owned subsidiary of the Company. PPIPC was registered with the Commission on March 7, 1996 and with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648; and was granted a license to sell parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of PPIPC located at Km. 117, National Highway, Calaca, Batangas.

- ***Subic Petroleum Trading and Transport Philippines, Inc. (SPTT)*** was registered with the Commission on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, ***marine, aviation and automotive use. It does not carr***y any inventory at any given time.

- ***Chelsea Shipping Corporation (CSC)*** is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines and in the Asia-Pacific region. It has 12 vessels in its fleet, two of which serve the regional trade route (Taiwan to Philippines). Chelsea owns the two largest Philippine-registered oil tankers "M/T Chelsea Thelma" and" M/T Chelsea Donatela" with 9,366 GRT each. With a total fleet size of 48,367.96 GRT, Chelsea is among the top 5 major petroleum tanker owners in the country. It was registered and organized on July 17, 2006 and started commercial operations on January 1, 2007. The registered office of CSC, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

Key Competitive Strengths

The Company believes that its principal strengths include the following:

- Management strength and expertise;
- Number one (1) independent player and number four (4) in the Philippine petroleum industry;
- Leading player in the Southern Mindanao region;
- Consistent growth in volume sales;
- Integrated supply chain and logistics infrastructure;
- Overall presence in the downstream oil industry;
- Aggressive expansion plans;
- Strategic terminal location;
- Increasing storage capacities;
- Lean organizational structure; and
- Growing brand equity.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- **Brand**. In an industry that has been dominated by strong multinational brands for decades, the Company is engaged in a commensurate effort to develop and popularize the Phoenix brand. Compared to its peers among the emergent players, the Company believes it has made greater headway in obtaining better brand recognition. This is centered on cost-effective media placements, participation in trade fairs, selective events sponsorships and well-managed celebrity endorsements.

- **Cost-effective approach**. The Company emphasizes an investment return approach to dealership development that centers on a no-frills right-sizing of investments in retail stations that would result in the fastest payback time at an attractive return on investment. This approach allows the dealer a shorter market launch timetable which allows the Company to generate sales earlier than its competitors. This further instills loyalty among such dealer-business partners who can invest a more affordable amount and obtain quicker returns that is invariably not possible with the major oil players**.**

- **Simple organizational structure**. The relatively flat organizational structure enables faster decision-making and shorter reaction time. The Company adheres to a philosophy of devolving decision-making in most of its operational processes which enables the senior management team to focus more on strategy execution and exploitation of new business and potential growth opportunities.

BUSINESS STRATEGY

The Company will continue to expand in other areas of the Philippines, apart from its stronghold in Mindanao, by building on its existing business model and further aligning its frontline revenue units with the logistics and other support areas of the organization. The Company's strategies shall focus on the following elements:

- **Brand Strengthening**

In an industry that has been dominated by strong multinational brands for decades, the Company is focusing on broadening its brand recognition among consumers and making its Phoenix products the brand of choice of motorists and commercial users. It continues to build up its brand through major marketing activities such as mass media placements, celebrity endorsements, participation in trade expositions and sponsorship of major sports events. The Company's expenditures for brand equity complement its investments in retail and logistics infrastructure.

- **Retail Network Expansion**

The increase in retail presence in viable trade areas will allow the Company to increase its assured base volume of fuel sales. The retail network expansion will likewise enhance the market for the company's lubricants. A growing base volume for retail fuels will also provide the Company with greater flexibility in transacting fuel importations with regional traders at more advantageous terms. The Company believes it has developed the competencies in network planning and operations necessary for efficiently managing the growth of its retail business.

As of June 30, 2015, the Company has 443 retail service stations throughout the Philippines and an additional 61 retail stations under construction. The completion of development and construction of these 61 service stations would require a material amount of the resources of the Company totalling ₱340,000,000.00 which would be taken from the proceeds of the sale of the Firm Shares. In this regard, the Company is planning for the establishment of more retail stations throughout the Philippines per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development or construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

In line with the expansion of its retail service network, the Company will continue to develop and strengthen its Retail Network Management Systems in order to support its retail network expansion program in collaboration with dealers and franchisees.

- **Expand the Depot, Terminalling and Distribution Facilities**

The Company will continue to make strategic investments in storage and transportation to support its retail network expansion program and the broadening of its commercial customer base. Regional storage facilities will be required where the scale of the prospective retail network growth justifies the investment. Depots pay for themselves in terms of, among other things, savings in freight and handling costs, better aggregation of bulk fuel procurements and faster response time (and incremental profit margin opportunities) to upswings in trade area demand, especially for wholesale and commercial customers.

A major investment by the Company in 2009 was the acquisition of 100% of the shares of BIPC (now renamed to PPIPC), the owner/operator of the Bacnotan Industrial Park (now renamed to PPIP). The Company has installed a 50.4 million liter depot in PPIP thereby strengthening its ability to service new retail stations in Metro Manila and Southern Tagalog.

- **Direct Importation of Fuel Supplies**

The Company imports almost 100% of its fuel products. Aside from diversifying fuel supply sources, importations yield higher gross profit margins due to the multiplicity of price-competitive offshore supply sources.

- **Strengthen the Jet Fuel Trading & Service Business**

The Company markets itself as the logistics partner of choice for the leading domestic airlines. As the exclusive logistics partner of Cebu Air in Mindanao for the last ten (10) years, the Company also expanded its business with Cebu Pacific to Luzon and eventually in the Visayas. The Company has built a track record of delivering fast and reliable service and adherence to quality standards.

- **Building Financial Strength**

The Company increased its equity capital from ₽194 million in 2006 to ₽7.050 billion in 2014. As of June 30, 2015, shareholder's equity amounted to ₽7.399 billion. The Company will continue to take advantage of the current liquidity in the financial and capital markets to improve its financial condition by lowering its average cost of capital.

BUSINESS

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products and the operation of petrochemical depots, storage facilities and allied services nationwide. Its products are distributed and marketed under the brand name *PHOENIX Fuels Life*™.

The operation of the Company is divided between trading, and terminalling and hauling services. Under its trading operations, the Company offers its refined petroleum products and lubricants to retail and industrial customers. Terminalling involves the storage of petroleum products, mainly refined gasoline, diesel and other petrochemical products, while hauling involves the transport and provision of fuel to industrial customers.

Trading

Retail Trading

The Company's products are sold through its network of retail service stations numbering 443 as of

June 30, 2015. The retail service stations are classified as either CODO or DODO. In a CODO retail service station, the Company provides the station itself including the site and the equipment (storage tanks, dispensing pumps, pylon, signage and other equipment necessary to run the retail service station) and supply of petroleum products. The current standard CODO agreements generally have a term of five (5) years renewable for another five (5) years. The term of the DODO agreements varies but is generally for a term of five (5) to ten (10) years. CODO retail stations are normally established in locations where the Company sees the need to construct larger retail stations, based on local market evaluation, but where existing dealers cannot afford the initial outlay for construction.

In a DODO retail service station, the dealer provides the site and builds the required civil structures based on the Company's site selection criteria and station design standards. All necessary equipment and supply of petroleum products are provided by the Company. In both cases, the Company is paid a franchise fee.

The table below shows the growth in the Company's retail service stations from 2013 to June 30, 2015:

	2013	Additions	2014	2015 Additions	June 2015
Luzon					
CODO	46	16	62	15	77
DODO	66	13	79	2	81
Total Luzon	112	29	141	17	158
Visayas					
CODO	34	8	42	5	47
DODO	13	1	14	1	15
Total Visayas	47	9	56	6	62
Mindanao					
CODO	65	8	73	1	74
DODO	144	4	148	1	149
Total Mindanao	**209**	**12**	**221**	**2**	**223**
Total CODO	**145**	**32**	**177**	**21**	**198**
Total DODO	**223**	**18**	**241**	**4**	**245**
Total Stations	**368**	**50**	**418**	**25**	**443**

The Company offers a wide range of petroleum products to cater to the needs of all customers. Listed below are the different *PHOENIX* Products offered by the Company in its retail service stations:

Company's List of Fuel Products and Lubricants

Fuels	
Diesel	A low-sulfur product whose carbon content is no more than 2% sulfur.
Premium 98	An environment-friendly premium gasoline with an octane rating of 98. Restores lost engine performance.

Premium	An environment-friendly premium gasoline with an octane rating of 95.
Regular	An environment-friendly gasoline with an octane rating of 91.
Jet A-1	Aviation fuel specifically described as Jet A: AFQRJOS Issue (ASTM D 1655-06 or EF STD 91-91 Issue 5, amended March 2006) commonly used by commercial airlines and general aviation.
Lubricants	
Phoenix Accelerate	A high quality, fully synthetic SAE 15W40 gasoline engine oil formulated to enhance protection of high performance turbo-charged gasoline powered engines requiring the latest API SN rating.
Phoenix Zoelo Extreme	A premium quality, multi-grade SAE 15W40 heavy-duty diesel engine oil designed for extreme protection of turbo-charged engines and commercial mixed fleet requiring the latest API CI-4/SL rating.
Phoenix Cyclomax Titan 4T	A premium quality, SAE 20W50 motorcycle engine oil designed for superior protection of high-revving motorbikes requiring wet-clutch system and JASO MA2/ API SJ rating.
Phoenix 2T	A high quality two-stroke motorcycle oil which exceeds JASO FB specifications, designed for use in tricycles and scooters.

Commercial and Industrial Trading

The Company presently services the fuel requirements of large industrial accounts in different industries throughout the Philippines. These include the air, land and sea transport sectors (Cebu Air, Bachelor Express, Davao Reyer, Lite Shipping), banana and pineapple plantations (Unifrutti Group of Companies, Sumifru Philippines Corp. and Lapanday Group of Companies), mining companies (Adnama Mining, Carrascal Mining, Apex Mining, Platinum Mining), sugar cane milling (Filinvest Farm Group), Power Sector (Davao Light, PSALM, Napocor, Mapalad Power), Manufacturing Sector (Steel Asia) and the construction and property sectors (DMCI, Ayala Land). The products are usually delivered to the area of operations of the client. However, for high-volume accounts, the Company sets up its own pump station within the clients' area of operations.

Terminalling and Hauling Services

The Company's terminalling and hauling services involve the leasing out of storage space at its terminal depot, hauling of fuels and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Starting in 2005, the Company has been providing all of Cebu Air's terminalling, hauling and into-plane requirements for its Mindanao operations.

The Company's oil depots are located throughout the Philippines. The Company will have a total storage capacity in excess of 343.9 million liters to be completed by 2015 from 282 million liters in 2014.

Each of these locations has port facilities to accept sea-going fuel tankers. This allows the Company to directly receive importations into its depots, minimizing the need to transport fuel by land from remote ports to the depots. The port facilities also allow the Company to efficiently transfer fuel in between depots should the need arise.

Franchising

Through dealership agreements, the Company offers for franchising the right to operate a Phoenix gasoline retail station and use of the Company's retail operations and management system. The Company requires new Phoenix gas stations to occupy an area of at least 800 to 1,000 square meters with at least a 30-meter frontage and be located along highways or main thoroughfares. In special cases, the Company may opt to open a station smaller than 800 square meters depending on the economic sense. As June 30, 2015, the Company has 443 franchisees. The Company expects to grow the number of its dealers by sixty (60) to eighty (80) dealers per year for the next three (3) to four (4) years.

The main criterion in selecting a retail station site is the viability of the proposed location of the retail service station. This should be in a high-traffic area that can support the minimum volume to keep the dealership operations profitable. In selecting a dealer, the financial capability, business acumen and character of a prospective dealer are the main criteria in qualifying a dealer. The Company selects its dealers through a Dealership Selection Panel (DSP) composed of representatives from various departments in the Company such as Sales, Legal and Finance.

In support of its franchisees, the Company provides the following assistance to the prospective business partner:

Pre-Operations
- Site Evaluation Assistance and Station Lay-Out Assistance
- Pre-opening and start-up assistance

Operations
- Provision of Station Equipment (pumps, tanks and signages)
- The Phoenix Confidential Operations Manual
- Technical Training
- Continuous research and product development
- Continuing visits, guidance and business evaluation support

Marketing
- Use of Phoenix brand, system and design
- Local marketing and promotional assistance
- Sales territory protection

PRODUCT SUPPLY & IMPORTATION

The Company imports almost 100% of its petroleum requirements from a number of foreign regional sources. The Company imports its refined petroleum products from neighboring Asian countries such as Taiwan, Singapore, China, Korea and Thailand. The Company believes that the larger number of offshore suppliers allows for much greater pricing flexibility and stability of supply. The Company is not dependent on a single or limited number of suppliers for its supply of products.

Importations are conducted mainly through the issuance of letters of credit, while domestic purchases are conducted through invoices. Products are purchased based on the prevailing domestic wholesale price or on the basis of the average MOPS plus an agreed premium. To maintain flexibility in supply, the Company does not maintain any long-term supply contracts with its major suppliers. Imported products are offloaded directly at the Company's depots, which have port facilities of their own to accommodate fuel tankers.

PRODUCT DISTRIBUTION

The Company's depots and terminals have receiving facilities and multiple product storage tanks for liquid fuels. From its oil depots, products are distributed to the various retail service stations and direct consumer accounts using company-owned and third-party tanker trucks, and a variety of smaller delivery vans & pick-ups for lubricants.

The Company also currently uses two (2) shipping vessels owned by CSC, a wholly-owned subsidiary of the Company, for the transportation of petroleum products from the supplier's terminal to the Company's depot terminals in Davao, CDO, Subic and Batangas. The Company also uses ten (10) shipping vessels of CSC as well as other third-party vessels for transshipments to other depots within the Philippines. With this easy access to critical logistical support, potential risks of supply disruptions due to scarcity of sea vessels are minimized.

MARKETING

The Company's marketing organization is presently manned by marketing professionals. Retail Territory Managers (RTM) are primarily responsible for prospecting suitable locations and dealers. They also handle business dealings and maintain business relationships with the dealers as well as audit compliance with the Company's standards.

On the other hand, Commercial Accounts Managers (CAM) are responsible for developing and maintaining business relationships with all other accounts except for retail station dealers. Lubes Accounts Managers (LAM) handles high street and lubes distributor accounts for lubricants, chemicals and other car care products.

Retail Engineers attend to the logistical needs of retail service stations while the Equipment Maintenance Group services the maintenance needs of the retail service stations and commercial accounts.

Supporting the Company's marketing activities is its integrated logistical facilities receiving terminal, storage depots, lorries, delivery vans, time-chartered vessels and service stations, thereby allowing it to service all the requirements of its clients in a seamless manner.

Integrated Supply Network

The Company has established and continues to strengthen an integrated supply network that encompasses importations, terminals, storage depots, lorries, delivery vans, time-chartered vessels and retail service stations to service the requirements of its customers in a seamless and cost-effective manner.

The Company's moves to strengthen its supply network include the following:

- **Expanding both the geographical distribution and capacity of its storage terminals.** The Company has established storage terminals throughout the country in line with the nationwide expansion of its retail network. From a storage capacity of 167.5 million liters by the end of 2011, the Company aims to increase its total storage capacity to over 340 million liters by the end of 2015. These additional storage capacities will support the Company's continued expansion of its retail stations.

- **Expanding its retail network.** The Company is targeting to expand its retail network by sixty (60) to eighty (80) stations per year.

- **Strengthen its hauling operations.** The Company has a fleet of lorry trucks, refueler trucks and bridging tanks to transport fuel to its retail stations, industrial customers and, in the case of refueler trucks and bridging tanks, for its into-jet operations. The Company will continue to increase its fleet as its customer base grows to ensure timely delivery of its products.

- **Affreightment with CSC under a long term basis.** The Company has entered into a Contract of Affreightment with CSC, a wholly-owned subsidiary, under a long-term basis for its major shipment from foreign suppliers as well as its regional transshipments to sub-depots strategically located in various parts of the country. This assures the Company of the steady and calculated deliveries of inventory not only to its clients but various depots that support the Company's retail and commercial network.

The Company competes with other players in the industry in terms of quality of service and products and strategic locations of its service station retail network.

COMPETITION

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, foreign players Total and PTT, and the local independent players such as Unioil, Seaoil and Flying V. While the three major players control about 69% of the total Philippine market as of 2014, the Company has grown from zero market share in 2005 to 4.1% as of 2014 in total petroleum products.

Please refer to the section "Industry Overview" on page 60 for a discussion on the trends in the Philippine oil industry.

The Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations of its service station retail network.

As of June 30, 2015, the Company has a network of 443 retail service stations nationwide of which 223 are in Mindanao, 62 in Visayas and 158 in Luzon.

The Company believes that its cost-effective approach of doing business and focusing on brand-building, among other things, enables it to be competitive in its target market. From 2009 to 2014, the sales volume of the Company grew by an average annual growth rate in excess of 52%.

DEPENDENCE ON DEALERS

Dealership Network

The Company's products are sold through its network of retail service stations numbering 443 as of June 30, 2015. However, the Company is not dependent upon a single or few customers, the loss of any one or more of which would have a material effect on its financial condition and results of operations.

Dealership Agreements

For the operation of retail service stations, the Company enters into dealership agreements with its dealers, the pertinent terms of which are as follows:

- ***Term***

The current standard dealership agreements are effective for a period of five (5) years, renewable for another five years at the option of the Company.

- ***Appointment of Dealer***

In consideration of the compliance by the dealer with the requirements of the dealership agreement, the Company grants to the dealer the right to operate a retail gasoline station and use the equipment and the Phoenix System developed by the Company. In selecting a dealer, the financial capability, business acumen and character of a prospective dealer are the main criteria in qualifying a dealer. The Company selects its dealers through a Dealership Selection Panel (DSP) composed of representatives from various departments in the Company such as Sales, Legal and Finance.

The Company provides and installs storage tanks, dispensing pumps, pylon signage and other equipment to operate the system which will be its equity, among others, while the dealership agreement is in force.

- ***Training and Assistance***

The Company makes familiarization training courses available to the dealer and his/its employees. In addition, for the first ten (10) days of the first month of operation of the dealer's facility, the Company assigns one of its representatives to the facility, at the Company's expense, to assist the dealer in facilitating the opening of the gasoline station. During this period, such representative will also assist the dealer in establishing and standardizing procedures and techniques essential to the operation of the station and shall assist in training personnel.

The dealer may be required to attend refresher or training sessions and dealership meetings with the Company at such duration and frequency as the Company may determine.

- ***Confidential Operations Manual***

During the term of the dealership agreement, the Company lends to the dealer a copy of the Phoenix Confidential Operations Manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Company for the operation of the stations and information relative to other obligations of the dealer under the dealership agreement and the operation of its facility.

- ***Advertising and Promotions***

The dealer is required to fully participate in all marketing, sales promotion, advertising and other incentive programs suggested, allowed and initiated by the Company for its retail stations.

The dealer shall pay the Company an annual advertising and promotions fee.

All advertising and promotion programs of the dealer for the station over and above programs and activities of the Company shall be subject to the Company's approval, and the dealer shall have no right to use any Company identification or advertising without the Company's consent.

- ***Standards of Quality and Performance***

The dealer agrees to purchase petroleum products only from the Company and sell only petroleum products from the gasoline retail station. The dealer further agrees that should he purchase petroleum products from any other source, he is liable to pay a fine of one million pesos (₱1,000,000.00) per delivery from unauthorized suppliers.

The gasoline station shall at all times be under the direct, on-premises supervision of the dealer and he shall spend at least four (4) hours daily in the station and, during his absence, be represented by a trained and competent employee acting as supervisor.

- ***Defaults and Termination***

The dealership agreement shall, at the option of the Company, terminate automatically upon delivery of notice to the dealer, if the dealer fails to meet Company standards on sales, safety, customer service, payments and standard operating, financial and legal requirements as outlined in the dealership agreements and operating manual.

INTELLECTUAL PROPERTY / TRADEMARKS

The Company uses its registered trademark *PHOENIX Fuels Life*™ to identify its brand. This trademark was registered on April 27, 2009 and will expire on April 27, 2019. Branding is a cornerstone of the Company’s marketing program. It sells its refined petroleum products under the Phoenix trademark and logo. Below are the trademarks of the Company duly approved by the Intellectual Property Office of the Philippines (IPOPHIL) through the Bureau of Trademarks.

PRODUCT	REGISTRATION NO.	DATE OF REGISTRATION	TERM
NEST Necessities for Life	4-2008-012149	Feb. 9, 2009	10 yrs, until 2-9-2019
CAGE Free ur Spirit	4-2008-012148	Feb. 9, 2009	10 yrs, until 2-9-2019
PHOENIX Fuels Life	4-2009-000918	April 27, 2009	10 yrs, until 4-27-2019
PHOENIX Facing East	4-2009-000917	April 27, 2009	10 yrs, until 4-27,2019
PHOENIX Flame Kerosene	4-2008-005929	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Jet A-1	4-2008-005934	Oct. 27, 2008	10 yrs, until 10-27-2018
PHOENIX Magma Diesel	4-2008-005936	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Raptor X Premium	4-2008-005932	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Regular	4-2008-005931	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Glide Super Unleaded	4-2008-005933	Oct. 13, 2008	10 yrs, until 10-13-2018
ACCELERATE Supreme	4-2012-005161	July 26, 2012	10 yrs, until 7-26-2022
ZOELO Extreme Heavy Duty Engine Oil	4-2012-005162	April 27, 2012	10 yrs, until 8-2-2022
PHOENIX Cyclomax Motorcycle Oils 4T Force	4-2012-005164	April 27, 2012	10 yrs, until 8-16-2022
ZOELO Diesel Oil	4-2012-005163	Aug. 16, 2012	10 yrs, until 8-16-2022
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	Jan. 03, 2013	10 yrs, until 1-3-2023
ACCELERATE Vega Fully Synthetic Motor Oil	4-2012-005169	Jan. 03, 2013	10 yrs, until 1-3-2023
CYCLE Fork Oil	4-2012-00005168	June 14, 2013	10 yrs, until 6-14-2023
2T 2-Stroke Motorcycle Oil	4-2012-00005167	Sept. 27, 2013	10 yrs, until 9-27-2023
2T MAX	4-2012-00005166	Sept. 12, 2013	10 yrs, until 9-12-2023
PHOENIX Premium 98	4-2014-002029	June 12, 2014	10 yrs, until 6-12-2024
PREMIUM 98	4-2014-002028	June 12, 2014	10 yrs, until 6-12-2024

TRANSACTIONS WITH OR DEPENDENCE ON RELATED PARTIES

The Company's related parties include its Parent Company, subsidiaries, affiliates, stockholders, and key management personnel. Transactions with said related parties are as follows:

- **Purchase of Services**

The Company has an operating lease agreement with its ultimate parent company, Udenna Corporation, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its wholly-owned subsidiary, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. These contracted services are made on reasonable arms-length terms as would be obtainable from third party providers.

- **Due to and Due from Related Parties**

The Company from time to time grants and obtains advances to and from the Parent Company and its other associated companies.

Due from related parties amounted to ₱13.7 million and ₱10.4 million as of June 30, 2015 and December 31, 2014, respectively. This represents outstanding advances to Phoenix Philippines Foundation, Inc.

- **Total number of employees**

The Company and its subsidiaries have a total of 750 employees as of June 30, 2015. This is broken down as follows:

	Company	Subsidiaries	TOTAL
Executives	23	6	29
Managers	24	7	31
Assistant Managers	40	0	40
Supervisors	174	69	243
Rank and File	311	96	407
TOTAL	**572**	**178**	**750**

In the next twelve (12) months, the Company and its subsidiaries expect to add fifty (50) employees, mainly rank and file, to support organic growth. About 90% of them will be employed by the Company while the remaining 10% will be employed by its subsidiaries.

There are no labor unions in the Company and its subsidiaries nor are there any labor cases filed against the Company and its subsidiaries that may materially affect the Company's financial or operational results or position.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, vacation, sick and emergency leaves, and recently, entitlement to avail of the Employee Stock Option Plan (ESOP) to all its regular employees based on annual performance evaluation.

The Commission has approved the application of the Company for exemption from the registration requirement of the SRC for the proposed issuance of 24,493,620 common shares for the Company's ESOP. The ESOP Committee of the Company has already approved the ESOP internal guidelines.

On January 24, 2013, the Board of Directors of the Company approved the setting of the initial offering date for the ESOP on March 1, 2013. To date, grantees of the ESOP have yet to be named by the Company.

- **Key Management Personnel Compensation**

Included in related party transactions are items of compensation payable by the Company to its key management personnel consisting of salaries and wages, honoraria and allowances, 13th month pay and bonuses, SSS, PHIC, HDMF, and others as follows:

	2013	**2014**
Salaries	40,724,453	57,664,184
Honoraria and Allowances	4,447,058	
13th Month and Bonuses	4,586,418	6,567,214
SSS, PHIC, HDMF and Others	269,819	776,513
	50,027,748	**65,007,911**

INSURANCE

The Company's comprehensive insurance policies cover its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot against any incidents of fire/lightning, typhoon and floods with extended coverage to include loss or damage directly caused by explosion, falling aircraft, vehicle impact and smoke.

All the trucks and tankers owned by the Company are covered with third-party liability and comprehensive insurance. The products carried by the heavy equipment are covered with in-land cargo insurance. The Company believes that its insurable assets are adequately covered.

REGULATORY FRAMEWORK

Downstream Oil Industry Deregulation Act

The Company is required to obtain from the OIMB of the DOE a Certificate of Compliance with the requirements prior to engaging in the business of selling liquid petroleum products. These requirements include, among others, prior notice of the Company's intention to engage in the business of selling liquid petroleum products and submission of documentary requirements before commencement of construction and operation, such as the following:

- Fire Inspection Certificate issued by the BFP pursuant to Presidential Decree No. 1185 or The Fire Code of the Philippines; and

- Environmental Compliance Certificate (ECC) or Certificate of Non-Coverage issued by the DENR's Environmental Management Bureau pursuant to Presidential Decree No. 1586 (Establishing an Impact Assessment System).

The Downstream Oil Industry Deregulation Act also requires all petroleum product transport containers of the Company to be registered with the Industrial Technology Development Institute of the Department of Science and Technology.

In addition to the foregoing, the Company is required to obtain a permit or clearance from the DENR prior to any importation of slop/used/waste oils, sludge and similar petroleum products pursuant to Republic Act No. 6969 or The Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990.

The Company believes that its facilities and operations comply in all material respects with the requirements of the Downstream Oil Industry Deregulation Act.

In respect of the operation of retail service stations, the Company's dealership agreements with its dealers provide that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Downstream Oil Industry Deregulation Act, and such other permits and licenses required by the local government unit and/or the National Government.

Environmental Compliance

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions, and employee exposure to hazardous substances.

Among the permits applicable to the Company are the ECC, Water Discharge Permit, and the Permit to Operate a standby generator from the DENR.

The Company's retail service stations are required to secure an ECC prior to start of its operations.

The Company believes that its facilities comply in all material respects with all applicable safety, health, and environmental laws and regulations.

The cost of complying with environmental regulations is mainly made up of the equipment and facilities required to be put up in each of the retail service stations. The estimated average cost of complying with environmental regulations is ₱50,000 per retail service station.

Under the Company's dealership agreements, the dealers shall be responsible for securing all the necessary permits required by the Downstream Oil Industry Deregulation Act, and such other permits and licenses required by the local government unit and/or the National Government.

The Company and its dealers have secured all government-mandated licenses and permits required for the operation of its business.

Effect of Existing or Probable Government Regulations on the Company's Business

Oil industry players are required to comply with the laws discussed above and to follow strictly the guidelines of the DENR. There can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

A summary table of the Company's major permits and licenses is shown below:

Depots	*Type of Permits*	*Issue Date*	*Valid until*
Davao Office/Depot	Mayor's Permit No. B-58085-5	January 16, 2015	December 31, 2015
	BIR Permit to Computerize Accounting System with Permit No.0913-ELTRD-CAS-00212	September 03, 2013	Valid until revoked
	Certificate of Registration issued by the Bureau of Internal Revenue (New)	June 18, 2002/ October 17, 2013	Valid until revoked
	Permit to Operate Issued by DENR under Permit No. 2012-POA-J-1124-2464	March 6, 2012	October 11, 2017
	Hazardous Waste Generator Registration Certificate under DENR ID No. GR 11-24-0562 issued by DENR	June 23, 2014	Subject to compliance with RA 6969 and submission of Waste Generator's Quarterly Report 7 days after the end of every quarter
	Certificate of Accreditation No.07-949 on Pollution Control Officer issued by DENR	May 4, 2007	Valid until revoked
	Waste Water Discharge Permit with Permit No.2014-WDP-D-1124-1656 issued by DENR	May 6, 2014	April 19, 2015 (renewal, awaiting for the release from DENR)
	Certificate of Accreditation issued by DOE	February 23, 2015	December 31, 2015
	Fire Safety Inspection Certificate with No.RXI:04007395	April 13, 2015	December 31, 2015
	Certificate of Permit to Operate issued by Philippine Ports Authority with No. 410	October 6, 2008	Valid until revoked
Villanueva CDO Depot	Mayor's Permit No. C-140-2015	February 3, 2015	December 31, 2015
	BIR – Permit to Operate Storage Facility(New)	January 5, 2015	December 31, 2015
	BIR – Permit to Convert	March 17, 2015	Valid until revoked
	BIR – Permit to Blend (E-10)	February 8, 2015	Valid until revoked
	BIR – Permit to Blend (B2)	February 8, 2015	December 31, 2015
	Permit to Operate Issued by DENR under Permit No.2014-POA-L-1043-1522	December 18, 2014	December 16, 2015
	Certificate of Accreditation issued by DENR under EMB Cert. No.2013-PCO-1043-0166	January 15, 2013	Valid until revoked
	Environmental Compliance Certificate bearing Code ECC-R10-0911-0060	September 19, 2014	Valid until revoked
	Discharge Permit issued by DENR under Permit No.2014-DP-L-1043-883 (New)	December 18, 2014	December 17, 2015
	Certificate of Compliance with General Labor Standards issued by DOLE under Control No.LLCS-GLS-2015-ROX-000099	March 13, 2015	March 12, 2017
	Certificate of Compliance with Occupational Safety and Health	March 13, 2015	March 12, 2017

	Standards issued by DOLE under Control No.LLCS-OSHS-2015-ROX-000099		
	Fire Safety Inspection Certificate issued by BFP Region-10 under FSIC No. R10-230459	August 7, 2014	August 7, 2015 (In the process of being renewed)
	Hazardous Waste Registration under DENR ID No. 1043-0605 issued by DENR	February 7, 2013	Subject to compliance with RA 6969 and submission of Waste Generator's Quarterly Report 7 days after the end of every quarter
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
CEBU Depot	Mayor's Permit No. 125889	January. 23, 2015	December 31, 2015
	Permit to Operate (B2) issued by BIR under ELTRD-(P)-028-02-15-12725	February 8, 2015	December 31, 2015
	Permit to Operate (E10) issued by BIR under ELTRD-(P)-008-02-15-12724	February 8, 2015	December 31, 2015
	BIR – Certificate of Registration	August 16, 2013	Valid until revoked
	DOE Certificate of Accreditation	(Depot construction is ongoing)	
GENSAN Depot	DOE Certificate of Accreditation	(Depot has yet to be constructed)	
Bacolod Depot	Mayor's Permit No.201566720	January 20, 2015	December 31, 2015
	BIR – Certificate of Registration with OCN. 8RC0000051902	August 7, 2014	Valid until revoked
	Permit to Operate storage facility issued by BIR under ELTRD-(P)-001-12-13-09222	Dec. 4, 2013	December 2014,
	Permit to Operate issued by DENR (Air Pollution Source and Control Installations) Permit No.13-POA-B-0645-1004	March 1,2013	February 15, 2018
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Permit to Operate issued by DENR with Permit No.2013-POA-C-0973C-0073	May 16, 2013	December 31, 2014 (renewal is still in process; pending with DENR)
Zamboanga Depot	WasteWater Discharge Permit issued by DENR Permit No.2013-WDP-0973C-0023	May 16, 2013	March 28, 2014 (renewal is still in process; pending with DENR)
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Certificate of Registration (CR) and Certificate of Tax Exemption (CTE) issued by Subic Bay Metropolitan Authority with No.OL-042915-136	April 29, 2015	Valid until revoked
SUBIC Depot	Business Permit to Operate issued by Subic Bay Metropolitan Authority with RG2014-09-0478	September 24, 2014	September 23, 2015 (renewal in process)
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Mayor's Permit No. 01400000418	January 16, 2015	December 31, 2015
Calapan Depot	Certificate of Registration issued by BIR with OCN BRC0000054986	December 19, 2014	Valid until revoked
	Environmental Compliance	March 24, 2014	Valid until revoked

	Certificate bearing Code ECC-R4B-1403-0027		
	Fire Safety Inspection Certificate issued by BFP-Calapan City with Control No.R04B-B-05-2014-11-1267	October 9, 2014	October 9, 2015 (renewal in process)
	Permit to Operate Storage Facility issued by BIR with ELTRD-(P)-001-12-14-12246	December 9, 2014	December 9, 2015
	Sanitary Permit to Operate issued by City Health and Sanitation Department with Permit No.SP-POL-0270	January 9, 2015	December 31, 2015
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Permit to Operate Storage Facility/Depot/Terminal issued by BIR-Large Taxpayers Service	Dec. 29, 2014	December 31, 2015
Calaca Depot	Permit to Convert Product Contents issued by BIR	March 17, 2015	December 31, 2015

PLANS AND PROSPECTS

For the analysis of the financial condition and results of operation of the Company, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operation" on page 92.

Strengthen Oil Supply Security

The Company intends to eventually form strategic partnerships with foreign-refined petroleum products producers and traders, and domestic wholesalers.

Expand the Petroleum Depot, Terminalling and Distribution Facilities

The Company plans to establish additional petroleum depot, terminalling and distribution facilities in other strategic locations in key areas of the Luzon, Visayas and Mindanao regions to support its expanded market presence both in wholesale distribution as well as its retail network development. Specific suitable locations have already been identified and negotiations for some are in their final stages, and more sites are under consideration.

Expand Retail Service Station Network

The Company plans to increase the current number of retail service stations by sixty (60) to eighty (80) stations per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development and construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

Strengthen Retail Network Management System and Operations

The Company shall continue to develop and strengthen its existing Retail Network Management System in order to support its retail network expansion program in collaboration with its dealers and franchisees.

Developing the Brand: A Marketing Cornerstone

Branding will continue to be a cornerstone of the Company's marketing campaign to make Phoenix the brand of choice of customers and commercial users.

Expand Product Offerings and Distribution Channels

As part of the Company's thrust to strengthen the brand, more products led by its lubricants line will be launched. These product offerings, covering the vehicles' needs (except spare parts) as well as driving-related requirements, will be made available in selected Company retail service stations and also through other traditional distribution channels of these products.

The Company has also started to aggressively penetrate the bunker fuel market specifically to cater to industrial customers such as power plants and shipping companies.

DESCRIPTION OF PROPERTY

The Company's properties consist mainly of its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot.

Below is the list of the Company's properties:

Corporate Offices:

Davao Head Office:	Phoenix Bulk Depot, Lanang, Davao City 8000
Manila Office:	25th Floor, Fort Legend Towers, 3rd Avenue corner 31st Street, Fort Bonifacio Global City, Taguig City 1634
Cebu City Office:	Phoenix Maguikay Gasoline Station, M. C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014
Bacolod City Office:	Door 5-7, Ground Floor, JFC Bldg., Palanca Avenue, BREDCO Reclamation Area, Bacolod City
General Santos City Office:	2nd Floor, JMP Building 1, South Osmeña St., General Santos City 9500
Cagayan de Oro City Office:	Suite 1 & 2, 8th Floor, Limketkai Gateway Center, Lapasan, Cagayan de Oro City 9000

Depots and Terminals:

Bacolod Depot:	BREDCO Port Reclamation Area, Cambodia Street, Bacolod City
Calaca Terminal:	Km. 117 Barangay Salong, Phoenix Petroterminal and Industrial Park, Calaca, Batangas
Calapan Depot:	Sitio Silangan, Brgy. Lazareto, Calapan City
Cebu Depot:	Phoenix Petroleum Phils., Inc. MC Briones Ave., Maguikay, Mandaue City
Davao Terminal:	Stella Reyes Hizon Road, Bo. Pampanga, Lanang, Davao City
Dumaguit Depot:	Dumaguit, New Washington, Aklan
Palawan Depot:	Star Oil Depot, Rapols St., Brgy. Masipag, Parola Extension, Puerto Princesa City
Subic Terminal:	Unit 113/115 Alpha Bldg. Subic International Hotel, Rizal Highway Subic Bay Freeport Zone, 2222
Villanueva Terminal:	Zone 4 Barangay Katipunan, Villanueva, Misamis Oriental
Zamboanga Depot:	Phoenix Bulk Depot, Dumagsa, Talisayan, Zamboanga City

Leased Properties

The Company's headquarters, where substantially all of its operations are conducted, is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. The premises are covered by existing lease contracts with Udenna Corporation as sub-lessor and the Heirs of Stella Hizon Reyes as lessors.

The relevant terms of the lease contracts are as follows:

- The lease contract of sublease with Udenna Corporation shall be for a term of twenty-five (25) years commencing on August 2002, subject to renewal upon terms and conditions to be agreed by the parties; while the contract of lease with the Heirs of Stella Hizon Reyes shall be effective for seventeen (17) years, commencing on March 20, 2010, subject to renewal upon terms and conditions to be agreed by the parties.
- The Company shall pay Udenna Corporation a monthly rental at the rate of ₽12.00 per square meter, or a total of ₽132,000.00 per month, plus 10% value-added tax and 5% withholding tax. The rate shall be subject to a 10% increase every succeeding year commencing on August 2005. For the property leased from the Heirs of Stella Hizon Reyes, the Company shall pay a monthly rental at the rate of ₽18.00 per square meter for the first two (2) years of the contract and shall be increased at a rate of 10% after every two years until the termination of the contract.
- The leased premises shall be used exclusively by the Company for its storage of petroleum and fuel products, and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the lessors.
- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.
- Udenna Corporation shall have the right to pre-terminate the lease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Company one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

Lease of Properties where CODOs are Located

In addition to the lease covering the premises where the Company's headquarters are located, the Company has existing lease contracts with various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are as follows:

- The lease shall be for a term of ten (10) to fifteen (15) years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.
- The Company shall pay monthly rentals plus applicable real estate and government taxes and such rent is subject to yearly escalation of 3% to 10%.
- The leased premises may be occupied and used by the Company exclusively as a retail service station. It may include convenience stores, coffee shops, service bays and other businesses.
- The Company is permitted to assign or sublet the leased premises subject to notice to the lessors.

Future Acquisitions

The Company intends to establish terminal operations in other locations, expand its dealership network and its services as well as the necessary logistical requirements to support these activities. For this purpose, the Company intends to increase its retail service stations and acquire equipment and other depot and logistic facilities. For such acquisition, the Company projects to spend ₱1,640,000,000.00, which shall be financed from the proceeds of this Offer (please refer to "Use of Proceeds" on page 43). Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

Generally, the Company conducts competitive bids to determine where to source its equipment and facilities. The main considerations are the cost, compatibility with the existing equipment and facilities, and whether they meet the Company's specifications.

LEGAL PROCEEDINGS

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and dismissed all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the three (3) Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a

Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

Other court cases typical and customary in the course of business operations of every company such as those involving collection, B.P. 22, qualified theft and reckless imprudence, among others, have been filed by the Company and/or its subsidiaries against its employees and/or third parties. These proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

(i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
(ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(iii) Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
(iv) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

MARKET INFORMATION AND DIVIDENDS ON REGISTRANT'S SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

Common Shares

The Company's common shares are listed and traded at the Exchange since July 11, 2007. The high and low sale prices of the Company's common shares for each quarter within the last two (2) fiscal years and subsequent interim periods are:

Year 2015

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	4.15	March 31, 2015	3.13	January 6, 2015
Second Quarter	4.16	April 7, 2015	3.48	June 30, 2015
July 1-31, 2015	3.45	July 22, 2015	3.15	July 10, 2015
August 1-31, 2015	3.45	August 10, 2015	3.17	August 25, 2015

Year 2014

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	5.45	March 3, 2014	4.51	January 2, 2014
Second Quarter	6.69	May 27, 2014	4.97	April 1, 2014
Third Quarter	7.03	July 9, 2014	5.12	September 3, 2014
Fourth Quarter	5.24	October 3, 2014	3.03	December 23, 2014

Year 2013

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	11.08	February 7, 2013	8.89	January 10, 2013
Second Quarter	10.60	April 12, 2013	5.00	June 25, 2013
Third Quarter	6.19	July 12, 2013	5.00	August 29, 2013
Fourth Quarter	5.57	October 23, 2013	4.35	December 18, 2013

Preferred Shares

The 1st tranche preferred shares of the Company were issued on September 21, 2010 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to qualified institutional buyers, hence, exempt from the registration requirement of the SRC. Therefore, these shares were not listed with and traded in the Exchange.

The 2nd tranche preferred (PNXP) shares of the Company were registered on November 10, 2014 and subsequently listed with the Exchange on January 8, 2015. The 2nd tranche preferred shares were issued for the purpose of redeeming the 1st tranche and thus, after the 2nd tranche issuance, there are no preferred shares issued from the 1st tranche that remain outstanding. There is no recorded public trading of these shares since these were listed.

Holders

Common Shares

The holders of the common shares of the Company as of August 31, 2015 are as follows:

Name of Stockholder	No. of Shares Held	Percentage to Total Outstanding Shares
Phoenix Petroleum Holdings Inc.	588,945,630	41.22
PCD Nominee Corporation - (Filipino)	306,881,681	21.66
Udenna Management & Resources Corp.	254,921,743	17.84
PCD Nominee Corporation - (Non-Filipino)	206,002,386	14.42
Udenna Corporation (Formerly: Udenna Holdings Corporation)	50,322,986	3.52
Joselito R. Ramos	4,812,600	0.33
Dennis A. Uy	3,991,811	0.27
Caroline G. Taojo	2,801,500	0.19
F. Yap Securities, Inc.	1,883,000	0.13

Udenco Corporation	1,614,787	0.11
Romeo B. de Guzman	1,454,742	0.10
Dennis A. Uy &/Or Cherylyn C. Uy	1,098,060	0.07
J.V. Emmanuel A. de Dios	857,116	0.06
Domingo T. Uy	645,919	0.04
Joseph John L. Ong	431,836	0.03
Jose Manuel Roque Quimson	354,939	0.02
Edgardo Alvarado Alerta	318,505	0.02
Romeo B. Molano	258,262	0.01
Zenaida Chan Uy	149,058	0.01
Rebecca Pilar Claridad Caterio	148,453	0.01
OTHERS	882,218	0.06
TOTAL	**1,428,777,232**	**100%**

Preferred Shares

The holders of the preferred shares of the Company as of August 31, 2015 are as follows:

Name of Subscribers	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Penta Capital & Investment Corporation	3,000,000	₽300,000,000.00	₽300,000,000.00
BDO Private Bank Inc. Wealth and Advisory Trust Group	1,400,000	140,000,000.00	140,000,000.00
Pioneer Life Inc.	280,000	28,000,000.00	28,000,000.00
Prandial Corporation	200,000	20,000,000.00	20,000,000.00
Easter Foundation, Inc.	20,000	2,000,000.00	2,000,000.00
RCBC Trust and Investments Division	100,000	10,000,000.00	10,000,000.00
TOTAL	**5,000,000**	**₽500,000,000.00**	**₽500,000,000.00**

The issuance of the Offer Shares shall have no effect on the amount and percentage of the present holdings of the Company’s common shareholders. Neither is there any effect of this issuance on the percentage of the Company’s shares beneficially owned by foreigners.

DIVIDENDS

The Company’s dividend policy on common shares is to declare at least 30% of its prior year’s net income as dividends, whether in stock, in cash or a combination of both, payable out of its unrestricted retained earnings subject to statutory limitations.

Each holder of common shares is entitled to such dividends as may be declared in accordance with the Company’s dividend policy. The Company’s current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Company’s Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans and working capital.

The Company's dividend policy on preferred shares is to declare and pay dividends in accordance with the terms and conditions of its issuance.

The dividend policy of the Company's subsidiaries is to declare and pay dividends from unrestricted retained earnings subject to the discretion of their respective boards of directors.

History of Dividend Income Payment

1. Company

   a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60
February 08, 2012	50% Stock Dividend	March 28, 2012	April 26, 2012	₱244,936,203.00
	Cash Dividend of ₱0.10 per share	March 23, 2012	April 23, 2012	₱48,973,955.30

   b. Cash Dividend on Preferred Shares

Since the issuance of the preferred shares of the Company on September 21, 2010 (the 1st tranche), the Company has declared quarterly dividends fixed at 11.50% per annum, calculated in respect of each share with reference to the Issue Price thereof on each dividend period. This translates to a cash dividend amounting to ₱2.875 per share per quarter. The cash dividends were paid on September 21, December 21, March 21 and June 21 of each year starting December 21, 2010 until the preferred shares were redeemed on December 20, 2013.

1st Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
December 5, 2013	₱2.875 per share	N/A	December 20, 2013	₱14,375,000.00
September 5, 2013	₱2.875 per share	N/A	September 21, 2013	₱14,375,000.00
June 5, 2013	₱2.875 per share	N/A	June 21, 2013	₱14,375,000.00
Mar 5, 2013	₱2.875 per share	N/A	March 21, 2013	₱14,375,000.00
December 5, 2012	₱2.875 per share	N/A	December 21, 2012	₱14,375,000.00
September 5, 2012	₱2.875 per share	N/A	September 21, 2012	₱14,375,000.00
June 4, 2012	₱2.875 per share	N/A	June 21, 2012	₱14,375,000.00
March 05, 2012	₱2.875 per share	N/A	March 21, 2012	₱14,375,000.00
December 1, 2011	₱2.875 per share	N/A	December 21, 2011	₱14,375,000.00
August 12, 2011	₱2.875 per share	N/A	September 21, 2011	₱14,375,000.00

May 12, 2011	₱2.875 per share	N/A	June 21, 2011	₱14,375,000.00
March 11, 2011	₱2.875 per share	N/A	March 21, 2011	₱14,375,000.00
September 21, 2010	₱2.875 per share	N/A	December 21, 2010	₱14,375,000.00

On December 20, 2013, in order to redeem the 1st tranche of preferred shares, the Company issued the 2nd tranche of preferred shares with the same amount and features except for the rate, which was reduced to 8.25% per annum. The dividends are calculated on a 30/360 day basis and have a priority in the payment of dividends at the fixed rate of 8.25% per annum at the time of issuance, which translates to a cash dividend amounting to ₱2.0625 per share per quarter. These shares are also preferred in the distribution of corporate assets in the event of liquidation and dissolution of the Company.

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
August 10, 2015	₱2.0625 per share	August 25, 2015	September 21, 2015	₱10,312,500.00
May 12, 2015	₱2.0625 per share	May 26, 2015	June 22, 2015	₱10,312,500.00
February 6, 2015	₱2.0625 per share	February 24, 2015	March 20, 2015	₱10,312,500.00
N/A	₱2.0625 per share	N/A	December 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	September 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	June 20, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	March 20, 2014	₱10,312,500.00

2. Subsidiaries

Except for CSC which declared a 20% stock dividend on December 3, 2012 to all stockholders of record of CSC as of December 1, 2012 and paid said dividends on December 14, 2012, no other subsidiary of the Company has declared dividends for the past three years.

Restrictions in the payment of dividends

The Company is restricted from declaring and paying dividends to its stockholders (other than dividends payable solely in shares of its capital stock) retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital and asset distribution to its stockholders, unless all payments under certain loan facility agreements are current and updated and the Company is in compliance with these agreements.

UNREGISTERED OR EXEMPT SECURITIES

Below are the exempt securities issued by the Company:

Securities Sold	Purchasers	Underwriters	Date of Issuance of Confirmation of Exemption	Resolution No.	Description of Transaction	No. of Shares	Amount (₱)
Preferred Shares	• PentaCapital • BDO Private Bank Inc. – Wealth and Advisory Trust Group • Pioneer Life Inc. • Prandial Corporation • Easter	PentaCapital	March 19, 2014	DS-669	Shares issued in relation to the 2nd issuance of preferred shares for purposes of redeeming the 1st tranche of preferred shares (the Offer) <u>Offer price</u>: ₱100.00 per share	5,000,000	500,000,000.00

	Foundation, Inc. • RCBC Trust and Investments Division				<u>Total underwriting discounts/ commissions</u>: ₱10,000,000.00 Exemption under Section 10.1 (k) and (l) of SRC		
Common Shares	All common stockholders of the Company as of May 15, 2013	N/A	June 5, 2013	DS-643	Shares issued pursuant to the 30% stock dividends for 2013 Exemption under Section 10.1 (d)	329,717,816	329,717,816.00
Common Shares	PPHI and all common stockholders of the Company as of March 28, 2012	N/A	April 2, 2013	DS-637	Additional shares issued pursuant to increase in capital stock from 800,000,000 to 2,550,000,000 and pursuant to the 50% stock dividends for 2012 Exemption under Section 10.1 (d) and (i)	437,936,202	437,936,202.00
Common Shares	Stockholders of CSC	N/A	October 10, 2012	DS-607, series of 2012	Shares issued in relation to the acquisition of CSC via share-for-share swap Exemption under Section 10.1 (g)	171,250,799	171,250,799.00

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors" on pages 31 to 42 of this Prospectus.

The Company holds ownership interests in the following entities as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
P-F-L Petroleum Management, Inc. (PPMI)	100%	100%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	100%	100%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	100%	100%
South Pacific, Inc. (SPI)***	20%	0
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	100%	100%
Chelsea Shipping Corp. (CSC)	100%	100%
Bunkers Manila, Inc. (BMI)*	100%	100%
Michael, Inc. (MI)*	100%	100%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	100%	100%
Chelsea Ship Management Marine Services Corp. (CSMMSC)*	100%	100%
Fortis Tugs Corp. (FTC)*	100%	100%
Norse/Phil Marine Services Corp. (NPMSC)**	45%	45%

** Wholly-owned subsidiary of CSC*
***Associate of CSC*
****Associate of PPIPC*

The selected financial information set forth in the following table has been derived from the Company's consolidated audited financial statements for the years ended December 31, 2014, 2013 and 2012 and from its Second (2nd) Quarterly Financial Report for the year 2015 ending on June 30, 2015.

The Company's financial statements were audited by Punongbayan & Araullo for 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards.

In ₽ Millions, except for per share amounts

	As of and for the years ended December 31			January-June	
Income Statement Data:	**2012**	**2013**	**2014**	**2014**	**2015**
Revenues……………………………………………	34,586	43,552	34,734	18,515	14,408
Cost of sales……………………………………..	31,962	40,248	31,405	16,898	12,558
Net profit…………………………………………..	651	665	616	402	425
Balance Sheet Data:					
Current Assets………………………….……….	8,967	13,054	13,576	11,001	13,428
Non-current Assets…………………………….	7,540	9,283	11,424	10,408	12,106
Total Assets …………………………………….	16,507	22,338	25,000	21,409	25,534
Total Liabilities………………………………….	12,010	15,840	17,950	14,680	18,135
Stockholders' Equity………………………….	4,497	6,498	7,050	6,729	7,399
Earnings per share-adjusted………………..	0.48	0.45	0.40	0.27	0.28
Book Value per share………………………..	4.93	4.54	4.96		

Comparable discussion on Material Changes in Results of Operations for the Six Months' Period Ended June 30, 2015 vs. June 30, 2014.

Revenues

The Group generated total revenues of ₽14.408 billion in 2015 which is 22% lower than its 2014 level of ₽18.514 billion, primarily due to the decline in average fuel prices in 2015 by 40% of the comparative period. This is in spite of the increase by 25% on 2015 first half volume compared to the same period of last year. The revenue decline was marginally mitigated by higher revenues from fuels service, shipping, storage and other revenue, which grew by 50% from the same period in 2014.

Sales revenues from trading and distribution of petroleum products decreased by 23% from ₽14.134 billion in 2014 to ₽18.332 billion in 2015 resulting principally from the decrease in average selling prices. The effect was however mitigated by a 31% increase in retail (station) volume sales due to a wider distribution network and growth in same store sales. The commercial and industrial segment also increased by 29% despite lower sales to wholesalers and distributors. The Company has four hundred forty-three (443) retail service stations as of June 30, 2015 compared to four hundred five (405) retail stations as of the same period last year. The Company has a number of retail service stations undergoing construction and projected to be opened within the year.

The Group generated ₽273 million in net income from its fuels service, storage, port and other income in 2015 versus ₽182 million in 2014, a 50% increase compared to the same period last year. This is due to a 50% increase in revenues from storage services and hauling and into-plane services compared with the same period last year.

Cost and expenses

The Group recorded cost of sales and services of ₱12.558 billion in 2015, a decline of 25.68% from its 2014 level of ₱16.898 billion primary due to a 40% decrease in the average price of petroleum products but mitigated by the 25% increase volume. This year, retail volume as a percentage to total sales grew from 33% in 2014 to 39% in 2015. Retail sales margins are generally higher versus commercial/industrial sales due to the latter's higher sales mix of gasoline products in lieu of diesel.

Selling and administrative expenses increased by 13.58% as a result of higher rentals, depreciation, salaries & wages due to continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower and logistics costs, which resulted to the aforementioned increase.

Net Income

The Group's net income for the first half of 2015 was ₱425.2 million versus ₱401.8 million or a 6% increase versus the same period last year. Despite lower selling prices by 40%, the Company was able to grow profit as a result of its improving sales mix and higher efficiencies in its trading and supply management. In summary, the growth in net income was a combination of the 25% increase in volume and better sales mix in favor of the more profitable Retail sales volume.

The Company is registered with the BOI on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under the Downstream Oil Industry Regulation Act and, as such, continues to enjoy an ITH for five (5) years from November 16, 2005.

The Company obtained additional registration approval from the BOI under the Downstream Oil Industry Deregulation Act for its Calaca, Batangas Terminal. This entitled the Company to an ITH on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010 thus entitling the Company another set of incentives including the five (5)-year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under the Downstream Oil Industry Deregulation Act for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Company secured new approvals from the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City were registered and issued certification by the BOI last May 12, 2012. The registration entitles the Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to a BOI registered entity.

Financial Condition
(As of June 30, 2015 versus December 31, 2014)

Total resources of the Group as of June 30, 2015 stood at ₱25.5 billion, higher by 12% compared to ₱25.0 billion as of December 31, 2014. This is mainly due to an increase in Property, Plant, and Equipment driven by the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents this year increased by 48% from ₱556 million in December 31, 2014 to ₱823 million. This is due to the timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum daily cash balance.

Trade and other receivables decreased marginally by 12.59% from ₱7.832 billion as of December 31, 2014 to ₱6.847 billion as of June 30, 2015. This is due to lower receivables as a result of lower prices.

Inventories stood at ₱3.502 billion representing a 22% increase as of June 30, 2015 compared to ₱2.871 billion as of December 31, 2014. This is attributed to the combination of the arrival of traditional imports and additional inventory for a new product line. The Company targets to maintain an average of one (1) month's worth of inventory to ensure stable supply in retail service stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due to related parties increased by 32% from ₱10.373 million to ₱13.685 million in June 30, 2015 versus December 31, 2014 due to higher charges made during the period.

Input taxes-net decreased by 4.42% in June 30, 2015 resulting from the offsetting of higher output taxes this year against input taxes on capital expenditures and paid input taxes from higher inventory levels.

Other current assets, representing prepaid rentals on leased retail service station properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets, decreased from ₱1.147 billion as of December 31, 2014 to ₱1.108 billion as of June 30, 2015.

As of June 30, 2015, the Group's property and equipment, net of accumulated depreciation, increased to ₱11.257 billion compared to ₱10.869 billion as of December 31, 2014 due to investments in a new marine tanker to support domestic logistics requirements, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Visayas, and Mindanao as part of the Company's objective to further expand its retail station network.

Interest-bearing Current Liabilities increased to ₱9.972 billion as of June 30, 2015 from ₱8.479 billion as of December 31, 2014. This increase of about ₱1.493 billion resulted from the availment of working capital lines and issuance of short-term commercial papers to finance inventories, accounts receivables and trade payables.

Interest-bearing Non-current Liabilities increased by ₱469 million to ₱5.833 billion as of June 30, 2015 from ₱5.364 billion in December 31, 2014 due to the increase in the term loans from ₱1.307 billion as of June 30, 2015 from ₱1.036 billion as of yearend 2014. There was an additional availment of a long-term loan by the Company of US$10.0 million during the current year. Non-current portion of Installment and Notes Payable likewise increased from ₱4.320 billion as of December 31, 2014 to ₱4.525 billion as of the second half of 2015. The Company consolidated all the non-current term loans and installment and notes payable under "Term Loans" in the interest-bearing non-current portion of its June 30, 2015 financial statements.

The foregoing accounts for the 14% increase in the level of Loans and Borrowings of the Company to ₱15.805 billion as of June 30, 2015 from ₱13.843 billion as of December 31, 2014.

The salient terms and conditions of the Term Loans, which were obtained to finance various capital expenditures of the Company, are as follows:

(a) Term Loan Agreement (TLA) with Development Bank of the Philippines (DBP)

On September 12, 2007, the Group entered into a Memorandum of Agreement (MOA) with China Shipbuilding & Exports Corporation for the construction of a single oil tanker in the amount of US$15.0 million. In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with DBP, the proceeds of which was used exclusively to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (₽159.0 million) and US$9.1 million (₽432.5 million), respectively. The loan was payable over five (5) years in equal quarterly principal installments, with one (1) quarter grace period on principal, commencing November 2009 and was subject to 10.5% interest p.a. The loan was fully settled in 2014.

On October 30, 2014, the Group entered into a loan agreement with DBP amounting to ₽140.0 million to finance the drydocking, repairs and maintenance expenses of MT Chelsea Resolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to an interest rate of 5.0% p.a. and payable in ten (10) equal quarterly installments commencing on the first quarter from the initial drawdown or on February 28, 2015. The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 stood at ₽140 million and ₽112 million, respectively.

In addition, the Group obtained ₽160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.0% p.a. and is payable in eight (8) equal quarterly installments commencing on February 28, 2015. The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 stood at ₽160 million and ₽120 million, respectively.

Both loans are secured by a chattel mortgage on a certain vessel (MT Chelsea Cherylyn) of the Group with net book value amounting to ₽824.8 million and ₽776.5 million as of December 31, 2014 and 2013, respectively. The loans are also secured by certain collateral on receivables of CSC and guaranteed by certain stockholders *[see Notes 7 and 26.6(b) of June 30, 2015 Financial Statements].*

(b) Loan Agreement with Robinsons Bank Corporation (RBC)

In 2014, the Group obtained three (3) bank loans from RBC totaling ₽62.2 million to finance the drydocking costs of MT Chelsea Denise. The loan is subject to an interest rate of 6.3% p.a. and is payable in twelve equal monthly installments commencing on the first month from the initial drawdown.

The loan is secured by a chattel mortgage on one of the vessels (MT Chelsea Denise) of the Group with net book value amounting to ₽114.7 million and ₽124.2 million as of December 31, 2014 and 2013, respectively, and receivables of CSC from certain customer *[see Note 7 of June 30, 2015 Financial Statements]*. The loan is also guaranteed by certain stockholders *[see Note 26.6(b) of June 30, 2015 Financial Statements]*. The outstanding principal balance of the note as of December 31, 2014 and June 30, 2015 amounted to ₽56.8 million and ₽50.8 million, respectively.

(c) TLA with Maybank Philippines, Inc. (MPI)

On July 18, 2012, the Company signed with Maybank Philippines, Inc. a five (5) year clean term loan amounting to ₽300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to an interest rate of 6.0% p.a. and is payable in twenty (20) equal quarterly installments.

In connection with the TLA, all existing and future advances to the Company by its stockholders or related parties are subordinated to the loan. The Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt service coverage ratio of at least 1.5x.

The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 amounted to ₱165.0 million and ₱105.0 million, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

(d) TLA with Maybank International Labuan Branch (MILB)

On November 20, 2012, the Company entered into a TLA amounting to US$24.0 million with Maybank International Labuan Branch to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1) which is due in five (5) years and US$10.0 million (tranche 2) with a term of three (3) years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.25% p.a., or cost of funds plus a margin of 2.0% p.a., whichever is higher. Interest payments are to be serviced quarterly in arrears. MILB reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR, or the margin or spread above the LIBOR, or both.

The TLA also requires the Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt-service coverage ratio of at least 1.5x.

Moreover, MILB has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term loan facility either via follow-on offering of the Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to ₱524.7 million and ₱390.78 million, translated into Philippine Peso using the closing rate as of December 31, 2014 and June 30, 2015, respectively.

As of December 31, 2014 and June 30, 2015, the Group has complied with its debt covenants with the bank.

On April 22, 2015, the Company entered into another TLA with MILB amounting to US$10.0 million with a maturity of five (5) years from date of drawdown. Used to finance various capital expenditures of the Company, the loan was drawn on April 29, 2015 and will mature on April 29, 2020. Its interest rate is based on the 90-day LIBOR plus a spread of 3.75% p.a. while the principal is to be paid in equal quarterly amortizations commencing on July 29, 2015. The outstanding principal balance as of June 30, 2015 remained at US$10 million or ₱450.9 million translated into Philippine Peso using the closing rate of June 30, 2015.

(e) TLA with Asia United Bank (AUB)

In 2013, the Group obtained interest-bearing loans from AUB to partially finance the acquisition of tug boats amounting to ₱100 million. The loan bears a fixed interest rate at 7.00% p.a. for the first three (3) years from the initial drawdown date, and shall be repriced at the end of the third (3rd) year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in eighteen (18) quarterly installments over a period of five (5) years. The first payment will commence on the third (3rd) interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

The interest-bearing loans amounted to ₽88.9 million and ₽100.0 million as of December 31, 2014 and 2013, respectively, of which ₽22.2 million and ₽11.1 million, respectively, was presented under the Current Liabilities section in the consolidated statements of financial position.

Interest expense related to the loans amounted to ₽7.3 million and ₽1.1 million in 2014 and 2013, respectively, and is shown as part of Finance Cost under Other Charges (Income) in the consolidated statements of comprehensive income.

Certain trade receivables amounting to ₽20.2 million and ₽8.2 million as of December 31, 2014 and 2013, respectively, were assigned to secure the payment of these interest-bearing loans *[*see *Note 7 of June 30, 2015 Financial Statements]*.

The outstanding balance of the principal of the note as of December 31, 2014 and June 30, 2015 amounted to ₽88.9 million and ₽77.78 million, respectively.

(f) Loan Agreement with Multinational Investment Bancorporation (MIB)

On December 29, 2014, the Group obtained unsecured, interest-bearing loans from MIB totaling ₽166.8 million for CSC's working capital requirements. The loan is subject to interest rate of 4.3% p.a. and is payable in 30 days.

The outstanding balance of the principal of the note as of December 31, 2014 and June 30, 2015 amounted to ₽166.8 million and ₽178.5 million, respectively.

(g) Omnibus Loan and Security Agreement of PNX-Chelsea with BDO Unibank, Inc. (BDO) for importation of MT Chelsea Denise II

One of the items under Installment and Notes Payable is a loan incurred by PNX-Chelsea in 2014 with BDO Unibank, Inc. PNX – Chelsea, a subsidiary of CSC entered into a MOA with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Denise II) in the amount of US$7.3 million. In connection with the acquisition of the oil tank vessel, PNX – Chelsea entered into an Omnibus Line and Security Agreement (OLSA) amounting to ₽300 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan was fully drawn on February 2015.

The loan is payable for a period of five (5) years from initial drawdown date in quarterly principal installments of ₽11,540,000 each and the outstanding balance on maturity date, with two (2) quarter grace period, commencing after the second tranche. The loan carries an interest rate of 5.3% p.a.

Interest incurred on these loans amounted to ₽4.95 million and ₽29.2 million in June 30, 2015 and December 31, 2014, respectively, and is shown as part of Finance Costs – net account in the consolidated statements of comprehensive income.

The loan is secured by a chattel mortgage of MT Chelsea Denise II. The carrying cost of MT Chelsea Denise II, presented as part of Property and Equipment – Construction in Progress, amounted to ₽279.2 million and ₽89.6 million as of June 30, 2015 and December 31, 2014, respectively.

The OLSA requires PNX – Chelsea to maintain a debt-to-equity ratio of not more than 2.0:1 and debt-service coverage ratio of at least 1.20x, except on dry-docking year where minimum debt-service coverage ratio shall be 1.00x. On January 27, 2014, the Company received the creditor's waiver that adjusted the debt-to-equity ratio requirement of PNX-Chelsea Shipping Corp. from 1.5:1 to 2.0:1.

(h) Omnibus Loan and Security Agreement of CSC with BDO Unibank, Inc. (BDO) for acquisition of MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the purchase and importation of a single oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million. This was partly financed by BDO for US$14.5 million, payable in twenty-seven (27) equal principal amortizations starting in August 2012 at an interest rate based on a one-year LIBOR plus a spread of 3.5% p.a.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of ₽834.6 million and ₽1,100.4 million as of June 30, 2015 and December 31, 2014, respectively.

Related debt issuance costs amounted to ₽8.2 million of which ₽0.54 million and ₽1.4 million were amortized in June 30, 2015 and December 31, 2014, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income. The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The outstanding balance of the principal of the note as of June 30, 2015 and December 31, 2014 stood at ₽363.2 million and ₽404.4 million, respectively.

For the acquisition of MT Chelsea Thelma, CSC is required to maintain a debt-to-equity ratio and a debt-service coverage ratio of 1.5:1 and 1.2x, respectively, except on dry-docking year wherein debt-service coverage ratio is 1x. In 2014, CSC complied with these loan covenants with debt-to-equity and debt-service coverage ratio at 1.08:1 and 1.3x, respectively.

Trade and Other Payables decreased by 48% from ₽3.735 billion as of December 31, 2014 to ₽1.924 billion as of June 30, 2015 mainly due to lower prices and timing of booking trust receipts.

Total Stockholders' Equity increased to ₽7.399 billion as of June 30, 2015 from ₽7.050 billion as of December 31, 2014 as a result of the period net income less the cash dividend declared and paid during the period for both common and preferred shares.

Key Performance Indicators and Relevant Ratios

The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	June 30, 2015	December 31, 2014
Current Ratio[1]	1.13 : 1	1.11 : 1
Debt to Equity-Total[2]	2.45 : 1	2.55 : 1
Return on Equity-Common[3]	5.89%*	9.01%**
Net Book Value Per Share[4]	5.05	4.93
Debt to Equity-Interest Bearing[5]	2.14 : 1	1.96 : 1

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

* two (2) quarters figure
** One (1) year figure

These key indicators were chosen to provide management with a measure of the Company's financial strength (Current Ratio and Debt to Equity) and the Company's ability to maximize the value of its stockholders' investment in the Company (Return on Equity, Net Book Value Per Share). Likewise, these ratios are used to compare the Company's performance with similar companies.

The Company's debt-to-equity ratio for 2015 improved to 2.45:1 as a result of the period earnings.

Material Changes to the Group's Balance Sheet as of June 30, 2015 compared to December 31, 2014
(Increase/decrease of 5% or more)

- 48% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support day-to-day requirements.

- 13% decrease in Trade and other receivable

This is a result of lower prices and improved collection

- 22% increase in inventory

This build-up is due to timing of importations and an additional product line.

- 32% increase in Due from related parties

This is due to the various charges and billings during the period-net.

- 5% increase in property, plant and equipment

This is attributable to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 34% increase in other non-current asset

This is a result of an increase in deposit for capital expenditures.

- 48% decrease in Trade and other payables

This is due to lower prices and timing of booking of trust receipts and trade payables to foreign suppliers for purchase of inventory

- 100% decline in Due to related parties

This is a result of settlement of various advances from prior years.

- 98% increase in Deferred Tax Assets

This is due to deferred Tax Assets on Vessel Appraisals

- 18% increase in interest-bearing current liabilities

This is a result of the increase in the availment of letters of credit and trust receipts and the issuance of additional short-term commercial papers.

- 26% increase in interest-bearing non-current loans

The increase is due to additional availment of long-term loans to finance various capital expenditures of the Company.

- 9% increase in interest-bearing non-current liabilities

This is attributable to the increase in the availment of additional long-term notes payables and term loans.

- 14% increase in the total interest-bearing loans and borrowings

The issuance of additional short-term commercial papers and the increase in the availment of long-term notes payables and term loans resulted to the increase of the level of loans and borrowings.

Material changes to the Group's Income Statement as of June 30, 2015 compared to June 30, 2014
(Increase/decrease of 5% or more)

- 23% decrease in Sales for petroleum products

The 25% increase in the sale volume is tempered by the 40% decrease in selling prices. However, this was partly offset by the higher service revenue.

- 50% increase in fuel service, shipping, storage income, and other revenue

This is a result of higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, port operations and tugboat revenue.

- 26% decrease in cost of sales

This is primarily due to decreased sales in petroleum products and lower unit prices this year, as compared to 2014.

- 27% increase in Finance Costs (net)

This is due to interest on the installment payables, bank term loans used for expansion, plus trust receipts availed to finance inventory.

- 21% decrease in Other Income/Costs

This is attributable to the improvement in periodic inventory losses during the period plus various other costs.

- 7% increase in income tax

This is due to the increase of income not related to its BOI-registered activity.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

Analysis of Results of Operations for 2014 and 2013

Revenues

The Group generated total revenues of ₱34.734 billion in 2014, which is 20% lower than its 2013 total revenues of ₱43.552 billion. This is primarily due to the 18% decrease in sales volume of refined petroleum products coupled with the decline in the average selling price in 2014. However, this was minimized due to the higher revenues from fuels service, shipping, storage and other revenue by 54%.

Sales revenues from trading and distribution of petroleum products decreased by 21% from ₱43.14 billion in 2013 to ₱34.10 billion in 2014 as a result of lower sales volume for wholesale accounts. However, the lower sales volume to wholesale accounts was minimized by sales volume to retail (station sales) accounts, which increased by 22% due to growth in the distribution network and same store sales. The decrease in sales volume to wholesale accounts was a conscious effort of the Company to prudently manage resources and focus more on profitability. The Company has 418 retail service stations as of December 31, 2014 as compared to its 368 retail stations as of the same period last year. As of December 31, 2014, the Company has a number of retail stations undergoing various stages of construction that are projected to be opened early next year.

The Group generated ₱634 million revenues from its fuels service, storage, port and other revenues in 2014 versus ₱412 million in 2013, a 54% increase compared to the same period last year. This is due to the increase in storage rentals and time charter revenue from third parties compared to the previous year, and revenue from tug-boat operations.

Cost and expenses

The Group recorded cost of sales and services of ₱31.405 billion, a decline of 22% from ₱40.248 billion in 2013. This was primary due to an 18% decrease in the sales volume of petroleum products. The decline in percentage of cost of sales by 22% is a result of the lower average costs of petroleum products for this year. This year's average cost for the three (3) major petroleum products such as Gasoil (Diesel), MOGAS (Gasoline) and Kerosene (JETA1) is lower by 8% compared to the same period of 2013. Furthermore, for 2014, the sales ratio of retail accounts to commercial/industrial (C&I) accounts improved as compared to its sales ratio in the same period in 2013. This is due to the Company's deliberate strategy to push more volume to retail accounts. Retail service stations normally sell more premium products like gasoline compared to C&I accounts, which predominantly sell diesel.

Selling and administrative expenses declined by 3.5% as a result of lower variable costs. However, this is offset by the increase in rentals, depreciation, salaries and wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower and logistics costs, resulting to an increase in operating costs.

Net Income

The Group's net income for the year 2014 is ₱616 million versus 2013 net income of ₱665 million, which is a decrease of 7%. The Company was able to temper the 18% decrease in sales volume by improving its sales mix in favor of retail sales and improving margins through increasing efficiencies and savings particularly from its trading and supply management operations. With the better sales mix and higher selling margins, the net income to sales ratio (return on sales) improved to 1.77% in 2014 compared to 1.53% in 2013.

Analysis of Financial Condition
(As of December 31, 2014 versus December 31, 2013)

Total assets as of December 31, 2014 stood at ₽25 billion, which is higher by 12% compared to ₽22.3 billion as of December 31, 2013. This is mainly due to increase in Property, Plant, and Equipment with the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents increased by 56% from ₽357 million in December 31, 2013 to ₽556 million due to timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum cash balance for day to day operations.

Trade and other receivables increased marginally by 7% from ₽7.344 billion as of December 31, 2013 to ₽7.832 billion as of December 31, 2014 due to an increase in credit sales to customers.

Inventories declined by 25% at ₽2.871 billion as of December 31, 2014 from ₽3.812 billion as of December 31, 2013. The volume year-on-year is comparably at the same level for both years. However, the average unit price in 2014 yearend inventory ended lower by 37% compared to 2013 due to lower global prices. The Company targets to maintain an average of one (1) month's worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due to related parties in December 31, 2014 and December 31, 2013 is ₽17.205 million and ₽64.161 million, respectively. The decrease of ₽46.956 million or 73% is due to charges made during the year.

Input taxes-net increased by 34% to ₽603.6 million in December 31, 2014. This is a result of the net of lower output taxes and higher input taxes from capital expenditures and increase in inventory levels.

Other current assets amounted to ₽1,147 million and ₽489.9 million as of December 31, 2014 and December 31, 2013, respectively. The increase represents prepaid rentals on leased retail service station properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets.

As of December 31, 2014, the Group's Property and Equipment, net of accumulated depreciation, increased to ₽10.689 billion compared to ₽8.628 billion as of December 31, 2013 due to investments in a new marine tanker for fuel importations, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Visayas, and Mindanao as part of the Company's objective to further expand its retail station network.

Loans and Borrowings, both current and non-current, increased marginally by 1% from ₽13.752 billion as of December 31, 2013 to ₽13.843 billion as of December 31, 2014. The slight increase of ₽90 million was a result of the timing of availments of working capital lines.

Trade and other payables increased by 138% from ₽1.570 billion as of December 31, 2013 to ₽3.735 billion as of December 31, 2014. This is the result of longer suppliers' credit.

Total Stockholders' Equity increased to ₽7.050 billion as of December 31, 2014 from ₽6.498 billion as of December 31, 2013 as a result of the net income for the period net of cash dividends declared and paid during the year for both common shares and preferred shares.

Key Performance Indicators and Relevant Ratios

A. The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	December 31, 2014	December 31, 2013
Current Ratio[1]	1.11 : 1	1.33 : 1
Debt to Equity-Total[2]	2.55 : 1	2.44 : 1
Return on Equity-Common[3]	9.01%	12.10%
Net Book Value Per Share[4]	4.93	4.54
Debt to Equity-Interest Bearing[5]	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted [6]	0.40	0.45

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

B. Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Industrial Park Corporation)

	December 31, 2014	December 31, 2013
Current Ratio	0.58:1	0.68:1
Debt to Equity	0.78:1	0.76:1
Return on Equity-Common	5%	1%
Net Book Value Per Share	1.15	1.09
Earnings Per Share	0.06	0.01

Notes:

- PPIPC's Revenues increased by more than 100% from ₽83 million in 2013 to ₽168 million in 2014. This was mainly due to the sale of industrial lots. It was also attributed to the surge in port services rendered for its parent, the Company, as its importation of petroleum products surged due to increased sales volume.

- Current Ratio is less than 1. Trade Payables increased by 8% from ₽494 million in 2013 to ₽534 million in 2014. PPIPC's Current Assets are mainly Land Held for Sale and Development Cost; whereas its Current Liabilities consist mainly of Trade Payables. In 2013, PPIPC started the development of phase 2 of its industrial park, which included various buildings, improvements and port facilities. The construction lasted until 2014. This led to the 8% increase in its payable to contractors that was booked under Trade Payables. However, any development cost pertaining to Phase 2 of the industrial park was booked under Property and Equipment, which is a non-current asset. Hence, it resulted to a lower Current Ratio.

- PPIPC does not have bank debts. Its expansion projects had been financed by equity and internally generated funds, particularly from the proceeds of the sale of industrial lots.

C. Subic Petroleum Trading & Transport Philippines, Inc. ("SPTT")

	December 31, 2014	December 31, 2013
Current Ratio	0.94:1	0.98:1
Debt to Equity	-176.5:1	-337.7:1
Return on Equity-Common	-55%	-420%
Net Book Value Per Share	-27.40	-42.39
Earnings Per Share	14.99	178.23

Notes:

- SPTT recorded a Net Income of ₽3 million in 2014. This is a decrease of more than 91% from ₽35.6 milion in 2013, mainly attributed to the increase in Other Charges, which is comprised of interest expense amounting to ₽57 million in 2014 versus ₽1 million in 2013.

- Current Assets in 2014 stood at ₽913 million, a reduction by 67% from ₽2.8 billion in 2013 due to the collection of its huge receivable of more than ₽1.5 billion from Cebu Air and the decrease in fuel prices that eventually brought down the cost of its inventory at yearend by more than ₽340 million.

- Current Liabilities stood at ₽967 million in 2014, a 66% decrease from ₽2.9 billion in 2013 as SPTT settled more than ₽400 million of bank debts and reversed almost ₽1.6 billion of its advances to its parent, the Company. SPTT purchases petroleum products through the Company. Most of these transactions are treated as Advances and reversed periodically.

D. P-F-L Petroleum Management, Inc. ("PPMI")

	December 31, 2014	December 31, 2013
Current Ratio	0:1	0:1
Debt to Equity	-2.33:1	-2.36:1
Return on Equity-Common	19%	21%
Net Book Value Per Share	-1.19	-0.96
Earnings Per Share	-0.22	-0.20

Notes:

- PPMI posted Revenues of ₽141 million in 2014, a 42% decrease from ₽183 million in 2013. PPMI runs the retail service stations of its parent, the Company, that are awaiting accreditation of franchisee dealers. Its revenues vary with the number of outlets being managed. Hence, a reduction in retail service stations under its interim management reflects the Company's ability to find a suitable franchisee dealer to run these stations. Apparently, PPMI operated more stations in 2013 than in 2014.

- Current Assets increased by 21% from ₽37 million in 2013 to ₽45.6 million in 2014. PPMI acquired more direct commercial customers and granted them credit terms; this resulted in the increase of its Accounts Receivable by ₽1.6 million from ₽18.6 million in 2013 to ₽20.2 million in 2014. On the other hand, PPMI beefed up its inventories by ₽1.3 million in preparation for the long weekend towards yearend, resulting in the increase of inventory from ₽7 million in 2013 to ₽8.3 million in 2014.

- Current Liabilities increased by 21% from ₱85 million in 2013 to ₱103.6 million in 2014 as PPMI was granted longer credit terms by the Company in their desire to beef up their inventory position towards yearend.

- Current Ratio is less than 1:1. This is mainly due to the longer credit terms with its parent, the Company, compared with shorter sales terms to customers.

- Accumulated equity deficit increased by 22%. PPMI incurred an ₱8 million loss in 2014. This was mainly attributed to the rise in service fees extended to third parties who operated the retail stations.

E. Chelsea Shipping Corp. ("CSC")

	December 31, 2014	December 31, 2013
Current Ratio	0.19:1	0.28:1
Debt to Equity	1.08:1	1.07:1
Return on Equity-Common	6%	11%
Net Book Value Per Share	1.70	1.51
Earnings Per Share	0.10	0.16

Notes:

- CSC posted a Net Income of ₱103 million in 2014, a 35% decrease from ₱160 million in 2013. CSC contracted third party vessels via voyage charter to serve the increased requirements of its parent, the Company, for its regional and domestic shipping requirements. The costs of chartering were lodged under Cost of Sales and Services, increasing by 22.7% or some ₱86 million to ₱465 million in 2014 from ₱379 million the previous year. Also, CSC paid ₱13.3 million more taxes in 2014 than the previous year.
- Non-current Assets increased by 15% from ₱2.87 billion in 2013 to ₱2.3 billion in 2014. CSC acquired a new vessel in 2014, thereby increasing its Net Property and Equipment by ₱247 million. Likewise, CSC invested in its wholly-owned subsidiaries PNX Chelsea and Michael, Inc. for ₱150 million and ₱14 million, respectively.
- Current Liabilities increased by 36% from ₱936 million in 2013 to ₱1.28 billion in 2014 as CSC incurred additional debts amounting to more than ₱300 million to finance various dry-docking costs in 2014.
- Net Income decreased by 35.6% from ₱160 million in 2013 to ₱103 million in 2014 due to higher operating costs.

F. Phoenix Global Mercantile, Inc. ("PGMI")

	December 31, 2014	December 31, 2013
Current Ratio	0:1	0:1
Debt to Equity	-1.03:1	-1.03:1
Return on Equity-Common	7%	6%
Net Book Value Per Share	-1.11	-1.04
Earnings Per Share	-0.08	-0.06

Note:

- PGMI has been dormant since 2008.

The salient terms and conditions of some of the Term Loans, which were obtained to finance various capital expenditures of the Company, are as follows:

(a) Omnibus Loan and Security Agreement of PNX-Chelsea with BDO Unibank, Inc. (BDO) for importation of MT Chelsea Denise II

One of the items under Installment and Notes Payable is a loan incurred by PNX-Chelsea in 2014 with BDO Unibank, Inc. PNX – Chelsea, a subsidiary of CSC, entered into a Memorandum of Agreement with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Denise II) in the amount of US$7.3M million. In connection with the acquisition of the oil tank vessel, PNX – Chelsea entered into an Omnibus Line and Security Agreement (OLSA) amounting to ₽300 million with BDO, the proceeds of which was used to partly finance the importation of the vessel.

The loan is payable for a period of five (5) years from initial drawdown date in quarterly principal installments of ₽11,540,000 each and the outstanding balance on maturity date, with two quarter grace period, commencing after the second tranche. The loan carries an interest rate of 5.3% p.a.

Interest incurred on these loans amounted to ₽29.2 million in December 31, 2014, and is shown as part of Finance Costs – net account in the consolidated statements of comprehensive income.

The loan is secured by a chattel mortgage of MT Chelsea Denise II. The carrying cost of MT Chelsea Denise II, presented as part of Property and Equipment – Construction in Progress, amounted to ₽89.6 million in December 31, 2014.

The OLSA requires PNX – Chelsea to maintain a debt-to-equity ratio of not more than 2.0:1 and debt-service coverage ratio of at least 1.20x, except on dry-docking year where minimum debt-service coverage ratio shall be 1.00x. On January 27, 2014, the Company received the creditor's waiver that adjusted the debt-to-equity ratio requirement of PNX-Chelsea Shipping Corp. from 1.5:1 to 2.0:1.

(b) Omnibus Loan and Security Agreement of CSC with BDO Unibank, Inc. (BDO) for acquisition of MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million.

This was partly financed by BDO for US$14.5 million, payable in 27 equal principal amortizations starting in August 2012 at an interest rate based on a one-year LIBOR plus a spread of 3.5% p.a.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of ₽1,100.4 million and ₽1,059.8 million as of December 31, 2014 and December 31, 2013, respectively.

Related debt issuance costs amounted to ₽8.2 million of which ₽1.4 million and ₽2.3 million was amortized in December 31, 2014 and December 31, 2013, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income *[see Note 22.1 of December31, 2014 Financial Statements]*. The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan. The outstanding balance of the principal of the note as of December 31, 2014 and December 31, 2013 amounted to ₱404.4 million and ₱496.9 million, respectively.

For the acquisition of MT Chelsea Thelma, CSC is required to maintain a debt-to-equity ratio and a debt-service coverage ratio of 1.5:1 and 1.2x, respectively, except on dry-docking year wherein debt-service coverage ratio is 1x. In 2014, CSC complied with these loan covenants with debt-to-equity and debt-service coverage ratio at 1.08:1 and 1.3x, respectively.

Material Changes to the Group's Balance Sheet as of December 31, 2014 compared to December 31, 2013 *(Increase/decrease of 5% or more)*

- 56% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support maturing obligations.

- 7% increase in Trade and other receivables

This is primarily due to increase in advances to suppliers as a result of the differences in the initial value of various shipments in transit versus the final price computation.

- 25% decrease in inventory

This is a result of lower average price per unit by 37% in 2014.

- 277% increase in Due from related parties

This is attributable to various charges and billings during the period-net.

- 47% increase in other current assets

This is a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

- 34% increase in Value Added Tax-net

This is attributable to an increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

- 134% increase in other current assets

This is a factor of the increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

- 24% increase in property, plant and equipment

This is due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 138% increase in Trade and other payables

This is a result of Trade Payable to foreign suppliers for purchases of inventory.

- 73% decline on Due to related parties

This is attributable to the settlement of various advances from prior years.

- 6% decrease in deferred tax liability

This is a result of decline on the deferred tax liability for tanker vessel appraisal increments.

- 25% reduction on non-current liability

This is due to some retirement of cash security deposits in favor of other form of security.

Material changes to the Group's Income Statement as of December 31, 2014 compared to December 31, 2013 *(Increase/decrease of 5% or more)*

- 21% decrease in Sales for petroleum products

This is principally due to 18% lower sales volume compared to 2013. However, it was partly offset by the higher service revenue.

- 54% increase in fuel service, shipping, storage income, and other revenue

This is attributable to higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, and tugboat revenue.

- 22% decrease in cost of sales

This is primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2013.

- 20.2% increase in Finance Costs (net)

This is a result of interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

- 53.2% increase in other income/Costs

This is a result of periodic inventory losses recorded during the period plus various other costs.

- 102% increase in income tax

This is attributable to the increase of income not related to its BOI-registered activity.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

Analysis of Results of Operations for 2013 and 2012

Revenues

The Group generated total revenues of ₱43.552 billion in 2013, which is 26% higher than its 2012 level of ₱34.586 billion, primarily due to the 31% increase in sales volume of fuel products. However, this was minimized due to the lower revenues from fuels service, rent, storage and other revenue. Substantial volume for these aforementioned services was reclassified to an "all-in" product which formed part of sales volume of fuel products starting third quarter of 2012 with full year impact in 2013.

Revenues from sale of petroleum products increased by 27% from ₱34.080 billion in 2012 to ₱43.139 billion in 2013 from a wider distribution network, expanded institutional customer base and improved price competitiveness. In spite of the 31% increase in sales volume, revenue is only up by 27%, as a result of a lower average selling price due to lower MOPS prices in 2013 for gasoline and diesel compared to year 2012. The Company had 368 retail service stations as of December 31, 2013 compared to 300 retail service stations as of end December 2012.

The Group generated ₱207.05 million from its fuels services, storage, port and other revenue in 2013 from ₱304.01 million in 2012, a 32% decline. This was caused by the conversion of service revenue for Mindanao, except Davao City, to an all-in-sales of Jet A1 arrangement instead of mere service, which in turn contributed to the volume and revenue growth of the Company.

Cost and expenses

The Group recorded cost of sales and services of ₱40.248 billion for 2013, which is an increase of 26% from ₱31.962 billion in 2012, primarily due to a 31% increase in the sales volume of petroleum products. The average unit cost for 2013 was lower compared to 2012 due to lower petroleum product prices.

Selling and administrative expenses increased by 35% as a result of higher volume and the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs including depreciation of additional new stations and facilities.

Net Income and Comprehensive Income

The Group posted a net income of ₱665.057 million in 2013 versus ₱651.310 million in 2012, a 2.11% increase. The Company managed its profitability in spite of price volatility due to improved inventory, trading and supply management.

Total comprehensive income is lower in 2013 by 24%. It decreased to ₱667 million in 2013 from ₱874 million in 2012. This is attributable to the revaluation of vessel tankers in 2012.

Analysis of Financial Condition and Balance Sheet Accounts
(As of December 31, 2013 versus December 31, 2012)

Total assets of the Group as of December 31, 2013 stood at ₱22.338 billion, a growth of 35% over the ₱16.493 billion as of December 31, 2012.

Cash and cash equivalents decreased by 19% from ₱438 million in December 31, 2012 to ₱357 million due to timing of collections of receivables as against payment of various liabilities and prudent management of cash level enough to cover maturing liabilities.

The Group's liquidity position continued to be strong with Current Assets amounting to ₱13.054 billion as of December 31, 2013, an increase from ₱8.953 billion as of December 31, 2012.

Trade and Other Receivables increased by 106%, from ₱3.557 billion as of December 31, 2012 to ₱7.344 billion as of December 31, 2013, which was mainly due to the increase in trade receivable as a result of increasing sales revenue. Bulk sales to government and airline were also consummated at yearend of 2013 which forms the bulk of the trade receivable. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories increased by only 3%, from ₱3.689 billion as of December 31, 2012 to ₱3.813 billion as of December 31, 2013. The Company maintains an average of around one (1) month's worth of inventory to ensure stable supply in retail stations and commercial/industrial clients.

Due from related parties in December 31, 2013 and December 31, 2012 is ₱2.748 million and ₱8.300 million, respectively. The decrease of ₱5.552 million is due to collection of prior period charges to related parties.

Input taxes-net increased by 14% as of December 31, 2013 which is the result of a slight increase in inventory on which input taxes are paid, and the input taxes on additional capital expenditures during the year.

Other current assets are at ₱489.9 million and ₱282.4 million as of December 31, 2013 and December 31, 2012, respectively. The increase represents creditable withholding taxes, supplies inventory, prepaid rentals on leased retail service station properties and depot sites, prepaid insurance and other current assets.

As of December 31, 2013, the Group's property and equipment, net of accumulated depreciation, increased to ₱8.629 billion compared to ₱6.999 billion as of December 31, 2012 due to investments in additional depot capacity in existing areas and new sites. For the year, the Company completed its depot facility expansion in Davao City and additional storage tanks in Calaca, Batangas and Zamboanga City. New depot sites are also being developed in various sites. In addition, more retail stations were also constructed and or under construction in Luzon, Visayas and Mindanao as of end 2013.

Other non-current assets increased by 61% from ₱167.8 million in 2012 to ₱270.4 million as of December 31, 2013 as a result of additional rental and security deposits of various lease agreements.

Loans and Borrowings increased by 39% from ₱9.915 billion as of December 31, 2012 to ₱13.752 billion as of December 31, 2013. The increase was a product of short term financing (LC/TR) to cover inventory purchases and trade receivables.

Trade and Other Payables increased by 2%, from ₱1.547 billion as of December 31, 2012 to ₱1.570 billion as of December 31, 2013. This slight increase in spite of increasing sales volume is the result of more trade payables being booked to short-term financing with banks under trust receipts.

Total Stockholders' Equity increased to ₱6.498 billion as of December 31, 2013 from ₱4.482 billion as of December 31, 2012 as a result of the combination of a ₱1.188 billion equity placement and income earned during the period net of cash dividends paid to both common and preferred shares.

Key Performance Indicators and Relevant Ratios

A. The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	2013	**2012**
Current Ratio	1.33 : 1	1.56 : 1
Debt to Equity	2.43 : 1	2.67 : 1
Return on Equity	12.08%	15.86%
Net Book Value Per Share	4.55	4.96
Earnings Per Share-Adjusted	0.45	0.48

B. Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Industrial Park Corporation)

	December 31, 2013	December 31, 2012
Current Ratio	0.68:1	1.79:1
Debt to Equity	0.76:1	0.23:1
Return on Equity-Common	1%	-2%
Net Book Value Per Share	1.09	1.08
Earnings Per Share	0.01	-0.02

Notes:

- PPIPC posted Revenues of ₱83.14 million in 2013, representing a 46% increase from ₱56.9 million in 2012. PPIPC rendered more port services in 2013 relative to the increase in importation by its parent, the Company. It also posted a ₱12 million rent income for the operating leases on certain parcels of land in its industrial park.

- Trade Payables increased by 231% or ₱344 million from ₱150 million in 2012 to ₱494 million in 2013. PPIPC's Current Assets are mainly Land Held for Sale and Development Cost; whereas its Current Liability is mainly Trade Payables. In 2013, PPIPC started the development of Phase 2 of its industrial park, including various buildings and improvements and port facilities. This led to the 231% increase in its payable to contractors that was booked under Trade Payables. However, any development cost relative to Phase 2 of the industrial park was booked under Property and Equipment. Hence, it resulted in the low Current Ratio.

- PPIPC does not have bank debts. Its expansion projects had been financed by equity and internally generated funds, particularly from the proceeds of the sale of industrial lots.

C. Subic Petroleum Trading & Transport Philippines, Inc. ("SPTT")

	December 31, 2013	December 31, 2012
Current Ratio	0.98:1	0.92:1
Debt to Equity	-337.73:1	-13.64:1
Return on Equity-Common	-420%	88%
Net Book Value Per Share	-42.39	-300.07
Earnings Per Share	178.23	-264.34

Notes:

- SPTT's Revenues increased more than 780% or ₱5.149 billion from ₱652 million in 2012 to ₱5.8 billion in 2013. This was mainly brought about by fuel sales to Cebu Pacific Air (CPA) that was delivered from Subic beginning 2013. In prior years, sales to CPA were being undertaken by its parent, the Company.

- SPTT recovered its operations from a loss of ₱37 million in 2012 to an income of ₱35.6 million in 2013. This was chiefly due to the increase in sales and improvement in gross margins from negative 6.3% in 2012 to positive 2.6% in 2013.

- Current Assets increased by 273% or ₱2 billion from ₱752 million in 2012 to ₱2.8 billion in 2013. SPTT had to keep a certain level of inventory to serve the requirements of CPA. This resulted in the increase of its inventory level from ₱242M in 2012 to ₱2.2B in 2013.

- Current Liabilities increased by 250% or ₱2.045 billion from ₱818 million in 2012 to ₱2.863 billion in 2013. SPTT had to finance its inventory by bank debts and advances from its parent, the Company. In 2013, SPTT had limited credit facilities to import petroleum products. This constraint was shouldered by its parent, the Company. In so doing, advances had to be booked in SPTT to reflect inter-company transactions.

D. P-F-L Petroleum Management, Inc. (“PPMI”)

	December 31, 2013	December 31, 2012
Current Ratio	0.:1	0:1
Debt to Equity	-2.36:1	-2.69:1
Return on Equity-Common	21%	22%
Net Book Value Per Share	-0.96	-0.76
Earnings Per Share	-0.20	-0.16

Notes:

- PPMI’s registered Revenues of ₽183 million in 2013, reflecting a 47.3% drop from ₽347 million in 2012. PPMI operates the retail stations of its parent, the Company, that are awaiting accreditation of franchisee dealers. Its revenues vary with the number of outlets being managed. Hence, a reduction in retail station under its interim management reflects the Company’s ability to find a suitable franchisee dealer to run these stations. Apparently, PPMI operated more stations in 2012 than in 2013.

- Current Liabilities increased by 11.4% or ₽8.7 million from ₽76.4 million in 2012 to ₽85 million in 2013 due to the increase in trade payables with its parent, the Company, during the period.

- PPMI recorded a Net Loss of ₽7.5 million in 2013, representing a 19% increase from ₽6.3 million loss in 2012. Most retail stations managed by PPMI were operating in highly competitive but less profitable areas. Pump prices had to be adjusted to compete with other players, resulting in very low gross margins of 1.15% and 1.3% for 2012 and 2013, respectively. Aside from this, it had to pay standard fees to contracted parties to keep the operations of these retail stations going while awaiting the accreditation of franchisee dealers.

E. Chelsea Shipping Corp. (“CSC”)

	December 31, 2013	December 31, 2012
Current Ratio	0.28:1	0.19:1
Debt to Equity	1.07:1	1.7:1
Return on Equity-Common	11%	11%
Net Book Value Per Share	1.51	1.46
Earnings Per Share	0.16	0.16

Notes:

- CSC posted a Net Income of ₽160 million in 2013, representing a 34% increase from ₽119 million in 2012 as CSC was able to save more than ₽37 million from port expenses and some ₽90 million from bunkering. CSC was able to convert some contracts into time charter which enabled CSC to pass on the bunkering to the charterer, thereby relieving CSC from this cost.

- Current Assets increased by 18.8% from ₽218 million in 2012 to ₽259 million in 2013. This was mainly due to the advances extended to related parties.

- Current Liabilities decreased by 18.5% or ₽214 million from ₽1.15 billion in 2012 to ₽936 million in 2013. CSC paid more than ₽40 million and ₽100 million of its short-term bank debts and suppliers, respectively, in 2013.

- Current Ratio is less than 1:1. Much of its dry-docking expenses, which are long-term in nature, were financed by short-term debts.

F. Phoenix Global Mercantile, Inc. ("PGMI")

	December 31, 2013	December 31, 2012
Current Ratio	0:1	0:1
Debt to Equity	-1.03:1	-1.03:1
Return on Equity-Common	6%	3%
Net Book Value Per Share	-1.04	-1.08
Earnings Per Share	-0.06	-0.03

Notes:

- PGMI has been dormant since 2008.

Material Changes to the Group's Balance Sheet as of December 31, 2013 compared to December 31, 2012 *(Increase/decrease of 5% or more)*

- 19% decrease in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Certain minimum levels of Cash are also maintained to support maturing obligations and immediate working capital requirements.

- 106% increase in Trade and other receivables

This is primarily due to bulk sales made to a government entity and an airline company.

- 67% decrease in Due from related parties

This arose from the settlement of advances during the year.

- 15% increase in restricted deposits

This is primarily due to additional deposits to cover some contingent obligations.

- 14% increase in Value Added Tax-net

This is due to an increase in input VAT as a result of higher inventory plus accumulated input taxes on capital expenditures.

- 74% increase in other current assets

This is a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

- 23% increase in property, plant and equipment

This is due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 61% increase in other non-current assets

This is a result of increased refundable rental deposits for various station sites and other minor items.

- 99% increase in current interest bearing loans

This is due to the increase in Trade Payables to foreign suppliers of fuel inventory converted to trust receipt as accounts receivable and inventory increased.

- 25% decline on Due to related parties

This is due to the settlement of various advances from prior years.

- 28% decrease in deferred tax liability

This is a result of decline on the deferred tax liability for tanker vessel appraisal increments.

Material changes to the Group's Income Statement as of December 31, 2013 compared to December 31, 2012 *(Increase/decrease of 5% or more)*

- 27% increase in Sales for petroleum products

This is principally due to 31% higher sales volume compared to 2012. This however was tempered with lower selling price in 2013 compared to 2012.

- 18% decrease in fuel service, shipping, storage income, and other revenue

This is due to lower turnover on service volume specifically in Davao terminal when Cebu Air converted to "All-in" sales instead of just services. This however was minimized due additional revenue from time charters.

- 26% increase in cost of sales

This is primarily due to increased sales of petroleum products. This however was tempered by slightly lower unit prices this year compared to 2012.

- 35% increase in Selling and Administrative Expenses

This is primarily due to the need to beef-up manpower complement to support the growth forecast of the Company. This is also due to increase in operating expenses of terminal/depot facilities, and retail stations not limited to depreciation.

- 29% increase in Finance Costs (net)

This is due to additional interest incurred from installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

- 43% decrease in other income/Costs

This is due to periodic inventory losses recorded during the period plus other various costs.

- 93% decrease in income tax

The Company is enjoying ITH for new projects that are granted a BOI incentive. As part of its growth strategy, the Company continued building storage capacities in 2013 to accommodate huge importation of petroleum products in anticipation of the surge in demand. This resulted in the increase of its total storage capacity from 220 million liters in 2012 to 271 million liters in 2013. Sales emanating from these storage tanks were granted tax holiday.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

PLANS AND PROSPECTS

Strengthen Oil Supply Security

The Company intends to eventually form strategic partnerships with foreign refined petroleum products producers and traders, and domestic wholesalers.

Expand the Petroleum Depot, Terminalling and Distribution Facilities

The Company plans to establish additional petroleum depot, terminalling and distribution facilities in other strategic locations in key areas of the Luzon, Visayas and Mindanao regions to support its expanded market presence both in wholesale distribution as well as its retail network development. Specific suitable locations have already been identified and negotiations for some are in their final stages, and more sites are under consideration.

Expand Retail Service Station Network

The Company plans to increase the current number of retail service stations by sixty (60) to eighty (80) stations per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development or construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

Strengthen Retail Network Management System & Operations

The Company shall continue to develop and strengthen its existing Retail Network Management System in order to support its retail network expansion program in collaboration with its dealers and franchisees.

Developing the Brand: A Marketing Cornerstone
Branding will continue to be a cornerstone of the Company's marketing campaign to make Phoenix the brand of choice of customers and commercial users.

Expand Product Offerings and Distribution Channels

As part of the Company's thrust to strengthen the brand, more products led by its lubricants line will be launched. These product offerings, covering the vehicles' needs (except spare parts) as well as driving-related requirements, will be made available in selected retail service stations but also through other traditional distribution channels for these products.

The Company has also started to aggressively penetrate the bunker fuel market specifically to cater to industrial customers such as power plants and shipping companies.

For each of the last three fiscal years (2012-2014), the aggregate revenues from the Company's wholly-owned subsidiaries consisting of charter fees from CSC, rent and storage income and port revenues from PPIPC, and sale of fuels from SPTT amount to less than two percent (2%) of the consolidated revenues of the Company.

There are no seasonal aspects of the Company's business that had a material effect on the financial condition or results of its operations.

AUDIT AND AUDIT-RELATED FEES

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2014, 2013 and 2012. Mr. Romualdo V. Murcia III is the Company's current Audit Partner and has served as such since the fiscal year ended December 31, 2011. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

External Audit Fees and Services

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the Company's external auditors.

		Amount in Thousands ₱		
Particulars	Nature	2012	2013	2014
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries	-	-	-
Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries	-	-	-
Punongbayan and Araullo	Audit of FS for the year 2010 - Parent and Subsidiaries	-	-	-
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries	2,110.06	-	-
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries	630	3,302.60	60
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries	-	2,609.42	2,536.95
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries	-	-	3.266.38
Sub-total		**2,740.06**	**5,912.02**	**5,863.33**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	119.94	190.12	144.76
Sub-total		**119.94**	**190.12**	**144.76**
GRAND TOTAL		**2,860**	**6,102.14**	**6,088.09**

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Company's Audit Committee is composed of at least three (3) members of the Board, preferably with accounting and finance background, one of whom shall be an Independent Director and another should have related audit experience. The Chairman of the Audit Committee is an Independent Director and he shall be responsible for inculcating in the minds of the members of the Board the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, Domingo T. Uy, Cherylyn C. Uy and Paul G. Dominguez as members.

The Internal Audit systems of the Company have been in place since 2008 but these audit systems were strengthened this year. The Internal Audit's role and responsibilities are defined in the Audit Charter approved by the Board of Directors. Primarily, it assists the Audit Committee of the Board in fulfilling its oversight responsibility to the shareholders by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

The Internal Audit, in fulfilling its role, performs the following general functions: (1) evaluating the Company's governance processes including ethics-related programs; (2) performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to mitigate them; (3) evaluating the reliability and integrity of financial statements and the financial reporting process; (4) analyzing and evaluating business processes and associated controls; and (5) determining compliance with applicable laws and regulations.

Changes In and Disagreements with Accountants

The Company has not had any disagreement with its previous and current external auditor/ independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

DIRECTORS AND SENIOR MANAGEMENT

Directors	
Chairman	Domingo T. Uy
Director/President and Chief Executive Officer	Dennis A. Uy
Director	Jose Manuel R. Quimson*
Director/Chief Operating Officer	Romeo B. De Guzman
Corporate Secretary/Asst. Vice President for Corporate Legal	Socorro T. Ermac Cabreros
Director/Chief Finance Officer	Joseph John L. Ong
Director	Cherylyn C. Uy
Director	J.V. Emmanuel A. de Dios
Director	Paul G. Dominguez
Independent Director	Consuelo Yñares Santiago
Independent Director	Monico V. Jacob
Other Executive Officers	
Chief Compliance Officer and Chief Legal Counsel	Ramon Edison C. Batacan
Treasurer/Vice President for Finance	Chryss Alfonsus V. Damuy
Vice President for External Affairs, Business Development and Security	Alan Raymond T. Zorrilla
Vice President-Operations Engineering, Aviation & LSC	William M. Azarcon
Assistant Vice President for Retail Sales South Luzon and South Metro Manila	Jose Victor L. Cruz
Assistant Vice President for Retail Sales North Luzon and North Metro Manila	Edwin M. Jose
Asst. Vice President for Retail Sales Visayas	Richard C. Tiansay
Assistant Vice President for Retail Sales Mindanao	Norman T. Navarro
Assistant Vice President for Commercial Sales-Luzon	Joselito G. De Jesus
Asst. Vice President for Commercial Sales Mindanao	Ericson S. Inocencio
Assistant Vice President for Technical Service & QAPD	Ignacio B. Romero
Assistant Vice President for Supply	Ma. Rita A. Ros
Assistant Vice President for Brand & Marketing	Maria Celina I. Matias
Assistant Vice President for Human Resources	Celeste Marie G. Ong
Assistant Vice President for Customer Service & Corporate Communications	Debbie U. Rodolfo
Asst. Vice President for Treasury	Reynaldo A. Phala
Assistant Vice President for Credit and Collections	Rebecca Pilar C. Caterio
Asst. Corporate Secretary	Gigi Q. Fuensalida
I.T. Manager	Alfredo Rogelio E. Reyes

*On September 22, 2015, the Company received the resignation letter of Mr. Quimson with effective date of September 1, 2015. The Company's Board of Directors accepted the resignation upon its receipt. The vacant board seat shall be filled at the appropriate time. No director has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.

BOARD OF DIRECTORS

A summary of the business experience of each of the Company's directors for the past five (5) years is shown below:

Domingo T. Uy
Chairman

Mr. Domingo T. Uy, Filipino, 68 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy
Director, President and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 41 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the Parent Company, and Udenna Corporation, the ultimate parent company. The subsidiaries of the Company are Chelsea Shipping Corp., Phoenix Petroterminals & Industrial Park Corp., Subic Petroleum Trading & Transport Philippines, Inc., P-F-L Petroleum Management, Inc. and P-H-O-E-N-I-X Global Mercantile, Inc. Among the subsidiaries of Udenna Corporation are Udenna Management & Resources Corp., One Subic Power, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. Mr. Uy is also the Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization - Philippine chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Chief Operating Officer

Romeo B. De Guzman, Filipino, 66 years old, was elected Director of the Company in 2009. He is the Chief Operating Officer of the Company, bringing with him 35 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. He obtained his Marketing Management and MBA degree from San Sebastian College – Manila.

Socorro T. Ermac-Cabreros
Director, AVP for Corporate Legal and Corporate Secretary

Socorro T. Ermac-Cabreros, Filipino, 50 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past President for the Davao City Chapter of the Integrated Bar of the Philippines.

Atty. J.V. Emmanuel A. De Dios
Director

J.V. Emmanuel A. De Dios, Filipino, 51 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the Chief Executive Officer of GE Philippines, and prior to that was President and Chief Executive Officer of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was the Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director, Chief Finance Officer

Joseph John L. Ong**,** Filipino, 56 years old, married, is the Chief Finance Officer of the Company. Prior to his employment in the Company, he spent almost ten (10) years at Primeworld Digital Systems, Inc. (Pacific Internet Phils.) initially as Vice President and CFO, and eventually as Executive Vice President – Operations and Chief Finance Officer from 2008 to 2009. He also worked for twelve (12) years with Ginebra San Miguel, Inc. (then known as La Tondena Distillers, Inc.), then the country's 2nd largest beverage company and a listed subsidiary of San Miguel Corporation. He was its Vice President – Treasury from 1995 to 1999, at which time he headed the team that took the company public in 1994 and was primarily responsible for institutional-investor relations. Prior to the San Miguel Group, he held various positions at the Bank of the Philippine Islands & Ayala Investment & Development Corp. (before it merged with BPI) from 1980 to 1986. He received his Bachelor of Science in Commerce from De La Salle University in 1980.

Paul G. Dominguez
Director

Paul G. Dominguez, Filipino, 66 years old, was Presidential Assistant for Mindanao and Chairman of the Mindanao Economic Development Council (MEDCo) during the term of President Fidel V. Ramos, tasked to oversee efforts towards accelerating development in Southern Philippines. After serving in the Ramos administration, Mr. Dominguez became the Mindanao representative to the World Trade Organization - General Tariffs and ASEAN Free Trade Area (WTO-AFTA) Philippine Advisory Commission, Honorary Chairman of the Mindanao Business Council, and Country Director for the Philippines in the Board of Directors of the BIMP-East ASEAN Business Council. Mr. Dominguez was appointed by President Gloria Macapagal-Arroyo as Presidential Adviser for Regional Development in January 2001, and in April 2002 as Senior Consultant for Mindanao. He also served as the Special Envoy to Brunei Darussalam, Indonesia and Malaysia. Mr. Dominguez started his corporate career in 1971 with the Davao Light and Power Co. In 1974, he joined the Lapanday Agricultural Development Corp., a major agribusiness firm in Mindanao, as Assistant General Manager. He continued his involvement in agribusiness with the Sarangani Agricultural Company where he served as Executive Vice President from 1979 to 1985. From 1985 to 1992, he was President of C. Alcantara and Sons, Inc. a leading wood manufacturing company in Mindanao. Mr. Dominguez currently serves as director of several Philippine corporations. He previously served in the Advisory Board for Southeast Asia of Colonial Insurance Co. and Commonwealth Bank of Australia.

Cherylyn C. Uy
Director

Ms. Cherylyn Chiong-Uy, Filipino, 36 years old, is a graduate of Business and Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, a corporation composed of 17 subsidiaries which are divided into two (2) groups, the petroleum and non-petroleum group. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also the President of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management and Resources Corp. and Chelsea Shipping Corp.

Consuelo Yñares-Santiago
Independent Director

Consuelo Yñares-Santiago, Filipino, 76 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA and SMC Global Power Holdings, Inc., one of the country's leading power company which is the power generation unit of the country's largest beverage, food and packaging industry, San Miguel Corporation. She is also a Consultant of various respectable government offices such as Office of Vice-President Jejomar C. Binay, Office of Senate President Juan Ponce-Enrile and Philippine Judicial Academy and a Chair of the Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her law degree at the University of the Philippines. After being admitted to the bar, she started her career as a Legal Officer of the Securities and Exchange Commission. After five (5) years of legal practice, she decided to enter the judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court Judge, Regional Trial Court Judge, Associate Justice of the Court of Appeals and became an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she joined various committees, one of which was the House of Representatives Electoral tribunal (HRET) as Chairperson, and was a member of the Presidential Electoral Tribunal. She was also a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

Monico V. Jacob
Independent Director

Monico V. Jacob, Filipino, 70 years old, has been the Independent Director of the Company since March 7, 2008. He is the President and Chief Executive Officer of the STI Education Services Group and iAcademy. He is the Chairman of Global Resource for Outsourced Workers (GROW), Inc., STI-Universal Workers, Inc., Accent Healthcare/ STI Banawe, Inc., and Total Consolidated Asset Management, Inc. He is a Partner of the Jacob and Jacob Law Firm and is a member of the Board of Directors of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2Go Shipping. He is the Chairman and Managing Partner of CEOs Incorporated. He is the former Associate Commissioner of the Securities and Exchange Commission, General Manager of National Housing Authority, and Chief Executive Officer of the Pag-Ibig Fund. He is a former Chairman and Chief Executive Officer of Petron Corporation and served as such from 1992 to 1998. He was also a former Chairman and Chief Executive Officer of Philippine National Oil Company.

ADVISOR TO THE BOARD

Stephen A. CuUnjieng

Mr. Stephen A. CuUnjieng, Filipino, 56 years old, is the Advisor to the Board. Mr. CuUnjieng is the Senior Managing Director of Evercore Partners and Chairman of Evercore Asia Limited. He has been in the corporate advisory industry since 1986 including, prior to Evercore, five years at Macquarie Capital Advisers in Hong Kong where his most recent position was Vice Chairman, ASEAN. Prior to that, he held Managing Director or Director positions in Asia for Merrill Lynch, Salomon Brothers and Morgan Grenfell. Since 2005, he has been awarded nine Deal of the Year Awards by Finance Asia and Asia Money. Some of his more significant transactions include being sole advisor in successfully preventing the takeover of Manila Electric Company for its lead shareholder First Philippine Holdings Corporation ("FPHC"), which included restructuring FPHC's ownership and bringing in Metro Pacific and PLDT as white knights. He was also sole advisor in the sale of a 67% interest in Manila North Tollways Corporation. He led the initial public offering of SM Investments, which was the largest IPO in Asia ex-China and Japan in 2005, as well as the convertible bonds placements of SM Investments Inc. and Bangkok Dusit Hospitals Corporation. Both were the first transactions of their kind in their country for over a decade. Additionally, he advised Crescent Asian Special Opportunities Portfolio on the sale of its 45.54% equity interest in Carmen Copper Corporation to Atlas Consolidated Mining and Development Corporation for US$368 million and advised Guoco Group Limited on its all-cash £585 million takeover offer for the Rank Bank Group, resulting in the increase of Guoco's stake from 29% to 74.5%. In Resources and Energy, his experience includes lead managing or advising Semirara Mining, Energy Development Corporation, Shell, Petroleum Authority of Thailand and CNOOC. Mr. CuUnjieng received his A.B. and Ll.B. (J.D. equivalent) from Ateneo De Manila University in the Philippines and his M.B.A. from the Wharton School of the University of Pennsylvania.

EXECUTIVE OFFICERS

The following is a list of other executive officers and their business experience during the past five (5) years:

Ramon Edison C. Batacan, Filipino, 56 years old, was appointed Chief Legal Counsel and concurrently Chief Compliance Officer of the Company in 2013. He is the founder and currently Managing Partner of BM&V Law Firm. He served as member of the Board of Regents of the University of Southeastern Philippines (USeP) and currently director of the Rizal Memorial Colleges. He was past president [2001-2003] of the Integrated Bar of the Philippines, Davao City Chapter and past governor [2007-2009] of the IBP-Eastern Mindanao Region. He is also currently a faculty of the Ateneo de Davao University College of Law handling Property, Negotiable Instruments Law and Law of Natural Resources and Environmental Law. Atty. Batacan graduated with the degree in Bachelor of Science in Mechanical Engineering (BSME) at the University of Mindanao (UM) in 1979. He earned his masters degree in Business Administration (MBA) at the University of Southeastern Philippines (USEP) in 1986. He earned his law degree at the Ateneo de Davao University College of Law in 1990, *Cum laude* and was admitted to the Philippine Bar in 1991.

Chryss Alfonsus V. Damuy, Filipino, 41 years old, is the Treasurer and the Vice-President for Finance of the Company. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy

Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Alan Raymond T. Zorrilla, Filipino, 46 years of age, is the Vice President for External Affairs, Business Development, and Security of the Company. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in litigation practice with Pangilinan Britanico Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies in its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

William M. Azarcon, Filipino, 69 years old, is currently the Vice President for Operations Engineering, Aviations and LSC. Mr. Azarcon has twenty-six (26) years experience in the oil industry, covering engineering operations, retail and distribution of bulk & packed products nationwide. Mr. Azarcon used to work for Pilipinas Shell Petroleum Corporation and served as Field Engineer in Operations nationwide constructing depots & related facilities, i.e, jetties, submarine pipelines, bulk storage tanks, among others. He likewise served as Head of Operations of North Luzon and transferred to Retail Engineering as Retail Engineering Manager nationwide. He also served as RVI (Retail Visual Identity) Manager. After retiring from Shell, Mr. Azarcon engaged in business as Retail Engineering Contractor of Shell. He holds a degree in Bachelor of Science in Mechanical Engineering from Mapua.

Jose Victor L. Cruz, Filipino, 55 years old, is currently the Asst. Vice President for Retail Sales-South Luzon and South Metro Manila. Mr. Cruz has more than twenty-five (25) years of experience in the oil industry covering retail, commercial, lubricants sales, international business (aviation and shipping for Chevron and Texaco), marketing and distribution, and corporate affairs. Prior to joining the Company in 2010, Mr. Cruz was Vice President for Retail Network Operations of Flying V in 2008 before he was promoted to Chief Operating Officer in 2009. He was COO of Citadel Commercial, Inc. from 2001 to 2002 before he ventured into private enterprise. He held various positions in Caltex Philippines Inc. from 1983 up to 1991 when he handled CPI's International Business. Eventually, Mr. Cruz was appointed Executive Assistant – Marketing Commercial in 1992. In 1994, he held the position of District Manager – Luzon South Commercial and in 1996, as DM – Luzon Retail. Mr. Cruz completed his MBA curriculum at the De La Salle University. He is a graduate of B.S. Industrial Management Engineering, Minor in Mechanical Engineering and is a Professional Industrial Engineer under the Philippine Institute of Industrial Engineers.

Edwin M. Jose, Filipino, 55 years old, is the Asst. Vice President for Retail Sales-North Luzon and North Metro Manila. Mr. Jose has logged more than 29 years in the petroleum industry, with exposure in Retail, Commercial, LPG and Corporate Planning and Logistics of Petron Corporation. Before joining the Company, his Petron career started in Corporate Planning and Logistics. In Retail, he handled positions from Area Sales Executive, Retail Network Development and Sales Development Manager. After Retail, he was assigned to the Liquefied Petroleum Gas business where he handled the retail, commercial and independent refiller business for the entire Luzon area and his breakthrough programs in LPG such as the "one number delivery system", the "80-20 sales project" and pioneering LPG metering for commercial accounts such as Jollibee, among others, were reasons why Petron Gasul effectively captured market leadership in the retail sector. He was then assigned as Government Accounts Manager handling the National Power Corp. and other

Independent Power Producers, US and Phil. Military. His last position in Petron is District Manager for Metro Manila under Reseller Trade. After his stint with Petron, he set up the franchise of two (2) 7-eleven convenience stores that are still operational to date. He is an Industrial Engineering degree holder from the University of Sto. Tomas, and an MBA candidate at the Ateneo de Manila University.

Richard C. Tiansay, Filipino, 51 years old, is the Asst. Vice President for Sales-Visayas. Mr. Tiansay has more than 22 years of experience in the oil industry covering domestic and international operations. His last position in Royal Dutch Shell is as Global SAP IT Order to Cash Team Lead in London, U.K. This after being assigned to various key managerial positions not limited in the Philippines but as well as in a number in Asia Pacific and other countries. Mr. Tiansay completed his Bachelor of Science in Mechanical Engineering degree from the University of San Carlos, Cebu City.

Norman T. Navarro, Filipino, 49 years old, is presently the Asst. Vice President for Retail Sales - Mindanao of the Company. Before joining the Company, he was with Chevron Philippines, Inc. for 17 years where he held various management positions. He finished Bachelor of Science major in Architecture at the University of Santo Tomas in 1988.

Joselito G. de Jesus, Filipino, 59 years old, is the Asst. Vice-President for Commercial Sales-Luzon. Prior to joining the Company, Mr. de Jesus was the Assistant Vice-President for Reseller Trade of Petron Corporation. He joined the oil industry in late 1970's when became a Corporate Planning Analyst, then later on Corporate Planning Manager/Coordinator, of the Philippine National Oil Company (PNOC). Mr. de Jesus also became a Manager in the Corporate Planning Department of PNOC Shipping and Transport Corporation and at the same time, he was also an assistant to the Chairman of PNOC. In the late 90's, Mr. de Jesus transferred to Petron Corporation and stayed with said Company for almost 17 years. He is a graduate of Bachelor of Science in Business Administration Major in Marketing and Finance from the University of the Philippines and holds a Masters in Business Administration from the Ateneo Graduate School of Business.

Ericson S. Inocencio, Filipino, 40 years old, is the Asst. Vice President for Commercial Sales - Mindanao. Eric has more than 18 years of extensive experience in the petroleum industry. Prior to joining the Company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than five (5) years (Commercial Luzon 2008 to 2010 & Commercial VisMin 2010 to 2013) and as concurrent National Fleet Cards Sales Manager (2010 to 2013). He started his petroleum career in Caltex Phils. as a Commercial Accounts Manager covering key segments of Manufacturing, Transport, Wholesale, Power and Marine industries then progressed to different key positions and leadership roles. He handled Marketing support function for the Commercial Business in charge of developing and executing local & global process/programs which includes profitability modelling. He likewise acted as a Pricing specialist for Marketing Sales both Retail and Commercial business. Eric covered the Motor Vehicle Safety program as a Team lead for Philippines driving the program for more than three (3) years. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

Ignacio B. Romero, Filipino, 71 years old, is currently the Asst. Vice President for Technical Service and Quality Product Assurance Department. Mr. Romero has more than 44 years of experience in the oil industry. Before joining the Company, he held the same position in National Oil Company of Indonesia, Pilipinas Shell Corporation, and Mobil Exxon. He is a graduate of Bachelor of Science in Mechanical Engineering at Cebu Institute of Technology in 1966 and is a licensed Mechanical Engineer.

Maria Rita A. Ros, Filipino, 55 years old, is currently the Asst. Vice President for Supply. Ms. Ros has more than thirty (30) years of experience in the oil industry covering materials management, supply chain management, production planning, imports-exports, warehousing and logistics. She held various positions in Petron Corporation from 1981 up to 2011 when she handled Biofuels and Special Projects, and Supply Optimization. Ms. Ros set up a personal business before joining Phoenix Petroleum Philippines, Inc. in November 2013. She is a graduate of B.S. Chemical Engineering from the University of the Philippines, and is a licensed Chemical Engineer, and took up Basic Management at the Asian Institute of Management.

Celina I. Matias, Filipino, 51 years old, is presently the Asst. Vice President for Brand and Marketing Group of the Company. Ms. Matias has more than 25 years of expertise in strategic marketing and client servicing. She honed her skills in Ogilvy & Mather and McCann Erickson and had worked with Rocket Science Manila as partner. She handled over 25 brands (global, regional and local) across different product categories in the petroleum, telecoms, real estate, automotive, pharmaceutical and other industries. She finished Communication Arts major in Advertising & PP in Assumption College.

Debbie A. Uy-Rodolfo, Filipino, 36 years old, is presently the Asst. Vice President for Customer Service Unit and Corporate Communications of the Company. On top of her role as head of the Corporate Communications department, Debbie leads the Customer Service Unit team in achieving their targets by determining customer service trends, determining system improvements and implementing change. She graduated with a degree in Computer Science major in IT from De La Salle University, and finished her Masters in Journalism at Ateneo de Manila University.

Rebecca Pilar C. Caterio, Filipino, 43 years old, is currently the Asst. Vice President for Credit and Collection of the Company. Previously, she was the Controller of Lapanday Packaging Inc., a company engaged in the manufacturing of cartons and in the production of fresh pineapple and vegetable. She was also the Accounting Manager of Fresh Asia Produce Company International Corporation, a company which is also owned by the Lapanday Group and is primarily engaged in the trading and marketing of bananas. Ms. Caterio started her professional career with the SGV & Co. as a Staff Auditor. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants (PICPA) since 1993. Ms. Caterio holds a Bachelor of Science Degree in Commerce, Major in Accounting from the Ateneo De Zamboanga.

Reynaldo A. Phala Filipino, 49 years old, is the Asst. Vice President for Treasury. He joined the Company in 2008 as its Credit and Collection Manager. Before joining the Company, he led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He recently finished his Master in Business Administration (MBA) under the Regis Program at the Ateneo Graduate School of Business.

Celeste Marie G. Ong, Filipino, 48 years old, is currently the Asst. Vice President for Human Resources. Ms. Ong has more than 20 years of solid human resources management experience from local and multinational companies (Concrete Aggregates Inc., Van Melle Phils., Fujitsu Computer Products and Optodev, Inc.) Her expertise includes compensation management, talent acquisition, training and development, employee relations/engagement, benefits administration and HRIS. She finished A.B. Psychology from Pamantasan ng Lungsod ng Maynila and took her M.A. in Psychology at University of Santo Tomas. She completed Essilor Management Training course in Singapore & France.

Gigi Q. Fuensalida-Ty, Filipino, 38 years old, is presently the Asst. Corporate Secretary of the Company. Prior to her employment with the Company, she was one of the Senior Associates of the

Villaraza Cruz Marcelo and Angangco Law Office. For six (6) years, Atty. Fuensalida specialized in Civil, Commercial and Criminal Litigation wherein she developed strategies for complex litigation and actively participated in the prosecution and defense of criminal cases before the regular trial courts, quasi-judicial bodies and the appellate courts. Atty. Fuensalida holds a degree in Bachelor of Arts Major in Political Science from the Ateneo de Manila University. She further obtained her Juris Doctor degree from the same institution and graduated with honors in 2002. Atty. Fuensalida is a member of the Integrated Bar of the Philippines since 2003.

Alfredo E. Reyes, Filipino, 53 years old, is currently the Information Technology Manager of the Company. Mr. Reyes has been in the oil industry for the past 28 years. He worked in Pilipinas Shell Petroleum for 24 years in various management roles, regional and global, in retail and IT, his last position being Retail Lead GSAP Implementation for both Philippines and Indonesia. Prior to joining Phoenix he had a brief stint in Northgate Arinso as a Project Manager implementing HR SAP. Since joining the Company, he has overseen the SAP ERP and MSD CRM Systems which are anchoring Phoenix's aggressive sales growth with retail and commercial accounts.

Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, Debbie Uy-Rodolfo and Mr. Dennis Uy, who are related to each other by consanguinity within the second civil degree, Cherylyn C. Uy and Dennis A. Uy, who are spouses and related to each other by affinity, Domingo T. Uy and Cherylyn C. Uy who are related to each other by affinity, and Domingo T. Uy and Debbie Uy-Rodolfo who are related to each other by consanguinity within the first civil degree, and Cherylyn C. Uy and Debbie Uy-Rodolfo, who are related to each other by affinity, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

Significant Employees

No single person is expected to make a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company's Independent Director and Audit Committee Chairman, Mr. Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was recently impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments of Petron Corporation. The case was filed after Mr. Jacob's tenure as Chairman and Chief Executive Officer of Petron (from 1992 to 1998) and is still pending with the Sandiganbayan.

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and dismissed all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for*

Inhibition of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

EXECUTIVE COMPENSATION

The Company's executives are regular employees and are paid a compensation package of twelve (12) months pay plus the statutory 13th month pay. They also receive performance bonuses similar to that of the managerial, supervisory and technical employees.

The members of the Board of Directors are elected for a period of one (1) year. The Company pays its non-executive directors a per diem of ₽30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

The aggregate compensation paid or incurred during the last three (3) fiscal years and estimated to be paid in 2015 to the executive officers of the Company are as follows:

Summary of Compensation Table

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ending December 31, 2015		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**23,000***	**3,000***	**26,000***
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**32,000***	**3,800***	**35,800***

** Estimated*

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2014		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**21,553**	**2,521**	**24,074**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**29,570**	**3,530**	**33,100**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2013		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**20,501**	**4,282**	**24,783**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**22,362**	**2,710**	**25,070**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2012		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**20,164**	**2,267**	**22,431**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**17,295**	**2,340**	**19,635**

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT
(as of September 30, 2015)

Title of Class of Securities	Name, address of Record Owner, and Relationship with the Issuer	Name Beneficial Owner and Relationship with the Record Owner	Citizenship	No. of Shares Held	% of Ownership
DIRECTORS:					
Common	Dennis A. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City *President & CEO, Founder*	direct beneficial owner	Filipino	3,991,811	0.28%
	(thru Udenna Corporation)	indirect beneficial owner	Filipino	56,868,767	3.98%

Common	Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City *President & CEO, Founder; Director,* respectively (thru Udenna Corporation)	direct beneficial owner	Filipino	1,098,099	0.08%
		indirect beneficial owner	Filipino	56,868,767	3.98%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City *Chairman of the Board*	direct beneficial owner	Filipino	645,919	0.05%
Common	Romeo B. De Guzman Hillsborough, Alabang Village, Muntinlupa City *Director, Chief Operating Officer*	direct beneficial owner	Filipino	1,454,742	0.10%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City *Director, Corporate Secretary & Asst. Vice President for Corporate Legal*	direct beneficial owner	Filipino	103,316	0.01%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City *Director*	direct beneficial owner	Filipino	857,116	0.06%
Common	Monico V. Jacob 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City *Independent Director*	direct beneficial owner	Filipino	1	0.00%
Common	Consuelo Yñares-Santiago Santiago, Cruz & Associates Law Office Unit 1702 East Tower, PSE Centre Pasig *Independent Director*	direct beneficial owner	Filipino	1	0.00%
Common	Paul G. Dominguez ALSON Dev. Corp., 329 Bonifacio Street, Davao City *Director*	direct beneficial owner	Filipino	1	0.00%

Common	<u>Joseph John L. Ong</u> Phoenix Petroleum Philippines, Inc. 25/F Fort Legend Towers, 3rd Ave. corner 31st St, Bonifacio Global City *Director, Chief Finance Officer*	direct beneficial owner	Filipino	431,863	0.03%

Senior Management:

Common	<u>Chryss Alfonsus V. Damuy</u> Ph2 Blk 07 Lot 07, Wellspring Highlands Subd. Catalunan Pequeno Davao City 8000 *Treasurer, Comptroller*	direct beneficial owner	Filipino	70,980	0.00%
Common	<u>Gigi Q. Fuensalida</u> 155 Brillantes St. 5th Avenue, Caloocan City *Asst. Corporate Secretary & Legal Manager for Corporate Legal*	direct beneficial owner	Filipino	70,980	0.00%
Common	<u>Ramon Edison C. Batacan</u> Batacan Montejo & Vicencio Law Firm 7th Floor ABREEZA Corporate Center, J.P. Laurel Street, 8000, Davao City, Philippines *Chief Corporate Counsel & Chief Compliance Officer*	direct beneficial owner	Filipino	70,980	0.00%

The other executive officers of the Company, Alan Raymond T. Zorilla – Vice President for External Affairs, Business Development and Security, Jose Victor L. Cruz – Asst. Vice President for Retail Sales, Luzon, William M. Azarcon – Asst. Vice President, Operations & Logistics, Ma. Rita A. Ros – AVP, Supply do not own shares in the Company.

The aggregate shares for all directors and executive officers is 6,898,738 shares representing 0.48% of the total issued and outstanding capital stock of the Company.

There are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

There are no arrangements that may result in a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's related parties include its Parent Company, subsidiaries, stockholders, the Company's key management personnel and others as described below.

a.) Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. The total rent expense of the Company is presented as follows:

2011	2012	2013	2014	**TOTAL**
6,273,396.64	18,189,649.93	56,934,318.17	65,545,819.59	146,943,184.33

b.) Contract of Affreightment

The Company entered into a Contract of Affreightment with CSC, a wholly owned subsidiary, to haul the Company's petroleum supplies for both regional and domestic markets.

c.) Due to and Due from Related Parties

The Company grants and obtains advances to and from its Parent Company, subsidiaries and other related companies for working capital purposes.

The breakdown of due from related parties as of December 31, 2014 and 2013 is as follows:

	2013	**2014**
PPHI		
Balance at beginning of year		
Additions	-	-
Collections		
Balance at end of year	-	-
UMRC		
Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions		
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**4,963,790.66**	**-**
Total Due from Related Parties		
Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions	-	-
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**(4,963,790.66)**	**-**

CORPORATE GOVERNANCE

On April 5, 2002, the Commission promulgated the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002) consistent with and in pursuit of the State's policy to promote corporate governance reforms aimed at raising investor confidence, developing the capital markets, and helping achieve high, sustained growth for the corporate sector and the economy. This Code applies to all corporations whose securities are registered or listed, corporations which are grantees of permits/licenses and secondary franchises from the Commission. It also applies to public companies and branches or subsidiaries of foreign corporations operating in the Philippines whose securities are registered or listed. Each of these corporations is required to promulgate and adopt its corporate governance rules and principles.

The Code of Corporate Governance prescribes the detailed qualifications and disqualifications, duties, functions and responsibilities of the Board of Directors and each member thereof, the Chairman, the Chief Executive Officer, and the Corporate Secretary. It also mandates the creation of specific board committees in aid of good corporate governance, i.e. an Audit and Compliance Committee, a Nomination Committee and a Compensation Committee, and requires the Board to commit itself to the protection of the rights of stockholders.

The Company's Compensation Committee shall be composed of at least three (3) members of the Board, one of whom shall be an Independent Director. It is tasked with establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel.

The following are the members of the Compensation Committee:

Domingo T. Uy	Chairman
Dennis A. Uy	Member
Justice (Ret) Consuelo Yñares Santiago	Member
Joseph John L. Ong	Member (non-voting)

The Board of Directors of the Company adopted and approved its Corporate Governance Manual (CG Manual) on January 1, 2008. The revised CG Manual was adopted and approved on January 28, 2011 by the Company's Board of Directors.

The Company is in the process of formulating an evaluation system to determine and measure compliance with the revised CG Manual with criteria provided therein and other rules and regulations on good governance, which shall be submitted for the approval of the Company's Board of Directors.

The Company has just completed and its Board of Directors has just approved its Audit Committee Charter. The Company shall undertake to develop the charters for the other committees of the Board, namely, the Nomination Committee and the Compensation Committee.

To date, there has been no deviation from the Company's revised CG Manual.

MATERIAL CONTRACTS AND AGREEMENTS

The Company's principal contracts generally consist of dealership and supply agreements, as well as contracts of lease. Other than these, the Company is not a party to any contract or agreement of material importance and outside the usual course of business and the Directors do not know of any such contract or agreement involving the Company.

DEALERSHIP AGREEMENT

The Company has dealership agreements with all of its franchisees. The dealership agreement sets out the term for the non-exclusive right of the dealer to operate a Phoenix retail service station, and use the equipment and system developed by the Company. It specifies each party's responsibility as to the equipment, supplies and operation of the service station, training and assistance of personnel, standards of quality and performance, insurance coverage, among other things.

The agreement is co-terminus with the contract of lease which ranges from five (5) to ten (10) years renewable for another five (5) years.

CONTRACT OF LEASE

The Company has various contracts of lease covering the lots used for the terminal depot, and Company-owned retail service stations. The usual term of the lease is five (5) to ten (10) years.

SERVICE AGREEMENT

The Company has an existing service agreement with Cebu Air Incorporated ("Cebu Air") whereby the Company provides fuel and handling services and facilities for the storage and handling of Jet A1 fuel of Cebu Air in certain areas like Davao, General Santos City, Zamboanga, Kalibo, Iloilo, among others. This agreement is until December 31, 2017.

REGULATORY & ENVIRONMENTAL MATTERS

The DOE is the lead government agency overseeing the oil sector. It monitors prices and adherence by industry players to the Downstream Oil Industry Deregulation Act. This Act deregulated the downstream oil industry by encouraging the entry of new participants in the downstream oil industry, and removed the rate-setting function of the then ERB thereby leaving it to market forces.

On the issue of volume regulation, in the event of supply shortage, the Government may undertake supply rationing as a contingency measure. However, in recent years, this measure has not yet been invoked.

In addition, then President Gloria Macapagal-Arroyo issued Executive Order No. 134 in October 2002 requiring oil companies to maintain sufficient level of inventory of oil. However, said Order was relaxed in March 2003 by virtue of Department Circular No. 2003-03-002 which reduced the minimum level to only fifteen (15) days.

Importation of both crude and finished products (except for LPG) is levied a three percent (3%) import duty. Financial import barriers are low given that there is zero tariff differential between crude and products. Physical and logistical barriers are likewise low, as there are now several import terminals operated/owned by independent storage companies or by domestic oil companies.

Any capital expenditure requires compliance with the environmental regulations in the medium term. The Philippine Clean Air Act mandates the sulfur and benzene content for gasoline and automotive diesel.

More recently, the Biofuels Act of 2006 was passed mandating the use of biofuels (bioethanol and biodiesel). The Act mandates that within two (2) years from its effectivity, all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components of at least five percent (5%) bioethanol in the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country

The DTI, through the Bureau of Products Standards, on the other hand, ensures that all products comply with the requirements under the Philippine National Standards.

The BOI, where applicable, extends the same incentives granted to BOI-registered enterprises engaged in a preferred area of investment pursuant to the Omnibus Investments Code of 1987 to persons with new investments in refining, storage, marketing and distribution of petroleum products as determined by the DOE.

The DENR, on the other hand, ensures that all projects comply with environmental laws, specifically, the Philippine Clean Air Act. The DENR, through the Environmental Management Bureau, is the agency that issues ECC for all projects deemed to have an impact on the environment.

EXPENSES OF ISSUANCE AND DISTRIBUTION

The Company expects to raise gross proceeds of up to ₱2,000,000,000.00 from the Offer based on an Offer Price of ₱100.00 per share for 20,000,000 preferred shares. After deducting the applicable taxes, underwriting fees, commissions and expenses related to the Offer, the net proceeds to the Company from the Offer is estimated at about ₱1,953,143,550.00.

The expenses and costs are estimated and broken down as follows:

Particulars of Expenses	Amount
Issue Management Fee (0.50%)	10,000,000.00
Underwriting and Selling Fees (1.50%)	30,000,000.00
SEC registration and legal research fees	1,073,125.00
SEC listing and legal research fees	2,525.00
PSE listing and processing fees + 12% VAT	2,296,000.00
PDTC lodgment fees	110,800.00
Reimbursement of out-of-pocket expenses*	3,000,000.00
Legal Fees of Issuer's Counsel + 12% VAT (with out-of-pocket expenses)	274,000.00
Documentary Stamp Tax	100,000.00
Total Expenses*	**46,856,450.00**

**** Estimated amounts***

The above expenses shall be borne by the Company.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the Commission on May 8, 2002.

ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of Incorporation ("Articles") of the Company was approved by the Commission on May 8, 2002 and was amended on the following dates: January 11, 2004, January 12, 2006, August 7, 2006, December 29, 2006, February 19, 2007, February 22, 2010, March 8, 2010, September 7, 2010, November 30, 2010, and April 23, 2012. The latest amended Articles was approved by the Commission on November 12, 2012.

The By-Laws of the Company was registered with the Commission on May 8, 2002, and together with the Articles, was amended on February 19, 2007, February 22, 2010, November 30, 2010, September 19, 2011 and November 12, 2012.

PRIMARY PURPOSE

Under the Articles, the Company's primary purpose is to "engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail, insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and all merchandise, supplies, materials and articles, such as, but not limited to, petroleum, lubricants and other chemical products, as shall be necessary or expedient in conducting the business; to enter into all kinds of contracts for the export, import, purchase, acquisition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial."

Based on the amended Articles, the secondary purpose for which the Company is formed is "to engage in the business of operating oil depots, storage facility and allied services."

CORPORATE TERM

The Company is authorized to exist for a term of fifty (50) years from the date of its incorporation. This term may be renewed through an amendment of the Articles to be approved by the Commission.

FISCAL YEAR

The fiscal year of the Company begins on the first day of January and ends on the last day of December of each year.

APPROVALS

The issue and sale of the Offer Shares was duly authorized by resolutions of the Board of Directors of the Company passed on August 24, 2015, and the same was subsequently approved by the Company's stockholders representing more than 2/3 of the Company's total issued and outstanding voting stock by written assent.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Articles and By-laws are available for inspection by the Company's stockholders at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the Commission.

PRE-EMPTIVE RIGHT

Pre-emptive right of stockholders to subscribe to any issues or dispositions of shares of any class is waived under the Company's Articles. Please refer to the last paragraph of the SEVENTH Article of the Company's Articles.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Offer Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Offer Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Offer Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Offer Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment of a holder of Offer Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Offer Shares.

PROSPECTIVE PURCHASERS OF THE OFFER SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE OFFERED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

Taxes on Dividends on the Offer Shares

Individual Philippine citizens and individual aliens who are residents of the Philippines are subject to a final tax on dividends derived from the Offer Shares at the rate of 10%, which tax shall be withheld by the Company.

The dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines or under its laws) and resident foreign corporations (i.e. foreign corporations engaged in trade or business within the Philippines) from the Offer Shares shall not be subject to tax.

Non-resident alien individuals engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Offer Shares at the rate of 20% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual. A non-resident alien individual who comes to the Philippines and stays for an aggregate period of more than 180 days during any calendar year is considered engaged in a trade or business in the Philippines. Non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Offer Shares at the rate of 25% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual.

The term "non-resident holder" means a holder of the Offer Shares:

(a) who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and

(b) should a tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30% beginning January 1, 2009 subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations may be reduced to a preferential rate of 15% if:

(a) the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or

(b) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident corporation for taxes deemed to have been paid in the Philippines equivalent to 20% (until December 31, 2008) or 15% (beginning January 1, 2009).

Philippine tax authorities have prescribed, through an administrative issuance, procedures for availment of tax treaty relief. The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty with the Philippines. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of the Offer Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of the Offer Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Subject to the approval by Philippine tax authorities of a corporation's application for tax treaty relief, the corporation will withhold the tax at a reduced rate on dividends paid to a non-resident holder of the Offer Shares or interest paid to a non-resident holder if such non-resident holder provides the corporation with proof of residence and, if applicable, individual or corporate status.

Proof of residence for an individual consists of a certification from his embassy, consulate or other proper authority as to his citizenship and residence. Proof of residence and corporate status for a corporation consists of authenticated copies of its articles of association, or other equivalent certifications issued by the proper government authority, or any other official document proving residence.

If the regular rate of tax is withheld by the corporation instead of the reduced rate applicable under a treaty, the non-resident holder of the Offer Shares may file a claim for a refund from the Philippine taxing authorities. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Taxes on Payments on the Offer Shares

All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the

Philippines, including but not limited to, stamp, issue, registration, documentary, value-added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. However, the Company shall not be liable for:

(a) the final withholding tax applicable on dividends earned on the Offer Shares;
(b) expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the Offer; and
(c) any withholding tax on any amount payable to any holder of the Offer Shares or any entity which is a non-resident foreign corporation.

In addition, all sums payable by the Company to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges.

Taxes on Sale or Other Disposition of the Shares

Sales, exchanges or other dispositions of Offer Shares which are effected through the Exchange by persons other than a dealer in securities are subject to a stock transaction tax at the rate of 0.5% based on the gross selling price of the shares. This tax is required to be collected by and paid to the Government by the selling stockbroker in behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax.

In addition, VAT of 12% is imposed on the commissions earned by the PSE-registered broker, and is generally passed on to the client.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders of shares who are residents of those countries:

In percentage (%)	Dividends	Stock transaction tax on sale or disposition effected through the Exchange
Canada	25(1)	Exempt
France	15(2)	Exempt
Germany	15(3)	0.5
Japan	25(4)	Exempt
Singapore	25(5)	Exempt
United Kingdom	25(6)	Exempt
United States	25(7)	Exempt

Notes:

(1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the recipient company holds directly at least 15% of the voting shares of the company paying the dividends.

(3) 10% if the recipient company owns directly at least 25% of the capital of the company paying the dividends.

(4) 10% if the recipient company holds directly at least 25% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of 6 months immediately preceding the date of payment of the dividends.

(5) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.

(6) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting stock of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the RP-US Treaty, residents of the US may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

* The Philippine tax authorities, in a recent ruling, have taken the position that the stock transaction tax is not identical or substantially similar to the income tax/capital gains tax on a sale of shares in a domestic corporation, and, hence, not covered by the treaty exemption.

Documentary Stamp Taxes on the Offer Shares

The Philippines imposes a documentary stamp tax on the issuance of the Offer Shares at the rate of ₱1.00 on each ₱200.00, or fraction thereof, of the par value of the shares.

The Philippines also imposes a documentary stamp tax upon transfers of the Offer Shares at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Offer Shares.

Estate and Gift Taxes

The transfer of the Offer Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.00.

Individual registered holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable for Philippine donor's tax on such transfers at progressive rates ranging from 2% to 15% if the total net gifts made during the calendar year exceed ₱100,000.00 provided that the rate of tax with respect to net gifts made to a stranger (one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30%.

Estate and gift taxes will not be collected in respect of intangible personal property (a) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

In general, a tax of 30% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to R.A. 9337, except, among other things, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 7.5% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

In addition, under the Renewable Energy Act of 2008, a corporation engaged in the exploration, development, and utilization of Renewable Energy resources and actual operation of Renewable Energy systems or facilities is, after seven years of ITH, entitled to pay a corporate tax of 10% of its net taxable income (as defined in the Tax Code), provided that said corporation shall pass on the savings to the end-users in the form of lower power rates.

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the banking system. The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) a purchase invoice or subscription agreement and/or proof of listing in the Exchange; and (ii) the Authorized Agent Bank's ("AAB") Certificate of Inward Remittance ("CIR") of foreign exchange and its conversion to pesos thru an AAB. Upon submission of the required documents, a Bangko Sentral Registration Document ("BSRD") will be issued.

Proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the BSRD, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, is also remittable in full. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them the exploration, development, and utilization of natural resources and retail trade. The Government grants the use of foreshore lands to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Since the Company holds a foreshore lease, the Company complies with the restrictions on foreign ownership.

To be an indispensable partner in the journey of everyone whose life we touch.

PHOENIX
Fuels Life

15 April 2015

Hon. Vicente Graciano P. Felizmenio, Jr.
Director, Market and Securities Regulation Department
Securities and Exchange Commission
EDSA, Greenhills
Mandaluyong City

Dear *Dir. Felizmenio:*

We are herewith submitting our revised SEC Form 17-A Annual Report with attached Annual Corporate Governance Report (ACGR) as Annex "A" thereto, pursuant to Securities and Exchange Commission Advisory dated March 12, 2015.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

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HEAD OFFICE: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
Trunkline: +63 (82) 235-8888
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MANILA OFFICE: 25/F Fort Legend Towers, 3rd Avenue corner 31st St., Fort Bonifacio Global City, Taguig City 1634, Philippines
Trunkline: +632-403-4013
Fax: +632-403-4009

CEBU OFFICE: Phoenix Maguikay Gasoline Station, M.C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014, Philippines
Tel. No.: +63 (32) 236-8168 / 236-8198

www.phoenixfuels.ph

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COVER SHEET

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S.E.C. Registration Number

P-H-O-E-N-I-X PETROLEUM
PHILIPPINES INC.

P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

STELLA HIZON REYES RD.
BO. PAMPANGA LANANG
DAVAO CITY

(Business Address: No. Street City / Town / Province)

Socorro Ermac Cabreros	(082) 235-8888
Contact Person	Company Telephone Number

12	31	SEC FORM 17 A	3	last Friday XX
Month	Day	FORM TYPE	Month	Day
Fiscal Year Ending			Annual Meeting	

N/A
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1.	For the period ended:	31 December 2014
2.	SEC identification number:	A200207283
3.	BIR Tax Identification No.	006-036-274
4.	Exact name of issuer as specified in its charter	**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5.	Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6.	Industry Classification Code: [ ]	(SEC Use Only)
7.	Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
	Postal Code:	8000
8.	Issuer's telephone number, including area code:	(082) 233-0168
9.	Former name, former address and former fiscal year, if changed since last report:	Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,428,777,232
PREFERRED	10,000,000

Amount of Debt Outstanding as of December 31, 2014: Php **17,949,934,696**

11. Are any or all of the securities listed on the Stock Exchange? Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein: Philippine Stock Exchange

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12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports): Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [✓] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

The Consolidated Financial Statements as of and for the year ended December 31, 2014 and 2013 (incorporated as reference for Item _ and ___ of SEC Form 17-A)

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PART I – BUSINESS AND GENERAL INFORMATION

1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

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

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

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

The Parent Company has a total of 418 operating retail service stations, comprising of 141 service stations in Luzon, 56 in the Visayas and 221 in Mindanao and a total of 61 service stations under construction as of December 31, 2014.

1.1 Subsidiaries, Associate and their Operations

The Parent Company holds ownership interests in the following entities as of December 31 (the Parent Company and the subsidiaries are collectively referred to as "the Group"):

	2014	2013
P-F-L Petroleum Management, Inc. (PPMI)	**100%**	100%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	**100%**	100%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	**100%**	100%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	**100%**	100%

Chelsea Shipping Corp. (CSC)	**100%**	100%
Bunkers Manila, Inc. (BMI)*	**100%**	100%
Michael, Inc. (MI)*	**100%**	100%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	**100%**	100%
Chelsea Ship Management Marine Services Corp. (CSMMSC)*	**100%**	100%
Fortis Tugs Corp. (FTC)*	**100%**	100%
Norse/Phil Marine Services Corp. (NPMSC)**	**45%**	45%

* *Wholly-owned subsidiaries of CSC*
***Associate of CSC*

All the subsidiaries were organized and incorporated in the Philippines.

PPMI is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the Securities and Exchange Commission (SEC) on January 31, 2007.

PGMI was registered with the SEC on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI has temporarily ceased its operation since 2008.

PPIPC is engaged in real estate development. PPIPC was registered with the SEC on
March 7, 1996. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted to sell parcels of land on the Group's project, the Phoenix Petroleum Industrial Park (the Park).

SPTT was registered with the SEC on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time.

CSC was incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines.

BMI was registered with the SEC on March 7, 2000 to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines. Aside from international bunkering, BMI also ventures into hauling of marine fuel and petroleum products for major oil companies.

MI, which was registered with the SEC on December 26, 1957 and whose corporate life was approved to be extended for another 50 years by the SEC on May 6, 2008, is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil.

PNX – Chelsea was incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.

CSMMSC was incorporated on March 30, 2012 to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

FTC was incorporated on April 8, 2013 and started commercial operations on
November 8, 2013. It is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines, and to acquire by purchase, charter, lease or modes recognized by law of obtaining title to or use of such equipment and properties, real or personal, which may be necessary to achieve such purpose.

NPMSC was incorporated on January 30, 2013 to engage in the business of providing technical ship services and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation. NPMSC started commercial operations on June 10, 2013.

PPMI's registered office is located at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The registered office of PGMI, CSC, BMI, MI and PNX – Chelsea, which is also their principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPIPC's registered office is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

The registered office of SPTT, which is also its principal place of business, is located at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales.

The registered address of CSMMSC and FTC, which is also their principal place of business, is located at the 26/F, Fort Legend Towers, 3rd Ave. corner 31st St., Bonifacio Global City, Taguig City.

The registered office of NPMSC, which is also its principal place of business, is located at 2/F Harbor Centre II Bldg., Railroad and Delgado Sts., South Harbor, Port Area, Manila.

1.2 Acquisition of CSC

On September 6, 2012, CSC became a wholly owned subsidiary of the Parent Company upon the approval of the Parent Company's stockholders of the acquisition of the 100% of CSC's outstanding shares from Udenna Management Resources Corp. (UMRC), a related party under common ownership (see Note 27.3). The acquisition was initially approved by the Parent Company's Board of Directors (BOD) on July 6, 2012 and was subsequently ratified by the Parent Company's stockholders on September 6, 2012.

Operation Highlights

Sales: Leading Independent Player in the Industry

Retail

We continue to strengthen our retail network in terms of service, products, and customer experience.

- Solid position as the leading independent oil player, with 418 stations nationwide: 141 in Luzon, 56 in Visayas, and 221 in Mindanao
- Opening of our flagship 400th station near the Mall of Asia, featuring a commercial complex which includes Jollibee and Family Mart as locators
- High acceptance of our flagship product, Phoenix Premium 98, which enhances acceleration, reduces engine friction, and removes fuel deposit – restoring overall lost engine performance
- Roll-out of 10-Point Forecourt Service Steps for improved and consistent service levels by Phoenix stations nationwide

- Tapping more locators to make our Phoenix stations an essential destination of consumers and to expand our market. These locators include restaurants in the fast food and quick service industries such as McDonald's, Jollibee, Shakey's, and Pizza Hut; convenience stores such as Mini-Stop, 7-11 and Family Mart; automotive centers, ATMs, and other shops. The non-fuel related business generated Php 12.6 million revenues or 173% growth over 2013

- Recognition of outstanding dealers in the annual grand Business Partners Appreciation Night, held in Manila for Luzon and Davao for VisMin

Commercial

Phoenix fuels vital industries such as power, construction, transport, mining, fishing, and manufacturing. We continue to be aggressive in acquiring new accounts and retaining existing clients through focused account management and customized service.

- Expanding to fuel oil to serve the power generation industry
- 10 years of partnership with Cebu Pacific as their major supplier of Jet-A1 fuel nationwide. Cebu Pacific is the largest domestic airline operator in the country.

- Enhanced product quality assurance

- Provision of technical assistance to clients through site visits and product knowledge workshops

- Building for long-term business

Lubricants

For the year, the Lubricant Division rationalized its sales and product mix. Run-out conditions due to port congestions resulted to lower volumes sales, however, this forced the unit to be more strategic and moved to more profitable SKUs/products. Percentage growths in our Specialties & Industrial lines is noticeable, while still managing a decent increase in Motorcycle Oil (MCO) share to the total company volume for 2014. This resulted to a higher gross profit rate in 2014 compared to 2013.

Six (6) new Lubes Distributors across were been appointed in 2014 to cover vacant territories.

Saturation drives were initiated across all 15 territories with the objective of increasing the Company penetration & brand awareness. Distribution outlets doubled to 2,402, where 524 signages were installed.

The Company gained ground in the motorcycle OEM sector with partnerships with Ropali Corporation (120 branches) & Racal Motors (260 braches).

Marketing and Brand Activities:

Major regional events:

- **Inside Racing Bike Festival & Trade Show**
  The Company Sponsored the 8th Annual Inside Racing Bike Festival and Trade show last March 22 and 23 at Seashell Lane, Mall of Asia Complex, Pasay City.

- **2014 PHOENIX Cup 1/8 Mile Regional Shoot Out Championships**
  Top drag racing teams and riders from all over Mindanao gathered for the said even held on March 29-30, 2014 at Speed City, Crocodile Park, Maa, Davao City. This is followed by Phoenix Accelerate Vega National Dragster 1/8 Mile Bracket Racing Competition held last June 7-8, 2014 in the same venue.

- **PHOENIX Accelerate Vega Regional Autocross Championships**
  Top autocross racers from cities inside and outside Mindanao competed last March 29-30, 2014 at Speed City, Crocodile Park, Maa, Davao City.

- Other Motoring Events aim to boost PNX Lubes in 2014.

EVENT	Date	Venue
1. 2nd Convention of the Federation of Motorcycle Clubs	Apr 12-13	Digos City, Davao Del Sur
2. 20th Annual Convention of the National Federation of Motorcycle Clubs in the Philippines	Apr 4-6	Dakak, Dapitan City
3. 1st CHAMMP Motorshow	May 4	Megatent, Libis, Quezon City
4. 1st ROPALI Partakan Ride and Rock Fest 2014	Apr 19	Sta. Ana, Cagayan
5. 4th Unified Motor Show	Apr 26-27	Puregold, Cagayan de Oro City
6. Phoenix Cyclomax Motocross	May 24	Davao City
7. 8th Inside Racing Grand Prix	Nov 14-16	Carmona Race Track, Carmona Cavite
8. PNX Motorsports Fest 2014	Oct 17-19	SRP Sugbu, Cebu City

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Delivering seamless logistics

Reliable Supply and Operations

The service chain starts at supply, and the product must be handled safely and expertly at our depots and terminals, for delivery to our customers.

- Improving supply chain performance through integrated supply chain operating system, inventory control and forecasting accuracy, and distribution resource planning. Performance is measured in terms of safety in operations, on-time delivery, and total end-to-end supply chain costs.

- Expansion of storage and improvement of facilities in our depots and terminals nationwide
- Completion of depot in Calapan, Oriental Mindoro, which will start operating in January 2015, to cater to the south Luzon market. Additional depots will be opened 2015.

- Centralization of the Scheduling unit to serve all depots and terminals, with the goal of delivering within our standard lead time. In the next year, we will acquire more lorries to serve our growing retail and commercial accounts.

Operations, Logistics and Engineering

The Company achieved and exceeded target goals in operational startup in new depots, and expanded its storage capacities in Luzon, Visayas, and Mindanao, with special attention to "Greenfields" targets for dealer and retail outlet growth. The Company additionally upgraded supportive facilities and Human Resource capabilities to keep pace with the current growth of business.

Retail Engineering continues to enhance retail station standards in cooperation with Branding Business Unit.

These infrastructure and HR developments are designed to accommodate predicted growth patterns for both commercial and consumer sales and will assure that growth is not limited by logistical issues.

One example is storage capacity of 276 million liters with lined-up expansion and additions in 2015. These are spread in locations such as Calaca in Batangas, Cagayan de Oro City, Davao City, Subic in Pampanga, Zamboanga City, Cebu City, New Washington in Aklan, and in Bacolod City. Then, the newly inaugurated storage facility in Calapan, Mindoro.

On-going capacity expansion for areas in Cebu and Cagayan de Oro to further support growth.

Customer-specific logistical development is a core strategy of the Company. Since 2005, a customer-specific logistics development strategy has supported its role as the exclusive logistics provider of leading budget carrier, Cebu

Pacific Airlines, in all its Mindanao destinations. The Company also expanded its logistics service to Cebu Pacific in areas in Visayas namely, Cebu, Kalibo, Ilo-ilo, Caticlan and Tacloban.

Lubricant Manufacturing

Growth in both commercial and consumer lubricant sales has been and will continue to be a priority. Pursuant to this, the Company has built strategic logistical support through Depot Operations that established lubricant warehousing and distribution capabilities in Cagayan de Oro, Zamboanga, and Calaca, Batangas. This is in addition to the existing Central Warehouse in Caloocan, Davao terminal, Cebu, and Bacolod.

Our Subsidiaries and Operations

The subsidiary companies and the services they provide to the Company have always been a part of its vertical strategy that has allowed it to successfully navigate the future of the deregulated downstream energy business in the Philippines. These subsidiaries and their relationships to the Company have created a symbiotic value creation and growth process for both subsidiary and parent.

Phoenix Petroterminals and Industrial Park Corp. (PPIPC)

PHOENIX PETROTERMINALS & INDUSTRIAL PARK CORP.

Phoenix Petroterminals & Industrial Park Corp. (PPIPC) is the developer of Phoenix Petroterminals & Industrial Park (PPIP) located in Calaca, Batangas. This industrial park covers 94 hectares of land, spanning barangays Salong, Puting Bato West and Lumbang Calzada in Calaca.

In July 2014, PPIPC inaugurated its new port facility located at Brgy. Puting Bato West, Calaca, Batangas. It is an L-shaped port facility with a pier deck of 120m x 18m, with 9m width trestle equipped with fenders, bollards, lighting facilities and mooring dolphins. It is equipped with hoppers, conveyor system and sprinklers that can discharge coal shipments of South Luzon Thermal Energy Corp. (SLTEC) at the pier deck direct to its coal yards for faster discharging and environment-friendly operations. The new port facility is expected to enhance PPIPC's capability to accept more shipments from its current and prospective locators.

PPIP is home to the steel manufacturing plant of Steel Asia Manufacturing Inc., bulk solid warehouses of Arvin International Marketing, Inc., chemical storage facilities of Asian Chemicals Corporation and Philippine Prosperity Chemicals, Inc., the power plant of South Luzon Thermal Energy Corp., and the biggest petroleum depot of Phoenix Petroleum Philippines, Inc. nationwide.

As of end 2014, PPIP still has a land inventory of 48 hectares that is available for sale or for lease to interested locators. PPIP is an ideal location to put up manufacturing plants, warehouses, storage tanks and other facilities especially those that are reliant on water transport.

Port volume of PPIP continued to pass the 1,000,000 MT mark achieved in 2013 as it handled 1,045,660 MT in 2014, or 4% higher compared to 1,007,742 MT achieved in 2013. Port revenues rose to P74.5 million, or 17% higher compared to P63.4 million in 2013.

Chelsea Shipping Corporation (CSC)

In September 2012, Company acquired the entire outstanding capital stock of Chelsea Shipping Corporation from Udenna Management & Resources Corp., making CSC a wholly-owned subsidiary of PPPI.

The acquisition ensures control of product supply and minimizes and eliminates potential risk of current and future supply and distribution disruptions due to scarcity of tanker vessels.

The Chelsea Shipping Group is composed of Chelsea Shipping Corporation and its subsidiaries Bunker Manila, Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs, and PNX-Chelsea Shipping.

In 2014, the group posted revenues of Php 894.5 million and a net income of Php 236.9 million with a total asset base of Php 5.26 billion. It is one of the top five major petroleum tanker owners in the country, serving Phoenix Petroleum Philippines, Cebu Pacific Air, Marine Fuels, and Batangas Bay Carriers, among other companies, and sailing on local and regional seas.

In February 2014, CSC took delivery of M/T Chelsea Donatela, the 11th vessel in the Chelsea Shipping Fleet. It is the sister ship of M/T Chelsea Thelma, the largest Philippine-registered oil tanker, with the same specifications of 14,000 DWT, 9,366 GRT and 146m in length. Commencement of operations of M/T Chelsea Donatela began on July 2014.

In September, CSC acquired another vessel, M/T Chelsea Denise II, which is scheduled for delivery in March 2015.

The Chelsea Shipping Fleet currently has 12 vessels with a total capacity of 44,368 MT. These vessels are M/T Chelsea Thelma, M/T Chelsea Cherylyn, M/T Chelsea Denise, M/T Chelsea Resolute, M/T Chelsea Intrepid, M/T Chelsea Enterprise and M/T Excellence (M/T Vela) owned by Chelsea Shipping Corp. (CSC), M/T Ernesto Uno and M/T Jasaan owned by Michael,Inc.; M/T Patricia owned by Bunkers Manila, Inc., M/T Chelsea Donatela and M/T Chelsea Denise II owned by PNX-Chelsea Shipping Corp.

The Chelsea Shipping Fleet is being managed by Chelsea Ship Management & Marine Services Corp. (CSMMSC), with the exception of M/T Chelsea Cherylyn, which is under ship management of Transnational Uyeno Maritime, Inc. CSMMSC is a wholly-owned subsidiary of CSC, which was incorporated in March 30, 2012.

The entire Chelsea Fleet is classed by reputable Classification Associations:

* IACS Class Bureau Veritas - M/T Chelsea Cherylyn, M/T Chelsea Donatela, M/T Chelsea Thelma and M/T Chelsea Denise II

* Ocean Register of Shipping - M/T Chelsea Resolute, M/T Chelsea Denise, M/T Chelsea Excellence, M/T Chelsea Intrepid, M/T Ernesto Uno and M/T Jasaan

* Filipino Vessels Classification System Inc. - M/T Chelsea Enterprise

In line with the company's vision to upgrade its entire fleet to comply with international standards, M/T Patricia, M/T Chelsea Intrepid, M/T Chelsea Cherylyn and M/T Chelsea Thelma are SIRE-compliant. The other remaining vessels of the Fleet are presently undergoing inspection by a SIRE-accredited inspector for SIRE qualification.

Three vessels of the Chelsea Fleet – M/T Chelsea Cherylyn, M/T Chelsea Thelma and M/T Chelsea Donatela – are registered with the Board of Investments and enjoy BOI incentives including Income Tax Holiday incentive.

For its newest vessel, M/T Chelsea Denise II, an application for registration with the BOI has been filed and is pending approval.

For 2015, CSC plans to use its larger vessels for chartering locally or regionally.

Health, Safety, Security, and Environment:
Making safety a way of life

The Company aims to build a safety-conscious culture that is deeply engrained and readily apparent in every way a Phoenix employee thinks and performs his or her job in the workplace.

It envisions to address occupational health, safety, security, and environmental management issues and concerns and effectively integrate them in the top management's day-to-day business decision-making processes and strategic planning.

The formalization of its HSE policy in 2010 signifies top management's full commitment in supporting and promoting HSE management programs and initiatives.

Its goal is to achieve a zero-accident operation. To attain this, the Company inculcates upon all its employees, *safety as a way of life*. That it is everyone's responsibility. Also, the Company provides continuing education and comprehensive training on safe work practices and operational competence. Employees are evaluated on their compliance through HSE audits and reviews.

More HSE programs and documents are underway, such as a Safety Orientation Program for New Hires, Work Permitting Program, Accident/Incident Investigation and Reporting System, Emergency Response Organization, Bulk Receiving Operations, Tank Truck Loading Operations, and Tank Truck Delivery Operations. New HSE programs will continue to be developed and written as deemed necessary. The highlights of HSE programs and activities are as follows:

- The continued process of attaining a safety culture within the company premises.
- The continuing conduct of safety orientations for new employees and those who have worked continuously for 2 years.
- Mandatory continuing safety training of forecourt personnel in service stations.
- Trainings provided to depot personnel in terms of operational knowledge in accordance with the company's ISO certified procedures, fire safety, and response team organization.
- Incident reporting made a standard program for all employees to ensure that necessary actions and interventions are taken to preclude similar incidents in the future..
- The attainment of NO LOST MAN HOURS in the workplace without injury in all depots and terminals and offices.
- The setting up of continuing programs such as annual safety inspections, preventive maintenance and defensive driving seminars for company drivers who operate company owned trucks as well as drivers of ex-bodega clients.
- Providing depots and terminals with the necessary safety equipment for firefighting, personal protective equipment and other HSE items (Oil Spill Booms, eyewash and shower stations, ETC) in compliance with government requirements and industry practice.
- Work permit issuance monitoring and compliance.
- Review of accreditation/updating requirements of service stations and depot contractors with the end view of aligning safety requirements and programs vis-a-vis company safety standards.
- Setting up of an HSE organization to oversee the implementation of programs in all depots and terminals and the formation of a management heath, safety, and environment committee to provide directions across the organization.
- Safety shall remain to be a factor in all business decisions and activities.
- Continuing assessments of depots and terminals on their compliance with government requirements.
- The implementation of guidelines on safety and how to improve the same in order to maintain high standards of safety awareness and HSE capabilities.

Enabling a strong company

Finance

Financial capability and competence has been and continues to be a core strength and differentiator in the Phoenix success story.

Fund raising and Effective Investor Relations

The Philippine debt market celebrated two landmark events on November 10, 2014: debut and maiden issuance in the organized secondary debt market of an independent oil company, Phoenix Petroleum and the first ever listing of a Short Term Commercial Paper (STCP)- as security that hasn't been offered to the public in more than a decade. The remarkable performance of the Company has extended to the investing public as reflected in the over subscription of the PNX STCPs due 2015 of almost two times (2X). The Php 2 Billion STCPs were offered by PNX to investors through its underwriters AB Capital & Investment Corporation (AB Capital) and Multinational Investment Bancorporation (MIB) from October 14 to 17, 2014 and were issued October 24, 2014. PNX uses the proceeds from the offer on its working capital requirements.

Throughout year, the team actively managed investor relations by participating in broker-sponsored investor forums locally and in SE Asia, as well as meeting local and foreign-based Fund Managers and Analysts on a one-on-one basis.

The BPM has both tactical and strategic objectives.

IT infrastructure Enhancements with hardware and software programs to improve security to the Company network. The enhancement is also aimed for improved capacity and speed for more effective internal processes and customer support.

On October 1, 2013, the company's SAP A1 ERP (Enterprise Resource Program) went live. At an investment of Php90.72MM (inclusive of Business Process Mapping), the SAP A1 ERP is a substantial improvement over the Company's old SAP Business One system. The more robust ERP effectively handles all financial transactions (budget, Purchasing, Invoicing, Banking and Real Estate Contracts) across the organization. The system allows users to enter transactions directly into the system at point of creation rather than being created manually – backended by Finance. Besides streamlining and simplifying many processes in the Company, the system has more robust security. Moreover, management can process many previously manual transactions such as Purchase Requisition online – thereby speeding up processes with real time monitoring. This system although clearly an inwardly focused one – ensures that the Company processes all stakeholders needs as expediently as necessary with the required controls and approvals of Management. In 2014, the reporting module is being developed and enhanced.

It is also aimed the company's subsidiaries will be running in SAP environment. Thereby, rolling out SAP to two (2) of its subsidiaries, PPIPC and SPTT last February 1, 2015 and March 1, 2015 respectively. CSC and Subsidiaries is in the process of business process mapping and targeted to be rolled out to SAP by January 2016.

People

People and knowledge have been the foundation of the Phoenix success story from the beginning. This past year, the Company grew not only in numbers from 521 staff to 550, but this also added extensively to its knowledge and technical capability especially in the areas of marketing, brand development and logistics to support the Company's expansion.

Investments in Supply Chain & Logistics and Purchasing Business Units.

Supply is in the forefront in reducing vulnerability to price and supply volatility as impacted by world oil prices which have more than halved since June 2014, crashing on worries over global oversupply due to increasing shale production, and weak demand in a fumbling world economy. It creates a buffer against a form of bullwhip effect further influenced by refinery upsets and inclement weather.

Supply focuses on improving supply chain performance and maximising efficiencies. Operational objectives ensure that the next step in the supply chain meets strategic and tactical goals. It provides compliance with Phoenix standards, while constantly minimizing costs by controlling and managing inventories. A set of tools delivers this objectives, namely: (1) integrated supply chain operating system, (2) inventory control and forecasting accuracy, and (3) distribution resource planning. In evaluating performance, it focused on the following categories to create consistency and balance across the chain: (1) safety in operations, (2) service measured by on-time delivery, and total end-to-end supply chain costs.

Supply lays the foundation for future supply chain capability. To sustain the momentum for improvement and efficiency, support its re-engineering program, and ensure a future flow of talent into the organization, Supply began an initiative to recruit graduates from top universities with technical background. Along with the recruitment program, it provides on-going training for existing employees to help them further enhance their supply chain knowledge and skills. Thus, efforts is now on creating a strong pipeline at all levels as part of its core mission to improve service, lower cost and develop talent, capabilities /competencies.

The investment in more senior management and staff technical competency in Purchasing combined with the higher capabilities of the SAP A1 ERP is expected to increase overall efficiency and cost effectiveness of locally purchased materials, supplies, equipment and services particularly the Company's numerous building contractors (for the construction, repair and maintenance of the Company's nationwide network of retail stations and depots). Full manning complement of the Purchasing unit was achieved in 2014 with the hiring of additional technical buyers.

Both Supply and Purchasing are expected to protect and enhance the net margin and bottom line of the business through cost effectiveness of the Company.

Brand of reliability, Vision of indispensability

The past eight years and the succeeding years, we will see the Company continuing to build its permanent foundation for the expression of the Phoenix brand. Based on a systematic and independent analysis of what we do, who we are, how we behave, and where we are going, the Phoenix Brand strategy is a permanent building block in the sustainability of our growth and value creation.

The past year's brand development focused heavily on corporate brand, as the Company built the retail outlet and commercial growth that built the critical mass necessary to significantly expand more consumer-targeted brand communications in the next 12 months.

Both Philippine and international opinion leaders and strategic relationships were successfully targeted as Phoenix achieved corporate recognition in awards and nominations in markets as diverse as Hong Kong and Singapore.

Brand Phoenix is being progressively implemented via an integrated, coordinated and seamless brand strategy across fuels, product brands, retail network, personnel and corporate operations.

Few of the 2014 and 2013 brand activities/events:

1. The Company signs multi-year partnership with National Basketball Association (NBA), a sports global brand with huge following across the world.
   Benefits of the partnership includes:

- participation in all NBA events in the Philippines such as Jr. NBA presented by Alaska; NBA 3X presented by Sprite and the NBA Global Games, NBA-themed promotions, hospitality visits of NBA legends and players plus the use of naming rights --- Official fuel of the NBA.

- Phoenix run NBA-themed promotions both in 2013 and 2014. Phoenix-NBA On the Road to Play-offs Promo offering Phoenix customers limited edition aluminum NBA sports bottles at participating Phoenix stations which featured 8 teams--- Chicago Bulls, Boston Celtics, Los Angeles Lakers, Houston Rockets, New York Knicks, Oklahoma Thunders and Miami Heat.

- Phoenix-NBA Fastbreak to Summer Promo offering limited edition car sunshades which featured as well 8 teams---San Antonio Spurs, Los Angeles Lakers, Houston Rockets, Oklahoma City Thunder, Indiana Pacers, Miami Heat, New York Knicks and Chicago Bulls.

- Phoenix was named as major sponsor in the once-in-a-lifetime NBA Global Games held at Mall of Asia Arena last October 10, 2013. 50 game tickets with overnight hotel accommodation and travel allowance was raffled off to lucky Patrons in the Phoenix-NBA Gas up, Match up Promo. 50 Winners from Luzon, Visayas and Mindanao came together to watch the NBA Global Games match-up between Houston Rockets and Indiana Pacers. It may seem just a promotion but we actually made some dreams happen.

- Phoenix hosted the Jr. NBA/Jr. WNBA program in Davao in 2013 and in Cebu in 2014 which attracted a record breaking number of participants. Two players in Davao leg while 3 in Cebu leg made it to the All-Stars and was rewarded an authentic NBA experience abroad.

2. Phoenix supported the Gilas Pilipinas, national basketball team in their historic journey to the 2014 FIBA World Cup and Asian Games 2014. This included support for the Kwentong Gilas documentary series. "Oras Na Ng Gilas" promo run at our retail stations where motorists availed of limited Gilas Pilipinas Sports Watch.

4. The Company also ran nationwide promos that was not NBA-themed. The Phoenix Gas Na, Good As Cash Promo in 2013 where we gave away Phoenix-Union Bank Visa Cash Cardsas prizes. Branded Cash cards were pre-loaded with Cash worth P100K, P75K, 50K and 25K which they can use to buy anything they want. The Phoenix OMG or "Oh My Gas" Load Promo runin 2014 where we gave away free mobile load for worth P30, P50 or P100 for a minimum fuel purchase.

5. The Company supported Ms.Earth 2014 as an official sponsor for the said pageant held at University of the Philippines Theater, in Diliman, Quezon City. Before the coronation night, the Ms. Earth 2014 Candidates had series of activities with Phoenix including mall tours, school tours, Phoenix Retail Station visits and charity visit. They joined sportsfest and clean-up drive. Did also some Meet and Greet in various Phoenix Stations in Metro Manila. Ms. Earth 2014 was won by the Philippine Candidate, Jamie Herell, from Cebu City.

6. The Company won best booth or best pavilion display during the Transport Show and Franchise Expo in 2012 and 2013. In 2014, won Special Citation for Best Booth Design in the Franchise Asia Philippines.

7. The Company launched Phoenix Kalsada Brigada nationwide, our motorists assist program offering FREE vehicle check-up to all Phoenix customers. We did KalsadaBrigada during Holy Week and Undas week last 2013 and the customer participation significantly increased as compared to previous years. Program also provided opportunities to tie-up with up-coming brands to offering free products to our motorists.

8. In 2013, launched Phoenix Premium 98, our premium fuel with high octane rating plus performance additives that enhances acceleration, reduces engine friction, removes fuel deposit and overall improves and

restores lost engine performance. Premium 98 is our flagship brand. A product that combines value for money and performance that will make you feel the difference in your car.

9. Phoenix launched the first phase of Phoenix Central, a Phoenix App available in the App Store which gives information on nearest Phoenix Station in your site, fuel calculator and motoring News & tips.

10. The Company was the presenter of the 23rd Trans port Show last May 22-25, 2014 at the SMX Convention Center, SM Mall of Asia, Pasay City to increase brand visibility in events catering to the ABC market. Phoenix Premium 98 was given centered stage in this event. Since 2012, Phoenix Petroleum has been the presenter of the event.

11. Supported the 8th Mindanao Franchise Expo held at the Abreeza Ayala Mall in Davao City last September 12-14, 2014 as Diamond Sponsor.

12. Joined and or sponsored various festivals such Sinulog in Cebu City, Dinagyang in Ilo-ilo City, Kadayawan&Arawng Davao in Davao City, Masskara and Panaad in Bacolod City and other smaller various festivities.

13. Participated in the 2nd BIMP-EAGA & IMT-GT Trade Fair and Business Leaders' Conference as silver sponsor and official fuel partner of the event. The Brunei Darussalam Indonesia Malaysia Philippines-East ASEAN Growth Area (BIMP-EAGA) and the Indonesia Malaysia Thailand - Growth Triangle (IMT-GT) was held at the SMX Convention Center, SM Lanang Premier, Davao City on October 23-26, 2014.

Major Capital Expenditures

The following major projects were completed and/or on-going as of end December 2014:

- New Pier in Calaca, Batangas
- On-going expansion in Cagayan Storage
- 50 Retail Stations completed and additional 61 on-going construction of Phoenix Service Stations in various sites in the country.
- On-going construction of Company corporate headquarters in Davao
- Acquisition of 14,000 Metric Ton Dead Weight Marine Tanker.
- Acquisition of two (2) Tug-boats
- Acquisition of Land in Dumaguit, Aklan for expansion

Other Significant Operational Highlights

In an unceasing effort to improve its operations, the Company embarked on two major efficiency-enhancing programs.

Quality Management Systems

On February 1, 2008, the Company received its first accreditation from Bureau Veritas for ISO 9001: 2000 accreditation. ISO 9000 is a family of standards for quality management systems. The scope of the quality system, intended for its Davao bulk plant and aviation fuel tank truck operations, included "Receiving, Storage and Distribution of Petroleum Fuels". In the last quarter of 2008, audit for ISO process were done and the Company was evaluated to be compliant. Subsequently, in yearly audit and re-certification, the Parent Company outstandingly and consistently pass the said accreditation.

Summary of ISO Certifications received as follows:

ISO 9001:2008

Location	Scope	Date issued/Recertification
Davao Terminal	Receiving, Storage and Distribution of Petroleum Fuels and Into Plane Refuelling Service	Feb 01, 2008/Nov. 6, 2012
Calaca Terminal	Receiving, Storage and Distribution of Petroleum Fuels.	Jul 10, 2010
Zamboanga Depot	Receiving, Storage and Distribution of Petroleum Products and Into Plane Services	Nov 10, 2011
Misamis Oriental Depot (CDO Facility)	Receiving, Storage and Distribution of Petroleum Fuels.	April 8, 2014
Bacolod Depot	Receiving, Storage and Distribution of Petroleum Fuels.	Passed and Recommended for Certification

Bacolod and Cagayan de Oro facility is now on the stage 2 of the accreditation.

<u>EXTERNAL AND CORPORATE AFFAIRS</u>

As part of the Company's commitment to uphold best practices in corporate affairs and social responsibility, the Company through its External and Corporate Affairs Department has remained committed to maintain a good and productive relationship with its stakeholders in the communities where the Company operates.

The Company sees to it that its various operational sites all over the country are legally compliant with all permitting and licensing requirements of the national and local government units.

The Company engages in regular consultations in communities, where it operates and where it intends to operate in the future. It discloses as part of its transparency program, information about its present activities and future plans and seeks feedback regarding its performance. It aims to contribute to the social and economic development of the areas where it operates.

The Company intends to implement a sustainable and culturally acceptable business programs in consultation with stakeholders and in cooperation with the local government units. Building literacy and women empowerment shall be key priorities of the Company in community development..

The Company continues to pursue better media relationship through business-media dialogues, meetings and media fora. The Company will continue to make announcements through press releases and printing of articles, research, annual reports.

Being a very busy and challenging year, the Company was very prominent in 2014 in public coverage as it was conspicuously present in television, radio, print, and internet where all major achievements of the Company like the disclosures, quarterly reports, annual reports, station openings and inaugurations of stations and depots, Business Partners Night and the Phoenix Open, and a host of other major activities were published in national broadsheets and local dailies.

The Company spearheaded various corporate social responsibility projects and activities aimed to help create awareness in the preservation and protection of the environment, to support and strengthen education specially the youth sector, and to provide community service.

In coordination with the Phoenix Philippines Foundation, various activities were undertaken by the Company.

The Company established libraries and provided books to 20 public schools in the Visayas and Mindanao and continued to provide assistance to its adopted schools in Davao, Zamboanga and Calaca, Batangas as part of its educational programs. In 2014, there are 14 adopted schools compared to 7 in 2013. it also continued its various livelihood program which in 2014 252 scholars grduated. Participated in "Brigada Eskwela" in various schools in Davao and Cebu.

The Company also planted thousands of seedlings all over Mindanao, Visayas and Luzon to support the preservation efforts and providing care to our only environment. It signed a Memorandum of Understanding with the Local Government for the adoption of 5-hectare watershed in Davao. It has likewise assured financial support to the endangered Philippine Eagle for 5 years as it participated in the Adopt-An-Eagle Program of the Philippine Eagle Foundation. The Company is a regular active sponsor and or participant of activities like the Earth Hour and International Coastal Clean-up.

In valuing life, the Company has undertaken numerous blood-letting activities in coordination with the Philippine National Red Cross, conducted medical and dental missions in various provinces, and has sponsored the various "Operations Manhood" which total 465 beneficiaries took advantage of activity.

Corporate Social Responsibility

The Phoenix Petroleum Philippines Foundation:

Partners in community-building

Phoenix Philippines Foundation (PNX Foundation) remains steadfast in its commitment to serve the community as an indispensable partner. In line with the national growth of Phoenix, in 2014, the foundation expanded its programs in education, environment, health and safety, and outreach to serve more people in more communities across the nation.

It takes the united efforts of a community to enable opportunities for many, to sustain common resources, and to bounce back from tragedies. The Filipino's resilience is drawn from the strength and compassion of others, and it is this that inspires us to help build a brighter future for our countrymen.

Through Phoenix Philippines Foundation's programs in education, environment, health and outreach, the Company hope to make a difference in the communities it serves.

Education

ADOPT-A-SCHOOL PROGRAM

The Company has now seven adopted schools: in Davao City, Zamboanga and Salong Batangas. 1,374 kindergarten pupils graduated from the Company's adopted schools in Davao and Zamboanga last March 2014.

For the adopted pre-school libraries, the Company donated books, tables and chairs.

LIVELIHOOD PROGRAM

252 students graduated in June 2014 from Electrical, Computer Technology, Beauty & Hairstyling and Welding courses. The Company also turned over three welding machines and three computers units to the training center in Davao City. Beauty and Hairstyle students conducted a "Libreng Gupit" activity for teachers, students and guests.

Environment

Since 2012 the Company adopted a Philippine Eagle, for five years. This is in support of the Philippine Eagle Foundation's wildlife conservation program to preserve the eagle's population threatened with extinction.

Under the adoption program, the Company will grant an annual cash donation of P125,000 to be used to take care of the needs of the eagle, the operation and maintenance of the eagle's breeding facility, and the associated conservation research and campaigns of PEF.

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The adopted bird, the 'Phoenix Eagle,' is a 15-year-old male eagle that arrived in 2005 from Sultan Kudarat. The eagle had been shot, but with care gradually recovered.

Aside from the Eagle adoption, the Company continued with its annual tree-planting and fish dispersal programs. It planted 18,500 seedlings in areas of Mindanao, Visayas and Luzon.

In Batangas and Davao, the Company organized a coastal cleanup with Team Phoenix, barangay officials, and students, parents, and teachers of its adopted schools.

At the Phoenix Petroterminal and Industrial Park in Calaca, Batangas where it has a hatchery, the Company's Pawikan Conservation Program continues to protect the endangered marine turtles.

Health and Safety

The Company, conducted "Operation Manhood" of which 464 young boys benefited on such medical activity.

In partnership with the Philippine Red Cross, the Company organized bloodletting activities in Mindanao, collecting a total of 1,669 cc of fresh blood.

Outreach

The Company continues to do its tradition of gift giving, of which 750 recipients kids from Luzon, Visayas and Mindanao received gift packs and school supplies.

Business

The Company was adjudged as the Best Independent Oil Company in Asia by World Finance magazine in its 2013 Oil & Gas Awards. The annual Awards is given "in recognition of those companies that have successfully weathered the tough economic conditions while ensuring the continuing success of the industry." The London-based magazine cited the awardees "for their forward thinking, business acumen, and services to the oil and gas industry."

- **Top 7 Importer in the Philippines**, awarded by the Bureau of Customs, for paying a total of P4.733 billion in import taxes to the government. Phoenix Petroleum became the fourth biggest importer, after the major companies. In 2011, Phoenix was also the Top 7 Importer, paying P3.69 billion in duties and taxes.

- **No. 1 Importer in the Port of Davao City**, awarded by the Bureau of Customs. This is the third consecutive year for the Company as Top Importer / Taxpayer in Davao.

- **Top 3 Importer in the Port of Cagayan de Oro for CY 2013.** awarded by the Bureau of Customs. Phoenix Petroleum paid P429 million in duties and taxes for CY 2013.

- **Top 6 Importer in the Port of Batangas for January - June 2013**

- **Top 2 Taxpayer in the City of Cebu** among Supplier of Goods and Services for CY 2011

Management

President/CEO and founder, Dennis A. Uy had its share of awards and recognition in 2014 and 2013 for the work he has done with the Company. Among which were as follows:

- 2013 - Agora Award for Outstanding Achievement in Entrepreneurship-Large Scale given by the Philippine Marketing Association for "growing a provincial-based business into nationally successful brand, for embodying the Filipino's enterprising spirit, for persevering despite the odds, and for being and indispensable partner of the Filipino".

- 2013 - Nominated and became a finalist in the Asia Business Leaders Award (ABLA) sponsored by CNBC Asia. This was the third consecutive year that Mr. Uy was recognized by ABLA.

- 2014 - Named as Outstanding Filipino Achiever for Entrepreneurship during the Golden Globe Annual Awards 2014 " for his outstanding and significant achievement in Entrepreneurship".

  Chelsea Shipping Corporation, a wholly owned subsidiary of Phoenix Petroleum also received the Best Petroleum Products Conveyance Service Provider award in that event.

- 2014 - Awarded also as Most Outstanding Mindanao Business Leader in the 3rd Mindanao Business Leaders & Entrepreneur Awards. Mr. Uy won the Mega-Entrepreneur category. Awardees were decided based on five criteria: Best Practices, Corporate Social Undertakings, Degree of Innovation, Creative and Ingenious Production and the Extent of Expansion (local and international market).

Brand Awards

Best Booth (Non-Food 54-sqm category) in Franchise Asia Philippines 2013, Asia's biggest franchise event. This is second year in a row for the Company to win this award.

Best Pavilion Display in Trans Sport Show 2013

Best Booth in the 15th National Tuna Congress Trade Exhibit given by the National Tuna Congress.

Winner, 1st Mindanao Youth Choice Awards 2013 as "trusted brand in petroleum product distribution and outstanding brand name in Mindanao".

Special Citation for Best Booth Design "for its remarkable brand promotion through booth design and aesthetics: in the Franchise Asia Philippines 2014, the biggest franchise show in Asia, held at the SMX Convention Center, Pasay City last July 16-20, 2014.

Corporate Social Responsibility

The Company receives a citation given by the Department of Education Adopt-A-School Program "in grateful recognition of the Company's strong support to the Adopt-A-School Program, through the delivery of substantial and meaningful programs of intervention to the public schools".

Sports

In 2013 Recognition for the Sports Development given during the 19th So Kim Cheng Sport Awards for the Company's untiring support to sports development in Davao City and Region XI.

Civic Awards

Datu Bago Award 2013 for President and CEO Dennis A. Uy, " for bringing the name of Davao with pride to the national and Asia levels" for his contributions to the business and community. The Datu Bago Awards is the highest award the City Government of Davao bestows to a citizen.

2. Business of Issuer

i) Principal's products or services and the Company's market and distribution method:

The Company's core businesses are: the trading of refined petroleum products, lubricants and other chemical products on a wholesale basis nationwide and the operation of oil depots and storage facilities, allied services and shipping. The Company's ultimate markets are motorists, companies using petroleum products and lubricants as well as airline companies in need of specialized services.

It mainly sells refined petroleum products through its network of retail service stations, carrying the "Phoenix Fuels Life" brand name. Its retail service stations started in the Davao Regions in 2005 and soon spread out around Southern Mindanao thereafter. Starting 2008, the Company expanded its retail business in neighboring provinces, then into Luzon and the Visayas. The Company also directly serves commercial and industrial accounts.

The Company also distributes lubricants and chemicals. The Company produced its own blend of lubricants variety and sells these under the Phoenix brand name such as ***Cyclomax,*** a motorcycle oil brand.

The Company provides storage space for the Jet A-1 fuel supply of Cebu Pacific Airlines (CPA) for the latter's requirements for their Cebu, Kalibo, Davao, Cagayan de Oro, Cotabato, General Santos, Zamboanga City, Pagadian City, Butuan and Ozamis City flights. The Company is the exclusive service provider for CPA in all its Mindanao Operations. It also supplies Jet A-1 fuels and services to Tiger Airways in Aklan.

ii) Percentage distribution of sales or revenues:

On 2014, the Company attained a Total Revenue of ₱34.734 billion which ₱31.937 billion or 96.94% was accounted for by the sales of petroleum products, and the balance accounts for the revenue on Charter Hire (Shipping), fuel service, storage income and other income.

iii) Other products or services:

In addition to its lubricant lines, the Company continues to promote and sell car care products into the market such as car fresheners, tire black, and others. In response to the automotive market's demand for better oil formulation for Heavy Duty Engine Oil, the Company launched Zoelo Extreme, a high-quality shear-stable diesel engine oil, with better formulation and packaged in a new label design. This formulation meets API CI-4/SL standard that offers superior quality and heavy duty engine performance among SAE 15w-40 Multi-grade engine oils. This variant is also suitable for mixed fleet of diesel and gasoline engines.

iv) Competition:

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, other multi-national industry players such as Total (of France), PTT (of Thailand) and other independent local players like Seaoil Corp., TWA, Filpride, Phoenix, Liquigaz, Petronas, Prycegas, Micro Dragon, Unioil, Isla LPG Corp., Jetti, Eastern Corp., Perdido and Filoil Gas Co., as well as the end users who directly import part of their requirements captured 28.9 percent of the market. The three major players are estimated by the Department of Energy (DOE) to have a cumulative market share of 71.1% of the total Philippine market as of June 30, 2014 while the balance of 28.9% is shared among the aforementioned multi-national players, the independent players and importers. The Company was reported to have 4.00% of the market, while Seaoil cornered around 2.9%, Total 2.7%, PTT 2.4%, Jetti 1.6%, TWA about 1.6% while the remaining balance of 13.7% is shared by the other independent players and importers.

It should be noted that the Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations and visual manifestation of its service station retail network.

v) Sources and availability products and principal suppliers

From the start of its operation in 2005 until the first half of year 2009, the Company procured its petroleum products within the Philippines. Its main suppliers are PTT Philippines Corporation as the well as Total Philippines Corporation. With the growth in volume and the availability of the storage capacities in Calaca, Batangas and the Davao expansion, the Company started importing refined petroleum products by September 2009 until the present from Singapore and Taiwan. The Company also sources products from Thailand, Korea and China through various foreign traders and suppliers.

The Company continues to import some of its lubricants from Singapore and Thailand.

vi) Transactions with and/or dependence on related parties.

The Company has existing synergies with related companies as follows:

- UDENNA Corporation.

  Lease of properties from UDENNNA Corporation which are identified under Leased Properties;

- Chelsea Shipping Corporation (CSC).

  The Company has existing Contracts of Affreightment with CSC to haul the Company's petroleum supplies. CSC serves other clients including but not limited to Cebu Pacific Airways, Marine Fuels and other petroleum companies. The Company acquired CSC last September 2012.

vii) Patents, trademarks, licenses, franchises

The Company uses its registered trademark *PHOENIX Fuels Life* ™ to identify its brand. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products like the Magma Diesel, Raptor Premium Gasoline, Glide Unleaded 93-RON, Phoenix Regular Gasoline, Flame Kerosene and Phoenix JET A1. Below are the approved Trademark by the International Property Philippines (IPP) through the Trademark Department.

Product/Device	**Reg. No.**	**Date of Registration**	**Term/Duration**
Phoenix Raptor X Premium & Device	4-2008-005932	Oct. 13, 2008	Oct 13, 2018
Phoenix Regular & Device	4-2008-005931	-do	-do-
Phoenix Flame Kerosene & Device	4-2008-005929	-do-	-do-

Phoenix Glide Super Unleaded & Device	4-2008-005933	-do-	-do-
Phoenix Magma Diesel & Device	4-2008-005936	-do-	-d o-
Phoenix Jet A-1 & Device	4-2008-005934	-do-	-do
Cage Free Ur Spirit & Device	4-2008-012148	Feb. 09, 2009	Feb. 09, 2019
Nest Necessities for Life & Device	4-2008-012149	-do-	-do-

viii) Total number of employees

The Company has a total of 550 as of December 31, 2014 from 521 employees in December 31, 2013. This is broken down as follows:

	2014	2013
Chairman	1	1
President/CEO	1	1
Vice President	5	5
Assistant Vice President	11	8
Senior Manager	27	8
Managers	33	17
Supervisor/PTC*	171	159
Rank and File	300	294
	550	**521**

* *Professional, Technical and Confidential*

There are no labor unions in the Company and its subsidiaries nor are there any labor cases filed against the Company and its subsidiaries that may materially and adversely affect the Company's result in financial or operational position.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, and vacation, sick, emergency leaves and recently Employee Stock Option Plan (ESOP) to all its regular employees based on annual performance evaluation.

Major Risks Involved

Risk Factors

The Company recognizes, assesses and manages certain risks that could materially and adversely affect its business, financial condition, results of operations and prospects.

An integral part of its risk management process involves the establishment of a Credit Committee, Pricing Committee, an Internal Audit Department, and organization of special teams to conduct financial analysis, planning and evaluation of company projects/plans and other business activities. Monthly Business Unit reviews are conducted to identify risks, threats and opportunities, and to ensure that concerned units manage or promptly address identified risks.

Major Risks

The Company manages the following major risks relative to its business, industry and area of operations:

Volatility of Prices of Fuels.

Oil prices, which have been and are expected to continue to be volatile and subject to a variety of factors beyond the Company's control could affect the Company's profitability, liquidity and sales volume.

Intense Competition.

Competitive pressures from the majors and all other independent/new players could lead to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. The Company's competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized regional companies.

Material Disruptions in the Availability or Supply of Fuel.

As a trading concern, the Company largely depends on its ability to find stable sources of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market. In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

Reliance on Third Parties to Fulfill their Obligations on a Timely Basis.

The Company, at certain levels, depends on some third party providers for various aspects of its business. As such, it runs the risk that suppliers and service providers may fail to honor their contractual obligations. The Company relies on suppliers of fuel to regularly provide it with its inventory. Shipping companies and charter tankers are contracted to transport fuel oil, diesel oil and blend components from suppliers' facilities to service centers. The failure of these third parties to fulfill their obligations or to perform the services they have agreed to provide could affect the Company's relationships with its customers or may lead to its not being able to honor its own contractual obligations to other parties.

Regulatory Risk.

Risk can arise from changes in government policies and regulations that may limit the Company's ability to do business or require it to incur substantial additional costs or otherwise materially adversely affect business, results of operation or financial condition.

Risk Management and Mitigants

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARY

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects.

Volatility of the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition.

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for more than 99% of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including but not limited to the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.
International crude oil prices have been volatile, and are likely to continue being volatile going forward. International crude oil prices in 2014 records another record drop. Crude production was on its high, with demand for oil did not catch-up. Dubai spot crude oil 2014 high of US$111.16/bbl in June 2014 and went down to under US$52.89/bbl in December 2014. Mean of Platts - Singapore (MOPS) followed the drastic decline, thereby affecting local petroleum prices. In this year, the MOPS for GASOIL hits a low of US$ 59.74/barrel from a high of US$ 125.68/barrel. There is no assurance that prices will remain stable over the near- and medium- term.

The Company holds about twenty (20) to thirty (30) days of inventory and uses the average method to account for its inventory. Should crude and or MOPS prices suddenly drop significantly, this could adversely affect the Company which could translate into the Company being forced to sell its petroleum products at a selling price below acquisition costs of its existing inventory. In a period of rising crude oil prices, social and competitive concerns, and government intervention can further force the Company to keep current selling prices, resulting in an inability to pass on price fluctuations in a timely manner. The Government has previously intervened to restrict price increases for petroleum products, following a declaration of a state of national calamity. Another declaration of a state of national calamity may result in the Company being unable to pass on prices effectively which could adversely affect the profitability for the period of effect of the order. Such inability to pass on price fluctuations may result to an adverse effect on the Company's business, results of operations and financial condition.

Demand for the Company's products may also be affected as a result of price increases, following passing on of the increased costs of imported oil.

Though currently prices are at a low level, a sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company's financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital.

To mitigate this risk, the Company closely monitors the prices of fuel in the international and domestic markets. Following industry practice, prices for the upcoming week are set based on the world market price of fuel of the immediately preceding week. These enable the Company not only to anticipate any significant price movement but likewise plan out contingencies to hasten the disposition of its existing inventory as necessary to various distributors and other clients.

The Company's business, financial condition and results of operations may be adversely affected by intense competition.

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines. Competition is driven and dictated primarily by the price, as oil is one of the basic commodities. Differences in product specifications, and other overhead costs such as transportation, distribution and marketing costs, account for the price differentials amongst industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources, and access to capital than Phoenix, and could arguably dictate domestic marketing and selling conditions to the detriment of the Company.

As competition is mainly driven by price, the Company's business, operational and financial condition may be materially adversely affected if it is unable to compete effectively against other players, which will be primarily driven by its ability to manage overhead costs, streamline transportation and distribution costs, and maximize utilization of its assets.

Smuggling and illegal trading activities of petroleum products have affected the domestic petroleum market. These activities have translated to lower sales price and volumes for legitimate market players in the domestic market. The Company's financial condition and results of operations may be adversely affected if the Government is unable to properly enforce and regulate the domestic oil market.

Competition risk is primarily mitigated by the Company continually strengthening and expanding its distribution network to improve its presence in both growing and high potential markets. The Company continues to invest in building brand equity to ensure that it is consistently recognized and recalled by its target market, and improving customer service to a level at par with or superior to its competitors.

The growth of the Company is dependent on the successful execution of its expansion plans.

Proper execution and successful implementation of the Company's expansion plans is critical to maintain the growth of Phoenix going forward. These plans are based on certain assumptions about oil demand, oil prices, competition, financing cost and acquiring the necessary timely regulatory approvals, among other things. The Company cannot and does not represent with absolute certainty that these assumptions would materialize as predicted. In the event that these prove to be incorrect, the Company's future financial performance may be negatively affected.

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. The Company is able to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans. In both site selection and dealer selection, a Panel of senior management reviews CAPEX proposals and Dealer selection respectively.

The Company's business strategies require significant capital expenditures and financing, which are subject to a number of risks and uncertainties. Its financial condition and results of operations may be adversely affected by its debt levels.

The Company's business is capital intensive, particularly the importation, storage and distribution of petroleum products. The Company's financial condition, sales, net income and cash flows, will depend on its capital expenditures for, among others, the construction of storage and wholesale distribution facilities and equipment, the construction of retail gas stations and the acquisition of tanker trucks. Its business strategies involve the construction of new terminal facilities and the expansion of its service station networks. If the Company fails to complete its capital expenditure projects on time or at all or within the allotted budget, or to operate such facilities at their designed capacity, it may be unable to maintain and increase its sales and profits or to capture additional market share as planned, and its business, results of operations and financial conditions could be adversely affected.

The Company has incurred additional indebtedness to support its capital expenditure program. The Company's ability to follow this program and meet its debt obligations will partly depend on the business' ability to generate cash flows from its operations and obtain additional financing. There can be no assurance that the Company will be able to generate sufficient cash flows from its operations or obtain adequate financing for its capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all. The inability of the Company to meet its capital expenditure program whether through unsuccessful implementation or insufficient funding could adversely affect its business, financial condition and results of operations.

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs. The Notes issuance is an important part of this financing strategy, as it provides the Company the funding to support its medium term expansion and capital expenditure plans.

Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could adversely affect its business and results of operations and result in potential liabilities.

The Company's operation of its storage and terminal facilities and retail gasoline stations could be adversely affected by several factors, including but not limited to equipment failure and breakdown, accidents, power interruption, human error, natural disasters and other unforeseen incidents and issues. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Company has purchased insurance policies covering majority of foreseeable risks but do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company aims to mitigate this risk by following best practices to prevent the occurrence of or minimize the impact of accidents or other untoward incidents. These include measures to isolate the physical effects of any incidents (for example, the dispersed locations of its storage depots, alternative storage arrangements), minimize their financial impact on the Company (by ensuring that insurance coverage is adequate) and prevent their occurrence (for example, by ensuring that maintenance and safety procedures follow ISO standards and maintaining an adequate security force).

Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

The operations of the Company's business are subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, storage, handling, discharge and disposal of waste, location of storage facilities, and other aspects of the operations of the Company's business. Financial penalties, administrative, legal proceedings against the Company, or revocation or suspension of the Company's licenses or operation of its facilities may arise should the Company fail to comply with relevant laws and regulations.

The Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations.

There can be no assurance that the Company will be in compliance with all applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material. Safety, health, environmental and zoning laws and regulations in the Philippines are becoming more and more stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

To mitigate this risk, the Company keeps itself updated on government policies and regulations pertaining to the oil industry. Through its Corporate Affairs department, the Company maintains lines of communication with regulatory agencies to allow Phoenix to identify potential regulatory risks and proactively respond to these risks.

Regulatory decisions and changes in the legal and regulatory environment could increase the Company's operating costs and adversely affects its business, results of operations and financial condition.

Even though the local downstream oil industry is a deregulated industry, the Government has historically intervened to limit and restrict increases in the prices of petroleum products. On October 2, 2009, a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng" was called by former President Gloria Macapagal-Arroyo. Executive Order 839 was issued which called for the prices of petroleum products in Luzon to be kept at October 15, 2009 levels effective October 23, 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company, affecting its profitability in Luzon for the period the executive order was in effect. On November 16, 2009, the price freeze was lifted. There were also similar price freeze in some areas in Visayas during period of calamities in recent times. There is no assurance that the Government will not invoke similar measures or reinstate price regulation in the future, which may adversely affect the Company's results of operations.

The Company's operations are subject to various taxes, duties and tariffs. The Oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in January 1, 2005 from 3% to 5% which was then rolled back to 3%. In 2006, an additional 12% VAT was imposed by the Government on the sale or importation of petroleum products. As of July 4, 2010, import duties on crude oil and petroleum products were lifted. Such taxes, duties and tariffs may or may not change going forward, that could result to a material and adverse affect on the Company's business, financial condition and results of operations.

As indicated in the previous item, the Company has a group dedicated to monitor compliance with regulations as well as anticipate any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

The Company's business, and financial condition may be adversely impacted by the fluctuations in the value of the Philippine Peso against the U.S. dollar.

The Company's revenues are denominated in PHP while a bulk of its expenses, notably the cost of its imported petroleum products, is US$-

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denominated. In 2014, 93% of the Company's revenues were denominated in PHP, while approximately 83% of its cost of goods sold was denominated in US$. The Company's reporting currency in its financial statements is the PHP. Changes in the US$:PHP exchange rate may adversely affect the financial condition of the Company. Should the PHP depreciate, this would translate to higher foreign currency denominated costs and effectively affecting the Company's financial conditions. There can be no assurance that the Company could increase its Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company's margins, results of operations and financial condition.

To mitigate this risk the Company limits its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations on the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs to its selling prices.

Sales to Cebu Air comprise a significant amount of the Company's sales.

Revenues from the supply of jet fuel to Cebu Air, the Philippines' largest airline in terms of passengers carried, comprised almost 7% of the Company's total sales for 2014. This makes Cebu Air the Company's largest single corporate customer. While the Company has supplied Cebu Air with jet fuel since 2005, there is no long term fuel supply contract between the Company and Cebu Air. However, the Company enters into an annual supply contract or agreement with Cebu Air to ensure continuous purchase by the latter for the year ahead. Any disruption, reduction or material change in the business relationship between Cebu Air and the Company could adversely impact the Company's sales and results of operations. Aside from Cebu Air, the Company has no other customer or buyer that accounts for more than 3.5% of the Company's sales.

To mitigate the risk, the Company continues to expand its base of industrial customers, thus diversifying its risk that the loss of business from any one customer would have a material effect on the Company's sales.

The Company currently benefits from income tax holidays on the operation of certain of its depots. If the Company did not have the benefit of income tax holidays its profitability will be adversely affected, as it will have to pay income tax at the prevailing rates.

Under its registration with the BOI, the Company enjoys certain benefits, including an income tax holiday ("ITH") on the operations of the Davao Extension, the Calaca (Batangas) and the Zamboanga depots. In addition, the Company got approval this year 2012 for BOI registration with corresponding income tax holidays for its Cagayan de Oro City (Phividec) and Bacolod depots. The ITH runs for a period of five (5) years from the commencement of operations of each depot. Upon expiration of a tax holiday, the Company's income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the ITH. In such an event, the Company may not be able to continue to avail of the benefits under the ITH. The loss of the ITH would adversely affect the Company's profitability, as it would have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar income tax holidays for any new depots that it may establish in the future or for the statutes granting the said ITH to be superseded or amended. . For example, the Company's registration as a New Industry Participant with New Investment in Storage, Marketing and Distribution of Petroleum Products (with Certificate of Registration No. 2010-184) provides that it is entitled to ITH until 15 November 2010. After the lapse of the ITH, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy ITH benefits will have a material adverse effect on its business prospects, financial condition and results of operations.

The Company continuously monitors its compliance with the requirements and conditions imposed by the BOI to mitigate this risk.

The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services were lost.

Certain key executives and employees are critical to the continued success of the Company's business. There is no assurance that such key executives and employees will remain employed with the Company. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted as a result translating to a potential material adverse effect on the financial condition and operations results of the Company.

To mitigate this risk the Company ensures that its compensation and benefit packages for its officers, staff and rank and file are competitive with industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs in the Philippines and abroad to ensure that their knowledge and skills are continually updated.

The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.

Udenna Corp, the ultimate holding company, directly or indirectly through PPHI and UMRC, holds 58.10% of the Company's outstanding common equity as of December 31, 2014. Neither Udenna nor PPHI is obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or the best interests of the Company's other shareholders. Should there be a conflict between the interests of Udenna Corp or PPHI and the interests of the Company, the Company may be affected by the actions done by Udenna Corp.

The Company has an operating lease agreement with its parent, Udenna Corp, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. The Company also avails of the freight forwarding services of another affiliate, F2

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Logistics, Inc., for the delivery of goods to customers and for internal movement of non-commercial cargo. While the Company believes that the terms of these transactions were negotiated on an arms-length basis, there is no assurance that the Company cannot avail of better terms if it contracted with parties other than its affiliates.

To mitigate this risk, the Company follows good corporate governance standards in dealing with its shareholders and other related parties. These standards include, but are not necessarily limited to, "arms-length" practices in all commercial dealings with related interests and transparency and full disclosure in all such dealings.

If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims prove to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially adversely affected.

The Company uses a combination of self-insurance and reinsurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third party liability. The Company estimates the liabilities associated with the risks retained by it, in part, by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect the uncertainty and variability including but not limited to future inflation rates, discount rates, litigation trends, legal interpretations and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessments, the Company's financial condition, results of operations and cash flows may be materially adversely affected.

To mitigate this risk the Company continually reviews and updates its insurance policies so that it is reasonably protected from foreseeable events and risks. Insurance coverage is acquired through competitive bidding to ensure that the Company's premium costs are reasonable and at par with industry standards.
Risks Relating to the Philippines

The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines.

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.
In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

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In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate. A slowdown in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

Political instability or acts of terrorism in the Philippines could destabilize the country and may have a negative effect on the Company.

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal-Arroyo, and public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operation environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Terrorist attacks have been observed in the Philippines since 2000. The conflict with the Abu Sayyaf organization continues. The Abu Sayyaf organization is being identified and associated with kidnapping and terrorist activities in the country including several bombing activities in the southern region of the country and is said to have ties with the al-Qaeda terrorist network.

On May 10, 2010, the Philippines held a presidential election, as well as elections for national (members of the Senate and the Congress) and local positions. This resulted in the election of Benigno Aquino III as the new President of the Philippines, effective June 30, 2010. Although there has been no major public protest of the change in government, there can be no assurance that the political environment in the Philippines will continue to be stable or that the new government will adopt economic policies conducive to sustained economic growth or which do not impact adversely on the current regulatory environment.
On August 23, 2010, a hostage situation occurred in Manila resulting to 8 dead hostages. This resulted in the Hong Kong Special Administrative Region government issuing a "black" travel alert for the Philippines. Up to this time, this remains a political issue between the Philippines and Hong Kong effects on the business, financial condition and results of operations of the Company.

On October 2013 , an alleged group of Moro National Liberation Front (MNLF) siege Zamboanga City that resulted to a more than weeklong gun battle with the Philippine government forces. The said incident resulted to more than 100 deaths and thousands families displaced. An increase in the frequency, severity or geographic reach of terrorist attacks may destabilize the Government, and adversely affect the country's economy. There is no guarantee that the Philippines and the assets of the Company will not be subject to such acts of terrorism, resulting to potential adverse effect.

The occurrence of natural catastrophes or blackouts may materially disrupt the Company's operations.

The Philippines has encountered and is expected to experience a number of major natural catastrophes including typhoons, volcanic eruptions, earthquakes, mudslides, droughts or floods. Such natural catastrophes may cause disruption to the Company's operations, and distribution of its petroleum products. Electricity blackouts are also experienced caused by insufficient power generation following strong typhoons and other natural catastrophes. These types of events may materially disrupt and adversely affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products, could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations. The Company purchases some critical materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restrictions imposed in the future could adversely affect the ability of the Company to purchase petroleum and other materials and equipment from abroad in U.S. dollars.

3. Description of Property:

The Company's properties consist of its terminal, depot facilities, head office building, pier and pipeline structures and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot. In March 2009, after acquisition of PPIPC by the Company, the Group has additional Port Facilities, Land Held for Sale and Land Held for future developments.

Under the terms of agreements covering the liabilities under trust receipts, certain inventories of petroleum products released to the Company are held in trust for the bank. The Company is accountable to the bank for the trusteed inventories or their sales proceeds.

Leased Properties

Lease with Udenna Corporation

The Company's headquarters is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City. The premises are covered by existing lease contracts with Udenna Corporation and the Heirs of Stella Hizon Reyes, as lessors.

Following are the relevant terms of the lease contracts:

The Company's sublease contract with Udenna Corporation was originally for a term of three (3) years, from January 2007 to December 2009. The lease was renewed for another term of three (3) years, commencing from 01 January 2013 to 31 December 2016, subject to further renewal under terms and conditions to be agreed to by the parties.

On the other hand, the lease contract by Udenna Corporation with the Heirs of Stella Hizon Reyes over 1.1 hectares is effective for twenty one (21) years, which shall expire on March 20, 2027, subject to renewal upon terms and conditions to be agreed to by the parties. The same term for purposes of synchronization was implemented over the lease of the remaining area of 1.2 hectares with the lessor for the expanded area which is now leased directly by the Company.

- The Company shall pay Udenna Corporation a monthly lease rental for the parcels of land used as sites of its Depot Facilities in Davao and a retail station site.

- The leased premises shall be exclusively used by the Company for petroleum and fuel products storage and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of lessors.

- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.

- Udenna Corporation shall have the right to pre-terminate the sublease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the

Corporation one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

- Payment of real property taxes on the land shall for the account of the Lessor while the real property taxes pertaining to the improvements found thereon shall be for the account of the Company, as lessee.

Leased Properties for Terminal/Depot Sites

The Company likewise executed valid lease agreement over various parcels of lands in various areas of the country where its Terminal/Depots are located and established as part of its expansion program, namely:

- **General Santos City.** A fifteen-year (15) lease contract, with option to renew for another five (5) years, was entered with Southern Fishing Industries, Inc. for the 10,000 square meters property located at Tambler, General Santos City. Contract was signed on May 7, 2008.

- **Zamboanga City.** The Company entered to a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of ten (10) years, with an option to renew for another five (5) years. The said lease agreement commenced November 16, 2008. The depot in Zamboanga City has a 5.5 million liter capacity that supports the retail network and the commercial and industrial accounts.

- **Bacolod City.** A land with an area consisting of 5,000 square meters more or less was leased by the Company from Jordan Fishing Corporation for ten (10) years starting January 01, 2008 with option to renew for another five (5) years. The Depot in Bacolod City has a 9 million liter capacity that supports the retail network and the commercial and industrial accounts in the area.

- **Mindoro.** A land with an area consisting of 3,723 square meters more or less was leased by the Company from Benjamin Espiritu for twenty (20) years starting September 2013 with option to renew for another ten (10) years. This will be the site of the Company Depot to support its retail network and the commercial and industrial accounts in the area.

Leased Properties for Company-owned, Dealer-operated (CODO) Stations

In addition to the aforementioned leases, the Company likewise has existing lease contracts with various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are as follows:

- The lease shall be for a term of fifteen (15) years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.

- The Company shall pay monthly rentals, subject to annual escalation ranging from 3% to 10%, plus applicable real estate and government taxes.

- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. In some areas, the leased premises for the CODOs include the operation of convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a gasoline service station and for no other purpose without the written consent of the lessors.

- Given the nature of the business, the Company is expressly permitted to sublease the leased premises.

4. Legal Proceedings

Involvement in Certain Legal Proceedings

The Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case is now pending with the Sandiganbayan.

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. The Petition for Certiorari, with Docket No. CA-G.R. SP No. 06500-MIN, is now pending with the Court of Appeals.

There is also a pending Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Report of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

(i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

(ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(iii) Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

(iv) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

PART II - SECURITIES OF THE REGISTRANT

(A) Market price of and Dividends on Registrant's common equity shares and Related Stockholders Matters

(1) Market Information

On 11 July 2007, the Parent Company's common shares became listed for trading on the Philippine Stock Exchange ("PSE").. The high and low sale prices of each quarter for the year 2014 are hereunder shown:

	Highest Close		Lowest Close	
Period	**Price**	**Date**	**Price**	**Date**
First Quarter	5.25	Mar 14	4.71	Jan 02
Second Quarter	6.51	May 27	4.97	Apr 01
Third Quarter	6.66	Jul 09	5.12	Sep 03
Fourth Quarter	5.20	Oct 01	3.05	Dec 23

As of December 31, 2014, the market capitalization of the Company, based on the closing price of P3.09, was approximately P4.415 billion.

(2) Top 20 Stockholders*
As of January 31, 2015

#	NAME OF STOCKHOLDER	NO. OF SHARES	% OWNERSHIP
1	PHOENIX PETROLEUM HOLDINGS INC.	525,945,630	36.81%
2	PCD NOMINEE CORPORATION - (FILIPINO)	327,208,575	22.91%
3	UDENNA MANAGEMENT & RESOURCES CORP.	254,921,743	17.84%
4	PCD NOMINEE CORPORATION - (NON-FILIPINO)	174,138,423	12.19%
5	UDENNA CORPORATION	127,568,767	8.93%
6	JOSELITO R. RAMOS	4,812,600	0.34%
7	DENNIS A. UY	3,991,811	0.28%
8	CAROLINE G. TAOJO	2,801,500	0.20%
9	F. YAP SECURITIES	1,883,000	0.13%
10	UDENCO CORPORATION	1,614,787	0.11%
11	DENNIS A. UY&/OR CHERYLYN C. UY	1,098,099	0.08%
12	DOMINGO T. UY	645,919	0.05%
13	JOSE MANUEL ROQUE QUIMSON	354,900	0.02%
14	EDGARDO ALVARADO ALERTA	318,505	0.02%
15	ROMEO B. MOLANO	258,262	0.01%
16	ZENAIDA CHAN UY	149,058	0.01%

17	REBECCA PILAR CLARIDAD CATERIO	148,453	0.01%
18	SOCORRO ERMAC CABREROS	103,316	0.01%
19	ROSITA G. ARTOS	82,000	0.01%
20	IGNACIA BRAGA IV	70,980	0.01%

* disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of January 31, 2015.

(3) Dividends

The Company's dividend policy is to declare at least 30% of its prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings subject to statutory limitations.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital among other factors.

For the year 2008, the Board of Directors approved on May 8, 2008 and duly ratified by the stockholders on July 16, 2008, a 30% stock dividend for stockholders of record as of July 11, 2008 to be issued from the Company's unrestricted retained earnings. Distribution date was scheduled on August 6, 2008. A total of 43,000,198 common shares were issued valued at Par Value of ₱ 1.00 per share or a total of ₱43,000,198.00. Moreover, a cash dividend of ₱ 0.10/share was also declared for all stockholders on record as May 30, 2008. Payment date was set on June 26, 2008 for the total amount of ₱ 14,500,000.00.

For 2009, the Shareholders ratified and approved on May 29, 2009 a 40% stock dividend. Details are as follows:

Ex-Date	July 03, 2009
Record Date	July 08, 2009
Distribution Date	August 03, 2009
No. of Shares Distributed	73,660,677 shares

For 2010, on April 12, 2010, the Company's Board of Directors approved a ₱ 0.05 per share cash dividend. Details are as follows:

Ex-Date	July 12, 2010
Record Date	July 15, 2010
Payment Date	August 10, 2010
Total Amount	₱ 13,656,430

On July 15, 2010, the Parent Company's stockholders ratified and approved a 40% stock dividend (or a total of 107,664,266 shares), valued at par of ₱1.00 per share and distributed on October 20, 2010 to all stockholders of record as of September 24, 2010.

For the year 2011, the Board of Directors declared a cash dividend for common shareholders with details as follows:

Dividend Rate	Php 0.10/share
Ex Date	March 22, 2011
Record Date	March 25, 2011
Payment Date	April 20, 2011
Total Amount Distributed	Php 37,682,494

On March 15, 2011, a 30% Stock Dividend was declared by the Board of Directors and subsequently approved by the stockholders during the March 11, 2011 Annual Stockholders' meeting. All stockholders of record as of April 8, 2011 were entitled to the stock dividend declaration that was distributed on May 6, 2011. A total of 113,047,475 common shares were distributed for this declaration. Similarly, the Board of Directors declared and approved the payment of cash dividend at the rate of 11.5% per annum to all preferred shareholders totaling to ₱ 70.7 million. Preferred shares issuance by the Company is not listed and traded in the Philippine Stock Exchange.

For the year 2012, the Board of Directors declared Cash Dividend for Common Shareholders with details as follows:

Dividend Rate	Php 0.10/share
Ex Date	March 20, 2012
Record Date	March 23, 2012
Payment Date	April 23, 2012
Total Amount Distributed	₱ 48,987,241.50

Similarly, a 50% stock dividend was declared by the Board of Directors on January 26, 2012 and subsequently approved by the Stockholders during the March 08, 2012 Annual Stockholders' meeting. All stockholders of record as March 28, 2012 were entitled to said stock dividend declaration that was distributed on April 26, 2012. Total distributed for this dividend is 113,047,475 shares. Also, the Board of Directors declared and approved the payment of cash dividend at the rate of 11.5% per annum to all preferred shareholders totaling to ₱ 70.7 million. Preferred shares issuance by the Company is not listed and traded in the Philippine Stock Exchange.

On March 8, 2013, the stockholders ratified the BOD approval of 30% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P103.6 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2013.

On January 29, 2014, the BOD approved the declaration of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

(4) Recent Sale of Unregistered Securities

All of the shares of the Company are duly registered with the Securities and Exchange Commission.

(5) Re-acquisition/buy-back of its Own Securities

On September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities, the program commenced on the second week of October 2007. The program will conclude upon exhaustion of the approved allotment, subject to the disclosure requirements of the SEC and the PSE. As of December 31, 2014 and December 31, 2013, the Company treasury shares have cumulative costs of ₱ -0-. No re-acquisitions of shares were made in 2009 to 2014.

The funds allocated for the repurchase of the shares was taken from the Company's unrestricted retained earnings. The program was basically designed to boost up and/or improve the shareholders value through the repurchase of the shares whenever the same is trading at a value lower than its actual corporate valuation. The program did not involve any funds allotted for the Company's impending expansion projects/investments nor any of those allotted for the payment of obligations and liabilities.

(B) Description of Shares

The Company's shares consist of common shares with a par value of ₱ 1.00 per share and preferred shares with a par value of ₱ 1.00 per share. As of January 31, 2014, total outstanding common shares, with voting rights, is 1,428,777,232. Preferred share issued by the Company as of December 31, 2014 is 5,000,000 shares with a par value of ₱ 1.00 per share.

In December 20, 2013, the above preferred shares were redeemed. On the same date, the Company issued same number of preferred shares of 5,000,000 shares with Par value of Php1.00/share and is issued at Php 500,000,000.00 with dividend rate of 8.25% per annum.

(C) Employee Stock Option Plan

The Company's Board of Directors approved the Employees' Stock Option Plan (ESOP) during its April 12, 2010 Board Meeting. Under the ESOP program, the Parent Company will allocate up to a total of 5% of its issued and outstanding common shares to be awarded to eligible employees. The ESOP was approved by the shareholders during the 2011 Annual Stockholders' Meeting.

The ESOP initial Offer date is set at March 01, 2013 as approved by the Board of Directors last BOD January 24, 2013 Board Meeting.

PART III - FINANCIAL INFORMATION

(A) Management's Discussion and Analysis of Financial Conditions

The following is a discussion and analysis of the PPPI and its Subsidiaries' financial performance for the years ended December 31, 2014, 2013 and 2012. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. **In the discussion of financial information, any reference to "the Company" or to the "Group" means PPPI and its Subsidiaries.**

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2014, 2013 and 2012.

The Company's financial statements were audited by Punongbayan & Araullo for 2014, 2013 and 2012, in accordance with Philippine Financial Reporting Standards.

In ₱ thousands, except for Per Share amounts	**As of and for the years ended December 31**		
	2012	**2013**	**2014**
Income Statement Data:			
Revenues..	34,585,552	43,551,986	34,734,384
Cost of sales..	31,961,749	40,248,166	31,404,504
Net profit..	651,310	665,058	616,363
Balance Sheet Data:			
Current Assets......................................	8,967,002	13,068,514	13,576,057
Non-current Assets................................	7,540,188	9,283,414	11,424,504
Total Assets	16,507,190	22,351,928	25,000,161
Total Liabilities......................................	12,010,644	15,839,648	17,949,935
Stockholders' Equity..............................	4,496,546	6,512,280	7,050,226

Earnings per Share-Adjusted....................	0.48	0.45	0.40
Book Value per Share.................................	4.96	4.54	4.93

Analysis of Results of Operations for 2014 and 2013

Revenues

The Group generated total revenues of Php 34.734 billion in 2014, which is 20% lower than its 2013 level of Php 43.552 billion, primarily due to the 18% decrease in sales volume of refined petroleum products coupled with the decline in average selling price in 2014. However, this was minimized due to the higher revenues from fuels service, shipping, storage and other revenue by 54%.

Sales revenues from trading and distribution of petroleum products decreased by 21% from Php 43.14 billion in 2013 to Php 34.10 billion in 2014 mostly from lower sales volume for wholesale accounts. However, the lower sales volume to wholesale accounts was minimized by sales volume to retail (station sales) accounts that increased by 22% due to growth in the distribution network and same store sales. The decrease in sales volume to wholesale accounts was a conscious effort of the Company to prudently manage resources and focus more on profitability. The Parent Company had four hundred eighteen (418) Phoenix Fuels Life retail service stations as of December 31, 2014 compared to three hundred sixty-eight (368) retail stations as of the same period last year. As of December 31, 2014, the Parent Company has a number of retail stations undergoing various stages of construction that are projected to be opened early next year.

The Group generated Php 634 million from its fuels service, storage, port and other income in 2014 versus Php 412 million in 2013, a 54% increase compared to the same period last year. This is due to the increase in storage rentals and time charter revenue from third parties compared to the previous year, and revenue from tug-boat operations.

Cost and expenses

The Group recorded cost of sales and services of Php 31.405 billion, a decline of 22% from its 2013 level of Php 40.248 billion, primary due to an 18% decrease in the sales volume of petroleum products. The higher decline in percentage of costs of sales by 22% compared to the decline of 18% in volume is a result of the lower average costs of petroleum products for this year. This year's average cost for the three major petroleum products such as Gasoil (Diesel), MOGAS (Gasoline) and Kerosene (JETA1) is lower by 8% compared to the same period of 2013. Furthermore, for 2014, the sales ratio of retail accounts compared to commercial/industrial (C&I) accounts improved compared to the same period in 2013 due to the Company's deliberate strategy to push more volume to retail accounts. Retail stations normally sell more premium products like gasoline compared to C&I which is predominantly diesel.

Selling and administrative expenses declined by 3.5% as a result of lower variable costs but offset by the increase in rentals, depreciation, salaries and wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower and logistics costs, resulting to an increase in operating costs.

Net Income

The Group's net income for the year 2014 is Php 616 million versus 2013 net income of Php 665 million, a decrease of 7%. The Company was able to temper the 18% drop in sales volume by improving its sales mix in favor of retail sales and improve margins by increasing efficiencies and savings particularly from its trading and supply management operations. With the better sales mix and higher selling margins, the net income to sales ratio (return on sales) improved to 1.77% in 2014 compared to 1.53% in 2013.

The Parent Company is registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitles the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010, thus entitling the Parent Company another set of incentives including the five (5) year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Parent Company also received new approvals from the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012. The registration entitles the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI registered entity.

Financial Condition
(As of December 31, 2014 versus December 31, 2013)

Total resources of the Group as of December 31, 2014 stood at Php 25 billion, higher by 12% compared to the Php 22.3 billion as of December 31, 2013. This is mainly due to increase in Property, Plant, and Equipment with the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents increased by 56% from Php 357 million in December 31, 2013 to Php 556 million due to timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum cash balance for day to day operations.

Trade and other receivables increased marginally by 7% from Php 7.344 billion as of December 31, 2013 to Php 7.832 billion as of December 31, 2014, due to an increase in credit sales to customers.

Inventories declined by 25% at Php 2.871 billion as of December 31, 2014 from Php 3.812 billion as of December 31, 2013. The volume year on year is comparably same level for both years. However, the average unit price in 2014 year-end inventory ended lower by 37% compared to 2013 due to lower global prices. The Company targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.
Due to related parties in December 31, 2014 and December 31, 2013 is Php 10.373 million and Php 2.748 million respectively. The decrease of Php 7.625 million or 277% is due to charges made during the year.

Input taxes-net decrease by 34% in December 31, 2014 is the result of offsetting of higher output taxes this year due to increased level of inventory, input taxes of capital expenditures, and increase in paid input taxes from higher inventory levels.

Other current assets amounted to Php 1,147 million and Php 489.9 million as of December 31, 2014 and December 31, 2013 respectively. The increase represents prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets.

As of December 31, 2014, the Group's property and equipment, net of accumulated depreciation, increased to Php 10.689 billion compared to Php 8.628 billion as of December 31, 2013 due to investments in a new marine tanker for fuel importations, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Mindanao, and Visayas as part of the Company's objective to further expand its retail station network.

Loans and Borrowings, both current and non-current, increased marginally by 1% from Php 13.752 billion as of December 31, 2013 to Php13.843 billion as of December 31, 2014. The slight increase of Php 90 million was a result of the timing of availments of working capital lines.

Trade and other payables increased by 138% from Php 1.570 billion as of December 31, 2013 to Php 3.735 billion as of December 31, 2014. This is the result of longer suppliers' credit.

Total Stockholders' Equity increased to Php 7.050 billion as of December 31, 2014 from Php 6.498 billion as of December 31, 2013 as a result of the period net income for the three quarters less the cash dividend declared and paid during the year for both common shares and preferred shares.

Key Performance Indicators and Relevant Ratios

The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	December 31, 2014	December 31, 2013
Current Ratio[1]	1.11 : 1	1.33 : 1
Debt to Equity-Total[2]	2.55 : 1	2.44 : 1
Return on Equity-Common[3]	9.01%	12.10%
Net Book Value Per Share[4]	4.93	4.54
Debt to Equity-Interest Bearing[5]	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted [6]	0.40	0.45

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

These key indicators were chosen to provide management with a measure of the Company's financial strength (Current Ratio and Debt to Equity) and the Company's ability to maximize the value of its stockholders' investment in the Company (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Company's performance with similar companies.

The Company's debt to equity (DE) ratio for 2014 is higher at 2.55 : 1 due to higher accounts payable trade. However, interest bearing DE this year improved to 1.96 : 1, compared to 2.12 : 1 in 2013.

The foregoing key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group's (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise these ratios are used to compare the Group's performance with its competitors and similar-sized companies.

Material Changes to the Group's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (Increase/decrease of 5% or more) 56% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support maturing obligations.

7% increase in Trade and other receivables
Primarily due to increase in advances to suppliers as a result of the differences in the initial value of various shipments in transit versus the final price computation.

25% decrease in inventory
A result of lower average price per unit by 37% in 2014.

277% increase in Due from related parties
Various charges and billings during the period-net.

47% increase in other current assets
As a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

34% increase in Value Added Tax-net
Increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

134% increase in other current assets
Increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

24% increase in property, plant and equipment
Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

138% increase in Trade and other payables
Trade Payable to foreign suppliers for purchases of inventory.

73% decline on Due to related parties
Settlement of various advances from prior years.

6% decrease in deferred tax liability
As a result of decline on the deferred tax liability for tanker vessel appraisals increments.

25% reduction on non-current liability
Due to some retirement of cash security deposits in favor of other form of security.

Material changes to the Group's Income Statement as of December 31, 2014 compared to December 31, 2013 (Increase/decrease of 5% or more)

21% decrease in Sales for petroleum products
Principally due to 18% lower sales volume compared to 2013. However, it was partly offset by the higher service revenue.

54% increase in fuel service, shipping, storage income, and other revenue
Higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, and tugboat revenue.

22% decrease in cost of sales
Primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2013.

20.2% increase in Finance Costs (net)
Due to interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

53.2% increase in other income/Costs
Due to periodic inventory losses recorded during the period plus other various costs.

102% increase in income tax
Due to the increase of income not related to its BOI registered activity.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

Analysis of Results of Operations for 2013 and 2012

Revenues

The Group generated total revenues of Php 43.552 billion in 2013 which is 26% higher than its 2012 level of Php 34.586 billion, primarily due to the 31% increase in sales volume of refined petroleum products. However, this was minimized due to the lower revenues from fuels service, rent, storage and other revenue. Substantial volume for these aforementioned services were converted to an All-in product sale to customer starting third quarter of 2012 which full year impact is 2013.

Sales revenues from trading and distribution of petroleum products increased by 27% from Php 34.080 billion in 2012 to Php 43.132 billion in 2013 resulting principally from a wider distribution network and expanded institutional customer base and also as a result of improved price competitiveness. In spite of the 31% increase in volume, revenue is only up by 27%, as a result of a lower average selling price for the current as a MOPS for 2013 for Gasoil (benchmark for Diesel) and Mogas92 (benchmark for Gasoline) is lower by 2.26% and 3.50% respectively compared to year 2012. The Company had three hundred sixty-eight (368) Phoenix Fuels Life retail service stations as of December 31, 2013 compared to three hundred (300) retail stations end December 2012. The Company has a number of retail stations undergoing construction and are projected to be opened in 2014.

The Group generated Php207.059 million from its fuels service, storage, port and other income in 2013 versus Php303.567 million in 2012, a 32% decline compared to 2012. This was caused by the conversion of service revenue for Mindanao, except Davao City, to an all-in-sales of Jet A1 arrangement instead of mere service which in turn contributed to the volume and revenue growth of the Company.

Cost and expenses

The Group recorded cost of sales and services of Php40.246 billion, an increase of 26% from its 2012 level of Php31.962 billion primary due to a 31% increase in the sales volume of petroleum products. However, the average unit cost this year was lower compared to prior year as a result of lower petroleum product prices more specifically during the second quarter of 2013.

Selling and administrative expenses increased by 35% as a result of higher volume and the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs including depreciation of additional new stations and facilities.

Net Income and Comprehensive Income

The Group's net income for 2013 is Php665.058 million versus 2012 same period net income of Php651.310 million or a 2.11% increase. The Company managed its profitability in spite of the price volatility due to improved inventory, trading and supply management.

Total Comprehensive Income is lower in 2013 by 24% from ₱ 874 million in 2012 to ₱ 661 million in 2013 as accounted by the effect of the recorded revaluation of vessel tankers in year 2012.

Analysis of Financial Condition and Balance Sheet Accounts
(As of December 31, 2013 versus December 31, 2012)

Total resources of the Group as of December 31, 2013 stood at Php22.352 billion, a growth of 35% over the Php16.507 billion as of December 31, 2012.

Cash and cash equivalents decreased by 19% from Php438 million in December 31, 2012 to Php357 million due to timing of collections of receivables as against payment various liabilities and prudent management of cash level enough to cover maturing liabilities.

The Group's liquidity position continued to be strong with Current Assets amounting to Php13.069 billion as of December 31, 2013, up from PHp8.967 billion as of December 31, 2012.

Trade and other receivables increased by 106%, from Php3.557 billion as of December 31, 2012 to Php7.344 billion as of December 31, 2013, which were mainly due to increase in trade receivable as a result of increasing sales revenue. Bulk sales to government and airline was also consummated at year end of 2013 which forms big bulk of the trade receivable. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories increased by only 3%, from Php3.689 billion as of December 31, 2012 to Php3.813 billion as of December 31, 2013. The Company maintains an average of around one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients.

Due from related parties in December 31, 2013 and December 31, 2012 is Php2.748 million and Php8.300 million respectively. The decrease of Php5.552 million is due to collection of prior period charges to related parties.

Input taxes-net increased by 14% in December 31, 2013 is the result of slight increase in inventory which input taxes is paid and the input taxes on additional capital expenditures during the year.

Other current assets are at Php504.3 million and Php296.7 million as of December 31, 2013 and December 31, 2012 respectively. The increase represents, creditable withholding taxes, supplies inventory, prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance and other current assets.

As of December 31, 2013, the Group's property and equipment, net of accumulated depreciation, increased to Php8.629 billion compared to Php6.999 billion as of December 31, 2012 due to investments in additional depot capacity in existing areas and new sites. For the year, the Company completed its Depot facility expansion in Davao City and additional storage tanks in Calaca, Batangas and Zamboanga City. New depot sites are also being developed in various sites. In addition, more retail stations were also constructed and or under construction in Luzon, Mindanao and Visayas as of end 2013.

Other non-current assets increased by 61% from Php 167.8 million in 2012 to Php 270.4 million December 31, 2013 as a result of additional rental and security deposits of various lease agreements.

Loans and Borrowings increased by 39% from Php9.915 billion as of December 31, 2012 to Php13.752 billion as of December 31, 2013. The increase was a product of short term financing (LC/TR) to cover inventory purchases and trade receivables.

Trade and other payables decreased by 2%, from Php1.547 billion as of December 31, 2012 to Php1.570 billion as of December 31, 2013. This slight increase in spite of increasing sales volume is the result of the of trade payables to cover inventory where more booked to short term financing with banks (LC/TR).

Total Stockholders' Equity increased to Php6.512 billion as of December 31, 2013 from Php4.497 billion as of December 31, 2012 as a result of the Php1.188 billion equity placements plus the income earned during the period less the cash dividend to preferred shares of Php43.125 million and to common shares of Php103.606 million declared during the first semester.

Analysis of Results of Operations for 2012 and 2011

Revenues

The Group generated total revenues of ₱ 34.586 billion in 2012 which is 26% higher than its comparative 2011 level of ₱ 27.451 billion. This was brought about by the 26% and 8.3% increase in sales volume of petroleum products and lubricants, respectively. Service revenue also posted an increase of 34% compared to immediately preceding year. There is no real estate sales

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recorded this year by the Group compared to a realized ₱354 million real estate sales in its PPIPC industrial park in Calaca, Batangas in 2011.

Sales revenues from trading and distribution of petroleum products and lubricants increased by 22% from ₱ 26.720 billion in 2011 to ₱ 34.080 billion in 2012 resulting principally from a wider distribution network and expanded institutional customer base. The 26% increase in sales volume accounts the increase in revenue. Average Means of Platts Singapore (MOPS), the benchmark for pricing of petroleum in the Philippines, increased by 1.23% for Gasoil (benchmark for Diesel) and 2.41% for MOGAS92 (benchmark for Gasoline).

PPPI had three hundred (300) Phoenix Fuels Life retail service stations as of December 31, 2012 compared to two hundred twenty (220) as of December 31, 2011. A number of these service stations are yet to fully realize their potential peak sales volume considering that they have been in operation for only less than a year.

The Group generated ₱505 million from its fuels service (i.e. shipping, hauling and into-plane), lease of its storage facilities, Port Revenue and other service revenue in 2012 versus ₱ 377 million in 2011, or a 34% increase compared to last year. Ship Charter revenue accounts for the biggest increase at ₱ 68 million or 51% percent increase compared to prior year. Storage and Service Revenue also increased by 49% and 23% respectively.

Cost and expenses

The Group recorded this year's cost of sales at ₱31.962 billion, an increase of 26% compared to the 2011 figure of ₱ 25.328 billion. The increase was triggered by the 26% increase in volume. Weighted average cost per liter this year is at the same level as that of last year. The slight increase in product costs in 2012 was balanced by the sales mix.

The 18% increase in selling and administrative expenses is a result of the increasing volume and the ongoing expansion and growth of the Group's organizational build-out and business operations. The Major items that increased as a result of this retail network expansion and increasing volume include rental, depreciation, travel and transportation, repairs, taxes and licenses and other expenses. PPPI is also continuously doing branding and promotional campaign to improve on brand awareness in the market, which resulted to higher advertising expenses.

Net Profit and Comprehensive Income

The Group's total net profit increased by 17% to ₱ 651 million during year 2012 compared to P 558 million for 2011. This is a result of the Group's growth on volume on all of its business segments and the integration of the net income of the newly acquired subsidiary, Chelsea Shipping.

Total Comprehensive Income increased 69% from ₱ 518 million in 2011 to ₱ 874 million in 2012 as accounted by the increase in net income and the effect of the revaluation of vessel tankers.

Analysis of Financial Condition and Balance Sheet Accounts
(As of December 31, 2012 versus December 31, 2011)

Total resources of the Group as of December 31, 2012 stood at ₽ 16.507 billion, an increase of 27% over the P 12.959 billion as of December 31, 2011.

Cash and cash equivalents decreased by 53% from ₽ 924 million to ₽ 439 million as part of the Group cash management to retain cash level for current operational requirements and bank accounts average daily balance.

The Group's liquidity position continued to hold strong with Current Assets reaching ₽ 8.967 billion as of December 31, 2012, up from ₽ 6.902 billion as of December 31, 2011.

Trade and other receivables increased by 24%, from ₽2.865 billion as of December 31, 2011 compared to ₽ 3.557 billion as of December 31, 2012 as a result of the increase in sales revenue in 2012 compared to the preceding year. The Company continues to exercise prudence in its credit policies in order to manage customer receivables risk. The receivable is spread over a number of industries and a number of clients.

Inventories increased by 73%, from ₽ 3.689 billion as of December 31, 2011 to ₽2.133 million as of December 31, 2012 as part of the Company's inventory management strategy. The Company maintains more or less one month of inventory to ensure stable supply in retail stations and commercial/industrial clients. In addition, in this period of rising fuel prices, it is necessary to build commensurate levels of inventory to improve potential margins.

Lands Held for Sale are parcels of subdivided lots owned by PPIPC, a wholly owned subsidiary of the PPPI. These lots are intended for sale to prospective buyers. The increase in 2012 from the 2011 value is for the development of the Park that was introduced this year. There are ongoing active negotiations with prospective buyers on some parcels of these lots.

Due from related parties net balance payable is ₽ 77.3 million as of December 31, 2012 compared to a payable balance of ₽ 10.8 million in 2011. The Company's parent holding company and related party extended advances to support its cash requirement for its capital expenditures on a temporary basis to bridge immediate cash flow requirements.

Restricted deposits increased by 20% from ₽ 69 million in December 31, 2011 to ₽ 82.7 million in December 31, 2011 due sinking set-up for dividend plus interest income to these deposits.

Input-VAT-net increased by 73% from ₽ 226.5 million in December 31, 2011 to ₽393 million in December 31, 2012. These are accumulation of input VAT, current and deferred as a result of the continuous capital expenditures of the Group and the increase in inventory equivalent input taxes.

Other current assets increased by 44% from ₽ 206.2 million in December 31, 2011 to ₽ 296 million in December 31, 2012. These are prepayments on taxes, rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments.

As of December 31, 2012, the Group's property and equipment, net of accumulated depreciation, increased to ₱ 6.999 billion compared to ₱ 5.572 billion as of December 31, 2011 as a result of the Company's continuous expansion of retail service stations, Storage Facilities, additional ship, capitalized dry-docking costs and other minor capital expenditures.

Lands held for future developments are parcel of subdivided lot owned by the wholly owned subsidiary PPIPC. The balance is increased by 6% as a due to minor development introduced in the property. These lots may be sold at its current state or be developed for better selling prices which will yield better returns to the Group.

Total Loans and Borrowings increased by 69% from total ₱ 5.877 billion as of December 31, 2011 to ₱ 9.915 billion as of December 31, 2012. This is due to the financing for vessel double hulling, purchase of brand new vessel. The total loan amount is ₱ 214 million and US$ 14.5 million for the double hulling and purchase of brand new vessel respectively. In addition, the Parent Company availed of long term debts to refinance short term debts. Short term loans and borrowings are related to the financing of the inventory build-up and accounts receivable trade gapping.

Trade and other payables decreased by 50%, from ₱ 3.084 billion as of December 31, 2011 to ₱1.547 billion as of December 31, 2012 as trade payables at the end of the year are mostly booked under trust receipts. The increase in Other Payable was mostly payables to contractors and suppliers for construction of depots and retail stations.

Other non-current liabilities increased by 65% in December 31, 2012. Most of this is accumulation of Cash Bond placed by dealers and customer to secure their credit purchases.

Total Stockholders' Equity increased to ₱ 4.496 billion as of December 31, 2012 from ₱ 3.714 billion as of December 31, 2011 due to the issuance net income posted during the year. Increase Revaluation Reserve to ₱ 294 million contributed to the increase. This however was reduced by the effect of the ₱ 92 million cash dividend declared and distributed during the year to both common and preferred shareholders.

Key Performance Indicators and Relevant Ratios

The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	2013	2012	2011
Current Ratio[1]	1.33 : 1	1.56 : 1	0.97 : 1
Debt to Equity[2]	2.43 : 1	2.67 : 1	2.49 : 1
Return on Equity[3]	12.08%	15.86%	16.42%
Net Book Value Per Share[4]	4.55	4.96	5.61
Earnings Per Share-Adjusted [5]	0.45	0.48	0.40

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Net income divided by average total stockholders' equity
4 –Total stockholders' equity net of preferred divided by the total number of shares issued and outstanding at year-end
5 – Net income after tax (net of Preferred dividend) divided by weighted average number of outstanding common shares adjusted to Stock dividends

These key indicators were chosen to provide management with a measure of the Company's financial strength (Current Ratio and Debt to Equity) and the Company's ability to maximize the value of its stockholders' investment in the Company (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Company's performance with similar companies.

The Company debt to equity (DE) ratio for 2013 is 2.43: 1 due to payables to cover level of inventory to support the sales requirement in the first month of 2014. The immediately preceding two years been steady at 2.67: 1 and 2.49: 1 for 2012 and 2011 respectively. However, the DE for interest bearing liabilities is 2.11:1 and 2.21:1 for 2013 and 2012 respectively. The DE is expected improve in succeeding years out of the Groups projected income and various initiatives.

Audit and Audit-Related Fees

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2013 and 2012, and for the year ended December 31, 2011. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

(B) External Audit Fees and Services

The following table sets out the aggregate fees billed for each of the last three fiscal years for professional services rendered by the Company's external auditors.

Audit and Related Fees				
		Amount in Thousands Php		
Particulars	Nature	2012	2013	2014
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries			

Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2010 –Parent and Subsidiries			
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries	2,110.06		
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries	630	3,302.60	60
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries		**2,609.42**	**2,536.95**
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries			**3,266.38**
Sub-total		**2,740.06**	**5,912.02**	**5,863.33**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	119.94	190.12	144.76
Sub-total		**119.94**	**190.12**	**144.76**
All Other Fees				
Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities			
Sub-total				
GRAND TOTAL		**2,860**	**6,102.14**	**6,088.09**

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Company's Audit Committee is composed of at least three (3) members of the Board, preferably with accounting and finance background, one of whom shall be an Independent Director and another should have related audit experience. The chairman of the Audit Committee is s an independent director and he shall be responsible for inculcating in the minds of the members of the Board the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, and Domingo T. Uy and J.V. Emmanuel De Dios as members.

The Internal Audit systems of the Company are in place since 2008 but these auditing tools were strengthened this year. The Internal Audit's role and responsibilities are defined in the Audit Charter approved by the Board of Directors. Primarily, it assists the Audit Committee of the Board in fulfilling its oversight responsibility to the shareholders by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

Internal Audit, in fulfilling its role, performs the following general functions: 1.) evaluating the Company's governance processes including ethics-related programs; 2.) performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to mitigate them; 3.) evaluating the reliability and integrity of financial statements and the financial reporting process; 4.) analyzing and evaluating business processes and associated controls; 5.) determining compliance with applicable laws and regulations.

Changes In and Disagreements With Accountants

The Company has not had any disagreement with its previous and current external auditor / independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

PART IV – MANAGEMENT AND CERTAIN SECURITYHOLDERS

(A) Directors and Executive Officers of the Registrants

The Company's members of the Board of Directors are herewith described below with their respective experiences.

Board of Directors

<u>Directors</u>

The members of the Board of Directors of the Company are elected during the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until their successors have been appointed or elected and qualified. The following is the list of the incumbent members of the Board of Directors, and their business experiences during the past five (5) years:

Domingo T. Uy
Chairman

Mr. Domingo T. Uy, Filipino, 68 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy
Director, President and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 41 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of the Company, and Udenna Corporation, the ultimate parent company. The subsidiaries of the Company are Chelsea Shipping Corp., Phoenix Petroterminals & Industrial Park Corp., Subic Petroleum Trading & Transport Philippines, Inc., PFL Petroleum Management, and Phoenix Global Mercantile, Inc. Among the subsidiaries of Udenna Corporation are Udenna Management & Resources Corp, One Subic Power, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation He is a member of the Young Presidents Organization - Philippine chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Chief Operating Officer

Romeo B. De Guzman, Filipino, 65 years old, was elected Director of the Company in 2009. He is Chief Operating Officer of the Company, bringing with him 35 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. He carries with him a Marketing Management and an MBA degree from San Sebastian College – Manila.

Jose Manuel R. Quimson
Director

Jose Manuel R. Quimson, Filipino, 66 years old, has been a Director of the Company since February 15, 2007. He is concurrently the General Manager of Phoenix Petroterminals & Industrial Park Corp and the Chief Operating Officer of Chelsea Shipping Corp. Mr. Quimson is a member of the Board of Directors of the Udenna Corporation and its subsidiaries. Previously, he was

President of Petrotrade Philippines, Inc. a company providing bunkering services to international vessels. Mr. Quimson has more than 30 years of work experience in the shipping industry.

Socorro T. Ermac-Cabreros
Director, AVP for Corporate Legal and Corporate Secretary

Socorro T. Ermac-Cabreros, Filipino, 49 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past President for the Davao City Chapter of the Integrated Bar of the Philippines.

Atty. J.V. Emmanuel A. De Dios
Director

J.V. Emmanuel A. De Dios, Filipino, 50 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director

Joseph John L. Ong, Filipino, 55 years old, married, is the Chief Finance Officer of the Company. Prior to his employment in the Company, he spent almost ten (10) years at Primeworld Digital Systems, Inc. (Pacific Internet Phils.) initially as Vice President and CFO and eventually as Executive Vice President – Operations and Chief Finance Officer from 2008 - 2009. He also worked for twelve (12) years with Ginebra San Miguel, Inc. (then known as La Tondena Distillers, Inc.), then the country's 2nd largest beverage company and a listed subsidiary of San Miguel Corporation. He was its Vice President – Treasury from 1995 – 1999, at which time he headed the team that took the company public in 1994 and was primarily responsible for institutional-investor relations. Prior to the San Miguel Group, he held various positions at the Bank of the Philippine Islands & Ayala Investment & Development Corp. (before it merged with BPI) from 1980-1986. He received his Bachelor of Science in Commerce from De La Salle University in 1980.

Paul Dominguez
Director

Paul Dominguez, 65 years old, was Presidential Assistant for Mindanao and Chairman of the Mindanao Economic Development Council (MEDCo) during the term of President Fidel V. Ramos, tasked to oversee efforts towards accelerating development in Southern Philippines. After serving in the Ramos administration, Mr. Dominguez became the Mindanao representative to the World Trade Organization - General Tariffs and ASEAN Free Trade Area (WTO-AFTA) Philippine Advisory Commission, Honorary Chairman of the Mindanao Business Council, and Country Director for the Philippines in the Board of Directors of the BIMP-East ASEAN Business Council. Mr. Dominguez was appointed by President Gloria Macapagal-Arroyo as Presidential Adviser for Regional Development in January 2001, and in April 2002 as Senior Consultant for Mindanao. He also served as the Special Envoy to Brunei Darussalam, Indonesia and Malaysia. Mr. Dominguez started his corporate career in 1971 with the Davao Light and Power Co. In 1974, he joined the Lapanday Agricultural Development Corp., a major agribusiness firm in Mindanao, as Assistant General Manager. He continued his involvement in agribusiness with the Sarangani Agricultural Company where he served as Executive Vice President from 1979 to 1985. From 1985 to 1992, he was President of C. Alcantara and Sons, Inc. a leading wood manufacturing company in Mindanao. Mr. Dominguez currently serves as director of several Philippine corporations. He previously served on the Advisory Board for Southeast Asia of Colonial Insurance Co. and Commonwealth Bank of Australia.

Cherylyn C. Uy
Director

Ms. Cherylyn Chiong-Uy, 35 years old, is a graduate of Business and Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, a corporation composed of 17 subsidiaries which are divided into two (2) groups, the petroleum and non petroleum group. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also the President of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp.

Consuelo Ynares-Santiago
Independent Director

Consuelo Ynares-Santiago, Filipino, 74 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA and SMC Global Power Holdings, Inc., one of the country's leading power company which is the power generation unit of the country's largest beverage, food and packaging industry, San Miguel Corporation. She is also a Consultant of various respectable government offices such as Office of Vice-President Jejomar C. Binay, Office of Senate President Juan Ponce-Enrile and Philippine Judicial Academy and a Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After admitted to the bar, she started her career as a Legal Officer of Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional trial Court Judge, Associate Justice of Court of Appeals and became an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she joined various committees, one of those was House of Representative Electoral tribunal (HRET) as Chairperson, and a member of Presidential Electoral Tribunal. She was also a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law on 1998 Bar Examination.

Monico V. Jacob
Independent Director

Monico V. Jacob, 67 years old, has been Independent Director of the Company since March 7, 2008. He is President and Chief Executive Officer of the STI Education Services Group and iAcademy. He is Chairman of Global Resource for Outsourced Workers (GROW), Inc., STI-Universal Workers, Inc., Accent Healthcare/ STI Banawe, Inc., and Total Consolidated Asset Management, Inc. He is a Partner of the Jacob and Jacob Law Firm and is a member of the Board of Directors of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2Go Shipping. He is Chairman and Managing Partner of CEOs Incorporated. He was formerly Associate Commissioner of the Securities and Exchange Commission, General Manager of National Housing Authority, and CEO of the Pag-Ibig Fund. He is a former Chairman and Chief Executive Officer of Petron Corporation and of the Philippine National Oil Company.

Executive Officers

The following is a list of other executive officers and their business experiences during the past five (5) years:

Ramon Edison C. Batacan, Filipino, 56 years old, was appointed Chief Corporate Counsel and concurrently Chief Compliance Officer of the Company in 2013. He is founder and currently Managing Partner of BM&V Law Firm. He served as member of the Board of Regents of the University of Southeastern Philippines (USeP) and currently director of the Rizal Memorial Colleges. He was past president [2001-2003] of the Integrated Bar of the Philippines, Davao City Chapter and past governor [2007-2009] of the IBP-Eastern Mindanao Region. He is also currently a faculty of the Ateneo de Davao University College of Law handling Property, Negotiable Instruments Law and Law of Natural Resources and Environmental Law. Atty. Batacan graduated with the degree in Bachelor of Science in Mechanical Engineering (BSME) at the University of Mindanao (UM) in 1979. He earned his masters degree in Business Administration (MBA) at the University of Southeastern Philippines (USEP) in 1986. He earned his law degree at the Ateneo de Davao University College of Law in 1990, *cum laude* and was admitted to the Philippine Bar in 1991.

Chryss Alfonsus V. Damuy, Filipino, 41 years old, is the Treasurer and the Vice-President for Finance of the Company. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Alan Raymond T. Zorrilla, Filipino, 45 years of age, is the Vice President for External Affairs, Business Development, and Security of the Company. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in the litigation practice with Pangilinan Britanico Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies under its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

Edgardo A. Alerta, Filipino, 59 years old, is the Vice President for Sales Mindanao. He handles both Commercial and Retail Sales in Mindanao. Mr. Alerta, who is a licensed Mechanical Engineer, has more than 25 years work experience in the energy and petroleum industries from the government and multinational corporations. Prior to joining the Company, he worked with Pilipinas Shell Petroleum Corporation for 15 years where he started as a Marketing Sales Executive and later progressed to District Sales Manager. He also worked as a Technical Services Engineer of Getty Oil Philippines and was an Energy Examiner of the Department of Energy. He holds two degrees in Engineering: Bachelor of Science Degrees Major in Mechanical Engineering and Electrical Engineering from the Cebu Institute of Technology. He was the Councilor in the Municipality of Matanao, Province of Davao del Sur for 12 years until June 30, 2013.

Ericson S. Inocencio, Filipino, 40 years old, is the AVP for Commercial Sales - Mindanao. Eric has more than 18 years of extensive experience in the petroleum industry . Prior to joining the company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than 5 years (Commercial Luzon 2008-10 & Commercial Vismin 2010-13) and as concurrent National Fleet Cards Sales Manager (2010-2013). He started his petroleum career in Caltex Phils. as a Commercial Account Manager covering key segments of Manufacturing, Transport, Wholesale, Power and Marine industries then progressed to different key positions and leadership roles. He handled Marketing support function for the Commercial Business in charge of developing and executing local & global process/programs which includes profitability modelling. He likewise acted as a Pricing specialist for Marketing Sales both Retail and Commercial business. Eric covered the Motor Vehicle Safety program as a Team lead for Philippines driving the program for more than three (3) years. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

Joselito G. de Jesus, Filipino, 60 years old, is the Assistant Vice-President for Commercial Sales-Luzon. Prior to joining the Company, Mr. de Jesus was the Assistant Vice-President for Reseller Trade of Petron Corporation. He joined the oil industry in late 1970's when became a Corporate Planning Analyst, then later on Corporate planning Manager/Coordinator, of the Philippine National Oil Company (PNOC). Mr. de Jesus also became a Manager in the Corporate Planning Department of PNOC Shipping and Transport Corporation and at the same time, he was also an assistant to the Chairman of PNOC. In the late 90's Mr. de Jesus transferred to Petron Corporation and stayed with the said Company for almost 17 years. He is a graduate of Bachelor of Science in Business Administration Major in Marketing and Finance from University of the Philippines and a Master of Business Administration of Ateneo Graduate School of Business.

Jose Victor L. Cruz, Filipino, 54 years old, is currently the Assistant Vice President for Retail Sales-South Luzon. Mr. Cruz has more than twenty-five (25) years of experience in the oil industry covering retail, commercial, lubricants sales, international business (aviation and shipping for Chevron and Texaco), marketing and distribution, and corporate affairs. Prior to joining the Company in 2010, Mr. Cruz was Vice President for Retail Network Operations of Flying V in 2008 before he was promoted to Chief Operating Officer in 2009. He was COO of Citadel Commercial, Inc. from 2001-2002 before he ventured into private enterprise. He held various positions in Caltex Philippines Inc. from 1983 up to 1991 when he handled CPI's International Business. Eventually, Mr. Cruz was appointed Executive Assistant – Marketing Commercial in 1992. In 1994, he held the position of District Manager – Luzon South Commercial and in 1996, as DM – Luzon Retail. Mr. Cruz completed his MBA curriculum at the De La Salle University. He is a graduate of B.S. Industrial Management Engineering, Minor in Mechanical Engineering and is a Professional Industrial Engineer under the Philippine Institute of Industrial Engineers.

Edwin M. Jose, Filipino, 55 years old is the Assistant Vice President for Retail Sales-North Luzon. Mr. Jose has logged more than 29 years in petroleum industry, with exposure in Retail, Commercial, LPG and Corporate Planning and Logistics of Petron Corporation. Before joining Phoenix, his Petron career started in Corporate Planning and Logistics. In the Retail Trade, he handled positions from Area Sales Executive, Retail Network Development and Sales Development Manager. After Retail, he was assigned to the Liquefied Petroleum Gas business where he handled the retail, commercial and independent refiller business for the entire Luzon area and his breakthrough programs in LPG such as the "one number delivery system" , the "80-20 sales project" and pioneering LPG metering for commercial accounts such as Jollibee, among others were reasons why Petron Gasul effectively captured market leadership in the retail sector. He was then given assignment as Government Accounts Manager handling the National Power Corp and other Independent Power Producers, US and Phil. Military. His last position in Petron is District Manager for Metro Manila under Reseller Trade. After his stint with Petron, he set up franchise of two 7-11 convenience stores that are still operational to date. He is an Industrial Engineering degree holder from the University of Sto. Tomas, and an MBA candidate at Ateneo de Manila University.

William M. Azarcon, Filipino, 68 years old is currently the Asst. Vice President for Operational Engineering and Logistics. Mr. Azarcon has twenty-six (26) years experience in the oil industry, covering engineering operations, retail and distribution of bulk & packed products nationwide. Mr. Azarcon used to work for Pilipinas Shell Petroleum Corporation and served as Field Engineer in Operations nationwide constructing Depots & related facilities, i.e, jetties, submarine pipelines', bulk storage tanks among others. He likewise served as Head of Operations of North Luzon and transferred to Retail Engineering as Retail Engineering Manager nationwide. He also served as RVI (Retail Visual Identity) Manager. After retiring from Shell, Mr. Azarcon engaged in business as Retail Engineering Contractor of Shell. He holds a degree in Bachelor of Science in Mechanical Engineering from Mapua.

Rebecca Pilar C. Caterio, Filipino, 43 years old, is currently the Assistant Vice President for Credit and Collection of the Company. Previously, she was the Controller of Lapanday Packaging Inc., a company engaged in the manufacturing of cartons and in the production of fresh pineapple and vegetable. She was also the Accounting Manager of Fresh Asia Produce Company International Corporation, a company which is also owned by the Lapanday Group and is primarily engaged in the trading and marketing of bananas. Ms. Caterio started her professional career with the SGV & Co. as a Staff Auditor. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants (PICPA) since 1993. Ms. Caterio holds a Bachelor of Science Degree in Commerce, Major in Accounting from the Ateneo De Zamboanga.

Reynaldo A. Phala Filipino, 48 years old, is the Assistant Vice President for Treasury. He joined the Company in 2008 as its Credit and Collection Manager. Before joining the Company, he led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He recently finished his Master in Business Administration (MBA) under the Regis Program at the Ateneo Graduate School of Business.

Maria Rita A. Ros, Filipino, 55 years old, is currently the Assistant Vice President for Supply. Ms. Ros has more than thirty (30) years of experience in the oil industry covering materials management, supply chain management, production planning, imports-exports, warehousing and logistics. She held various positions in Petron Corporation from 1981 up to 2011 when she handled Biofuels and Special Projects, and Supply Optimization. Ms. Ros set up a personal business before joining Phoenix Petroleum Philippines, Inc. in November 2013. She is a graduate of B.S. Chemical Engineering from the University of the Philippines, and is a licensed Chemical Engineer, and took up Basic Management at the Asian Institute of Management.

Gigi Q. Fuensalida, Filipino, 38 years old, is presently the Assistant Corporate Secretary of the Company. Prior to her employment with the Company, she was one of the Senior Associates of the Villaraza Cruz Marcelo and Angangco Law Office. For six years, Atty. Fuensalida specialized in Civil, Commercial and Criminal Litigation wherein she developed strategies for complex litigation and actively participated in the prosecution and defense of criminal cases before the regular trial courts, quasi-judicial bodies and the appellate courts. Atty. Fuensalida holds a degree in Bachelor of Arts Major in Political Science from the Ateneo de Manila University. She further obtained her Juris Doctor degree from the same institution and graduated with honors in 2002. Atty. Fuensalida is a member of the Integrated Bar of the Philippines since 2003.

(1) Significant Employees

There are no significant employees or personnel who are not executive officers but are expected to make a significant contribution to the business.

(2) Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

(3) Involvement in Certain Legal Proceedings

The Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case is still pending with the Sandiganbayan.

The Department of Justice ("DOJ") filed a case against Dennis Uy with the Regional Trial Courts of Batangas City ("RTC Batangas") and Davao City ("RTC Davao") for alleged violation of the Tariff and Customs Code of the Philippines. RTC Batangas and RTC Davao issued its Orders dated 17 September 2013 and 11 October 2013, respectively, **DISMISSING** the twenty-five (25) Informations filed by the DOJ against Mr. Uy for lack of probable cause. On both cases with RTC Batangas and RTC Davao City, the DOJ separately filed a Motion for Reconsideration. And in both cases though independently and separately, the RTC of Batangas and RTC of Davao City DISMISSED all charges against Mr. Uy. RTC Batangas issued a Certificate of Finality on 07 July 2014 and therefore, the dismissal of the 3 criminal cases has before final and executory since no appeal was filed by the DOJ.

On the other hand, the DOJ through the Office of the Solicitor General filed a Petition for Certiorari dated 27 October 2014 with the Court of Appeals. The case is now pending.

In the meantime, in the matter of the Petition for Certiorari filed by Jorlan Cabanes and Dennis Uy against Sec. Delima of the DOJ and Bureau of Customs docketed as CA GR SP No. 131702 before the Court of Appeals Former Special 10th Division where the CA annulled and set aside the Resolutions dated 24 April 2014 and 13 August 2013 of the DOJ and further ordered and directed the DOJ to withdraw and dismiss all Informations filed against Mr. Uy and Mr. Cabanes before the RTC of Batangas and Davao City, the DOJ through the Office of the Solicitor General filed a Motion for Reconsideration from its Decision. The Motion for Reconsideration is still pending resolution.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Report of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

(j) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

(ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(iii) Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

(iv) Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

(B) Executive Compensation

(1) Executive Compensation

The Company's executives are regular employees and are paid a compensation package of 12 months pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees.

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The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation.

There are no other arrangements for which the members of the board are compensated.

Summary of Compensation Table

	Compensation of Executive Officers and Directors (in thousand Pesos)				
Name	**Principal Position**	**Year (s)**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	13			
Romeo B. De Guzman	Chief Operating Officer	6			
Joseph John L. Ong	Chief Finance Officer	4 ½			
Chryss Alfonsus V. Damuy	VP Finance & Comptroller	7			
Allan Raymond T. Zorrilla	VP – External Affairs , Business Development and Security	6			
Total 2014					₱ 24,074
Total 2013					₱ 24,783
Total 2012					₱ 22,431
Total 2011					₱ 18,814
Estimates in 2015					₱ 26,000

(C) Security Ownership of Certain Beneficial Owners and Management

As of **January 31, 2015**, the security ownership of Management is as follows:

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Ownership
Directors:				
Common	Dennis A. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	3,991,811 direct beneficial owner	Filipino	0.28%

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Common	Dennis A. Uy &/or Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	1,098,099 direct beneficial owner	Filipino	0.08%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	645,919 direct beneficial owner	Filipino	0.05%
Common	Romeo B. De Guzman Hillsborough, Alabang Village, Muntinlupa City	1,306,742 direct beneficial owner	Filipino	0.09%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City	103,316 direct beneficial owner	Filipino	0.01%
Common	Jose Manuel R. Quimson 28 Osmeña St., Xavierville Subd., Loyola Heights, Katipunan, Quezon City	354,939 direct beneficial owner	Filipino	0.02%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City	857,116 direct beneficial owner	Filipino	0.06%
Common	Joseph John L. Ong 80 Pola Bay, Southbay Gardens, Paranaque City	431,836 direct beneficial owner	Filipino	0.03%
Common	Consuelo Ynares Santiago Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	1 direct beneficial owner	Filipino	0.00%
Common	Monico V. Jacob 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City	1 direct beneficial owner	Filipino	0.00%

Common	Paul G. Dominguez Alson Development Corp. 329 Bonifacio St., Davao City	1 direct beneficial owner	Filipino	0.00 %

Senior Management:

Common	Chryss Alfonsus V. Damuy Ph2 Blk 07 Lot 07, Wellspring Highlands Subd. Catalunan Pequeno Davao City 8000	70,980 direct beneficial owner	Filipino	0.00%
Common	Ramon Edison C. Batacan 05 Sierra Madre St., Rolling Hills Subd., Bacaca, Davao City	70,980 direct beneficial owner	Filipino	0.00%
Common	Edgardo A. Alerta Fortune Executive Homes Lanang, Davao City	318,505 direct beneficial owner	Filipino	0.02%
Common	Rebecca Pilar C. Caterio Margarita Village, Bajada, Davao City	148,453 direct beneficial owner	Filipino	0.01%
Common	Gigi Q. Fuensalida 155 Brillantes St. 5th Avenue, Caloocan City	70,980 direct beneficial owner	Filipino	0.00%
Common	Reynaldo A. Phala Block 5 Lot 20 Pioneers Village	24,830 direct beneficial owner	Filipino	0.00%

The other executive officers of the Company, Alan Raymond T. Zorrilla –Vice President for External Affairs, Business Development and Security, Jose Victor L. Cruz – Asst. Vice President for Retail Sales-South Luzon, Edwin M. Jose- Asst. Vice President for Retail Sales-North Luzon, William M. Azarcon – Asst. Vice President, Operations & Logistics, Ma. Rita A. Ros – Asst. Vice President, Supply, do not own shares in the Company.

The number of aggregate shares for all directors and executive officers is Nine Million Four Hundred Ninety Four Thousand Five Hundred Nine (9,494,509).

There are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

(e) Change in Control

The Company is not aware of any arrangements that may result in a change of control in the Company since the beginning of its fiscal year.

(D) Certain Relationships and Related Transactions

The Company's related parties include its parent company, subsidiaries, stockholders, the Company's key management and others as described below.

a.) Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent Company. The total rent expense of the Company is presented as follows:

2011	2012	2013	2014	**TOTAL**
6,273,396.64	18,189,649.93	56,934,318.17	65,545,819.59	146,943,184.33

b.) Contract of Affreightment

The Company entered into a Contract of Affreightment with Chelsea Shipping Company, a wholly owned subsidiary, to haul the Company's petroleum supplies for both regional and domestic.

c.) Due to and Due from Related Parties

PPPI grants and obtains advances to and from its parent company, subsidiaries and other related companies for working capital purposes.

The breakdown of due from related parties as of December 31, 2014 and 2013 is as follows:

	2013	2014
PPHI		
Balance at beginning of year		-
Additions		-
Collections		
Balance at end of year	-	-
UMRC		

Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions		
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**(4,963,790.66)**	-

Total Due from Related Parties		
Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions	-	
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**(4,963,790.66)**	-

The Group's advances to related parties are presented as Due from Related Parties in the consolidated balance sheet.

(E) Corporate Governance

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of eleven (11) members, two (2) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein which the relevant corporate issues may be raised for discussion and voted by the members of the Board.

Last March 07, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance supersedes the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution as well as compliance of SEC Memorandum Circular No. 20, Series of 2013.

As part of the Corporate Governance, the Group works on the early disclosures of quarterly and annual reports to SEC and PSE.

Internal Audit Group of the Company conducts regular internal audit review to both processes, compliance to Company policies and procedures and risk analysis. Reports and recommendations are regularly submitted to the Audit Committee which recommends and discusses matters and issued with Board for proper action and approval.

PART V – EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Exhibits

The following exhibits are incorporated by reference in this report.

- Consolidated Financial Statements of the Company as of and for the year ended 31 December 2014
- Index to Financial Statements and Supplementary Schedules

Reports on SEC Form 17-C

The following disclosures have been reported and disclosed to the Commission for the year 2014 up to March 18, 2015 which were duly supported by disclosure letters:

2014 Disclosures (including disclosures up to March 18, 2015):

- Press Statement re listing of additional STCP with PDEX

  March 18, 2015

- Results of Organizational Meeting of Board of Directors

  March 12, 2015

- Results of Annual or Special Stockholders' Meeting
  March 12, 2015

- PSE Disclosure on rollover of STCP
  March 09, 2015

- Declaration of Cash Dividends
  March 04, 2015

- [Amend-1]Declaration of Cash Dividends
  February 27, 2015

- Press Release re SEC approval of P1.5 B STCP
  February 25, 2015

- Disclosure on the pre-effective clearance STCP
  February 23, 2015

- Press Release re renewal of Agreement CebPac and PPPI
  February 23, 2015

- Material Information/Transactions
  February 17, 2015
- Clarification of News Reports
  February 16, 2015
- Disclosure of Audited FS December 31, 2014
  February 12, 2015
- Press Release for FS December 31, 2014
  February 12, 2015
- Declaration of Cash Dividends of PNX Preferred Shares
  February 09, 2015
- Information Statement (SEC Form 20-IS)
  February 06, 2015
- Material Information/Transactions
  February 05, 2015
- [Amend-1] Notice of Annual or Special Stockholders' Meeting
  February 05, 2015
- Information Statement (SEC Form 20-IS)
  February 05, 2015
- [Amend-1] Quarterly Report (SEC Form 17-Q)
  February 03, 2015
- [Amend-1] Quarterly Report (SEC Form 17-Q)
  February 03, 2015
- Notice of Annual or Special Stockholder's Meeting
  February 03, 2015
- Public Ownership Report
  January 19, 2015
- Top Stockholders as of December 31, 2014
  January 13, 2015
- BOD Attendance MCG Certification
  January 09, 2015
- 2014 Annual Report
  December 18, 2014
- PNXP Dividend Payment for 4Q
  December 16, 2014
- SEC Form 17-Q (09302014)

November 12, 2014

- Press Release for 3rd Qtr 2014 Performance
November 12, 2014

- Clarification re business news article 11102014
November 11, 2014

- Press Release for listing of STCP with PDEx
November 10, 2014

- SEC Form 23-B (Udenna Corp 10302014)
October 30, 2014

- Press Release for issuance of STCP
October 22, 2014

- Material Information/Transactions
October 15, 2014

- Public Ownership Report
October 07, 2014

- List of Top 100 Stockholders
October 07, 2014

- Press Release: Renewal of CebPac and PPPI
September 08, 2014

- Press Release: PPIPC new port facility
August 29, 2014

- Revised Manual of Corporate Governance
August 01, 2014

- Press Release: 1st Half 2014 Performance
July 30, 2014

- Quarterly Report
July 28, 2014
- Public Ownership Report
July 07, 2014

- Top 100 Stockholders
July 04, 2014

- Retirement Plan Disclosure
June 27, 2014

- Foreign Ownership as of May 31, 2014
June 04, 2014

- Board Lot Report
June 04, 2014

- Results of ASM 2014 – Amended
  June 03, 2014

- Revised Manual of Corporate Governance
  June 03, 2014

- SEC Form 17-Q (03312014)
  June 03, 2014

- [Amend-1] Quarterly Report
  May 16, 2014

- Press Release: Q1 2014 Performance
  May 16, 2014

- Quarterly Report
  May 16, 2014

- Registration Statement on Preferred Shares (SEC Form 12-1, as Amended)
  May 14, 2014

- Foreign Ownership as of April 30, 2014
  May 09, 2014

- Board Lot Report as of 30 April 2014
  May 09, 2014

- Material Information – Transactions
  May 08, 2014

- [Amend-1] Public Ownership Report
  April 14, 2014

- [Amend-1] List of Top 100 Stockholders
  April 08, 2014

- [Amend-1] Results of Annual or Special Stockholders' Meeting
  April 08, 2014

- Public Ownership Report
  April 08, 2014

- List of Top 100 Stockholders
  April 08, 2014

- [Amend-1] Statement of Changes in Beneficial Ownership of Securities
  March 31, 2014

- PNX CG Guidelines Disclosure Survey 2013
  March 28, 2014

- Statement of Changes in Beneficial Ownership of Securities
  March 26, 2014

- Compliance Report on Corporate Governance
  March 26, 2014

- Results of Organizational Meeting of Board of Directors
  March 10, 2014

- Results of Annual or Special Stockholders' Meeting
  March 10, 2014

- [Amend-1] Declaration of Cash Dividends
  March 03, 2014

- [Amend-2] Information Statement
  February 21, 2014

- Material Information/Transactions
  February 21, 2014

- Material Information
  February 17, 2014

- Press Release: Results of Audited FS 2013
  February 17, 2014

- Notice of Annual or Special Stockholder's Meeting
  January 29, 2014

- Declaration of Cash Dividends
  January 29, 2014

- Other SEC Forms, Reports and Requirements (2)
  January 16, 2014

- Other SEC Forms, Reports and Requirements (1)
  January 16, 2014

- Change in Number of Issued and/or Outstanding Shares
  January 16, 2014

- Press Release for 2013 Performance
  January 16, 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Davao on April 08, 2015.

By:

DENNIS A. UY
President & Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Financial Officer

CHRYSS ALFONSUS V. DAMUY
Vice President, Finance

SOCORRO ERMAC CABREROS
Corporate Secretary

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	2	0	7	2	8	3

Company Name

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

STELLA HIZON REYES ROAD BARRIO PAMPANGA, DAVAO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	N/A

APR 14 2015

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@phoenixfuels.ph	(082) 235-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
62	Any day in March	12/31

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
MR. CHYRSS ALFONSUS V. DAMUY	chyrss.damuy@phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road Bo. Pampanga, Davao City

Note: 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.

To be an indispensable partner in the journey of everyone whose life we touch.

PHOENIX
Fuels Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards, including the following additional supplementary information which is filed separately from the basic consolidated financial statements:

a) Supplementary schedule required under Annex 68-E of the SRC
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Councils as of 31 December 2014
d) Schedule showing financial soundness indicators
e) Schedule showing reconciliation of Retained Earnings available for dividend declaration

Management's responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders for the period December 31, 2014, 2013 and 2012, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this **16th day of February 2015**, Davao City

Domingo T. Uy
Chairman of the Board

Dennis A. Uy
President & Chief Executive Officer

Joseph John L. Ong
Chief Financial Officer

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

MANILA OFFICE: 25/F Fort Legend Towers, 3rd Avenue corner 31st St., Fort Bonifacio Global City, Taguig City 1634, Philippines
Trunkline: +632-403-4013
Fax: +632-403-4009

CEBU OFFICE: Phoenix Maguikay Gasoline Station, M.C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014, Philippines
Tel. No.: +63 (32) 236-8168 / 236-8198

Republic of the Philippines)
City of Davao) S.S.
X- -X

SUBSCRIBED AND SWORN to before me on FEB 16 2015 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Domingo T. Uy	TIN 140-162-193
Dennis A. Uy	TIN-172-020-135
Joseph John L. Ong	TIN 101-116-899

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

Doc. No. 131
Page No. 27
Book No. 61
Series of 2015.

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

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2016
Serial No. 076-2014
PTR No. 525712; 12-04-14; D.C.
IBP No. 964377; 12-03-14; D.C.
Roll of Attorneys No. 47866

Punongbayan & Araullo

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2014, on which we have rendered our report dated February 11, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 4748317, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 11, 2015

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2014

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Ending Balance: Current	Ending Balance: Non-current	Balance at end of period
Udenna Environmental Services, Inc.	P 2,747,994	P -	P 2,747,994	P -	P -	P -	P -
P-H-O-E-N-I-XPhilippines Foundation, Inc.	-	10,373,356	-	-	10,373,356	-	10,373,356
	P 2,747,994	P 10,373,356	P 2,747,994	P -	P 10,373,356	P -	P 10,373,356

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
DECEMBER 31, 2014

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance at end of period
Advances to Subsidiaries							
Subic Petroleum Trading & Transport Phils., Inc.	P 1,598,820,975	P 1,002,806,835	P 2,601,627,810	P -	P -	P -	P -
PFL Petroleum Management, Inc.	27,564,867	100,000	100,000	-	27,564,867	-	27,564,867
Chelsea Shipping Corp.	171,992,570	60,000,789	24,000,000	-	207,993,359	-	207,993,359
P-H-O-E-N-I-X Global Mercantile, Inc.	2,669,365	194,416	6,000	-	2,857,781	-	2,857,781
Phoenix Petroterminals & Industrial Park Corp.	3,830	25,364,963	25,000,000	-	368,793	-	368,793
	P 1,801,051,607	P 1,088,467,003	P 2,650,733,810	P -	P 238,784,800	P -	P 238,784,800
Trade Receivables							
Chelsea Shipping Corp.	P 398,601,065	P 593,975,081	P 656,268,246	P -	P 336,307,900	P -	P 336,307,900
Phoenix Petroterminals Industrial Park Corp.	67,014,884	147,092,804	165,221,951	-	48,885,737	-	48,885,737
PFL Petroleum Management, Inc.	55,674,151	225,854,089	205,963,014	-	75,565,226	-	75,565,226
Subic Petroleum Trading & Transport Phils., Inc.	-	320,872,054	223,774,881	-	97,097,173	-	97,097,173
Bunkers Manila Inc.	12,182,589	1,476,553	4,673,036	-	8,986,106	-	8,986,106
Michael Incorporated	7,779,075	35,446,479	20,923,396	-	22,302,158	-	22,302,158
	P 541,251,764	P 1,324,717,060	P 1,276,824,524	P -	P 589,144,300	P -	P 589,144,300

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2014

Description	*Beginning balance*	*Additions at cost*	*Deductions*		*Other changes additions (deductions)*	*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*		
Other Non-Current assets						
Goodwill	P 84,516,663	P -	P -	P -	P -	P 84,516,663

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2014

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*	*Terms*
Mortgage Payable	P -	P 1,611,934	P 1,406,699	Interest rates ranging from 7.51% to 11.37% per annum with terms ranging from 18 to 36 months
Installment, notes and loans payable				
AB Capital and Investment Corporation	691,300,000	674,104,179	-	Interest rates ranging 4% to 4.5% per annum with terms ranging from 90 to 354 days
Banco De Oro Unibank, Inc.,	500,000,000	-	500,000,000	Interest rate of 6.84% maturing on July 17, 2017.
Banco De Oro Unibank, Inc.,	500,000,000		485,000,000	Interest rate of 7.74% maturing on August 24, 2016.
BDO Private Bank, Inc.	800,000,000	800,000,000	-	Interest rate of 3.5% maturing in January 2015.
BPI Leasing Corporation	33,469,037	7,462,297	5,671,567	Interest rates ranging from 9.75% to 10.25% per annum with terms of 60 months.
Board of Trustees of Private Education Retirement Annuity Association	106,667	106,667	-	Interest rate of 4% with term of 60 days.
China Banking Corporation	2,500,000,000	-	2,476,169,490	Interest rate of 7.75%, maturing on Nov. 12, 2017
China Banking Corporation	100,000,000	100,000,000	-	Interest rate of 4.75%, maturing on Febuary 17, 2017.
Chinatrust (Philippines) Commercial Bank Corporation	295,000,000	195,000,000	-	Interest rate of 4%, maturing on January 5, 2015 and Febuary 16, 2015.
Franciscan Missionaries	7,538,213	7,538,213	-	Interest rate of 3.5%, maturing on January 16, 2015.
Maybank Philippines, Inc.	200,000,000	-	194,000,000	Interest rate of 7.7377% due on Aug. 24, 2016
Maybank Philippines, Inc.	300,000,000	-	165,000,000	Interest rate of 5.5% due on July 26, 2017
Maybank Philippines, Inc.	411,330,000	-	142,939,978	Interest rate of 6.5% due on Dec. 20, 2017
Maybank Philippines, Inc.	575,862,000	-	308,288,808	Interest rate of 5.95% due on Dec. 20, 2015
Maybank Philippines, Inc.	330,000,000	330,000,000	-	Interest rate of 4.5% due on Feb. 17, 2015
Robinsons Bank	50,000,000	-	48,500,000	Interest rate of 7.7377% due on Aug. 24, 2016
Multinational Investment Bancorporation	1,308,700,000	1,268,648,323	-	Interest rates ranging from 4% to4.5% per annum with terms ranging from 90 to 354 days.
Multinational Investment Bancorporation	2,010,347	2,010,347	-	Interest rate of 3.75%, maturing on January 16, 2015.
Multinational Investment Bancorporation	41,400,509	41,400,509	-	Interest rate of 3.5%, maturing on January 14 -16, 2015.
Multinational Investment Bancorporation	15,513,771	15,513,771	-	Interest rate of 4%, maturing on January 12, 2015.
Multinational Investment Bancorporation	70,000,000	70,000,000	-	Interest rate of 4.8%, maturing on January 12 and14, 2015.
Multinational Investment Bancorporation	350,000,000	350,000,000	-	Interest rate of 3.5%, maturing on January 15, 2015.
Philippine Bank of Communications	150,000,000	75,000,000	-	Interest rate of 4.5%, maturing on January 4, 2015.
Robinsons Bank	70,000,000	70,000,000	-	Interest rate of 4.75%, maturing on January 15, 2015.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2014

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Terms*
Robinsons Bank	P 100,000,000	P 82,000,000	P -	Interest rate of 4.75%, maturing on Feb.17 , 2015.
Shoecat, Inc.	23,344,259	23,344,259	-	Interest rate of 3.75%, maturing on January 16, 2015.
Stella Maris College	1,013,416	1,013,416	-	Interest rate of 3.5%, maturing on January 16, 2015.
Banco De Oro Unibank, Inc.,	404,632,095	95,363,845	309,268,250	Interest rate of 4% to 4.59% maturing on Sept 28, 2018
Development Bank of the Philippines	300,000,000	136,000,000	164,000,000	Interest rate of 7.5% per annum payable per quarter.
Philippine Bank of Communications	3,939,394	3,939,394	-	Interest rate of 9.5% maturing on Feb. 28, 2015
Philippine Bank of Communications	4,015,152	4,015,152	-	Interest rate of 9.5% maturing on May 15, 2015
Philippine Bank of Communications	7,636,364	7,636,364	-	Interest rate of 9.5% maturing on Jan 2, 2015
Philippine Bank of Communications	2,348,485	2,348,485	-	Interest rate of 9.5% maturing on May 25, 2015
Robinsons Bank	3,300,000	3,300,000	-	Interest rate of 6.0% maturing on Sep 3, 2015
Robinsons Bank	44,900,000	44,900,000	-	Interest rate of 6.0% maturing on Feb 18, 2015
Robinsons Bank	8,600,000	8,600,000	-	Interest rate of 6.0% maturing on May 14, 2015
United Coconut Planters Bank	7,100,000	7,100,000	-	Interest rate of 6.75% maturing on Feb 18, 2015
United Coconut Planters Bank	5,300,000	5,300,000	-	Interest rate of 6.75% maturing on Feb 5, 2015
United Coconut Planters Bank	5,300,000	5,300,000	-	Interest rate of 6.75% maturing on Feb 5, 2015
United Coconut Planters Bank	2,200,000	2,200,000	-	Interest rate of 6.75% maturing on Jan 9, 2015
United Coconut Planters Bank	10,700,000	10,700,000	-	Interest rate of 6.75% maturing on Feb 5, 2015
Multinational Investment Bancorporation	7,193,829	7,193,829	-	Interest rate of 4.25%, maturing on Jan. 28, 2015
Multinational Investment Bancorporation	20,760,043	20,760,043		Interest rate of 4.25%, maturing on Jan. 28, 2015
Multinational Investment Bancorporation	5,043,095	5,043,095		Interest rate of 4.25%, maturing on Jan. 21, 2015
Multinational Investment Bancorporation	55,308,629	55,308,629		Interest rate of 5.0%, maturing on Jan. 14, 2015
Multinational Investment Bancorporation	14,108,699	14,108,699		Interest rate of 4.25%, maturing on Jan. 21, 2015
Multinational Investment Bancorporation	11,000,000	11,000,000		Interest rate of 5.0%, maturing on Jan. 12, 2015
Multinational Investment Bancorporation	53,423,102	53,423,102		Interest rate of 5.0%, maturing on Jan. 13, 2015
Maybank Philippines, Inc.	50,000,000	50,000,000		Interest rate of 5.0%, maturing on Jan. 6, 2015
Maybank Philippines, Inc.	50,000,000	50,000,000		Interest rate of 5.0%, maturing on Feb. 4, 2015
Banco De Oro Unibank, Inc.,	595,063,873	98,357,685	496,706,188	Interest rate of 4% to 4.59% maturing on Sept 28, 2018
Asia United Bank	88,888,889	22,222,222	66,666,667	Interest rate of 4% to 4.59% maturing on Sept 28, 2018
Total Installment, notes and loans payable	11,187,349,868	4,837,262,525	5,362,210,948	
TOTAL	P 11,187,349,868	P 4,838,874,459	P 5,363,617,647	

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2014

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, coversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred shares - P1 par value Non-voting, non-participating, non-convertible into common shares Issued and outstanding - 5,000,000	50,000,000	5,000,000	-	-	-	5,000,000
Common shares - P1 par value Issued and outstanding - 1,428,777,232	2,500,000,000	1,428,777,232	-	915,786,717	1,797,165	511,193,350

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P-HO-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule I - Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2014

UNAPPROPRIATED RETAINED EARNINGS, BEGINNING		P 2,046,541,766
Net Income based on the face of AFS		616,362,972
Less: Non -actual/unrealized income, net of tax:		
Deferred tax income		(33,992,758)
Net Income Actual/Realized		582,370,214
Less: Changes in Retained Earnings for the Year		
Dividend declarations during the period		
Common shares cash dividends	(P 142,877,723)	
Preferred shares cash dividends	(41,250,000)	
Transfer of revaluation reserves to retained earnings	20,568,898	(163,558,825)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING		P 2,465,353,155

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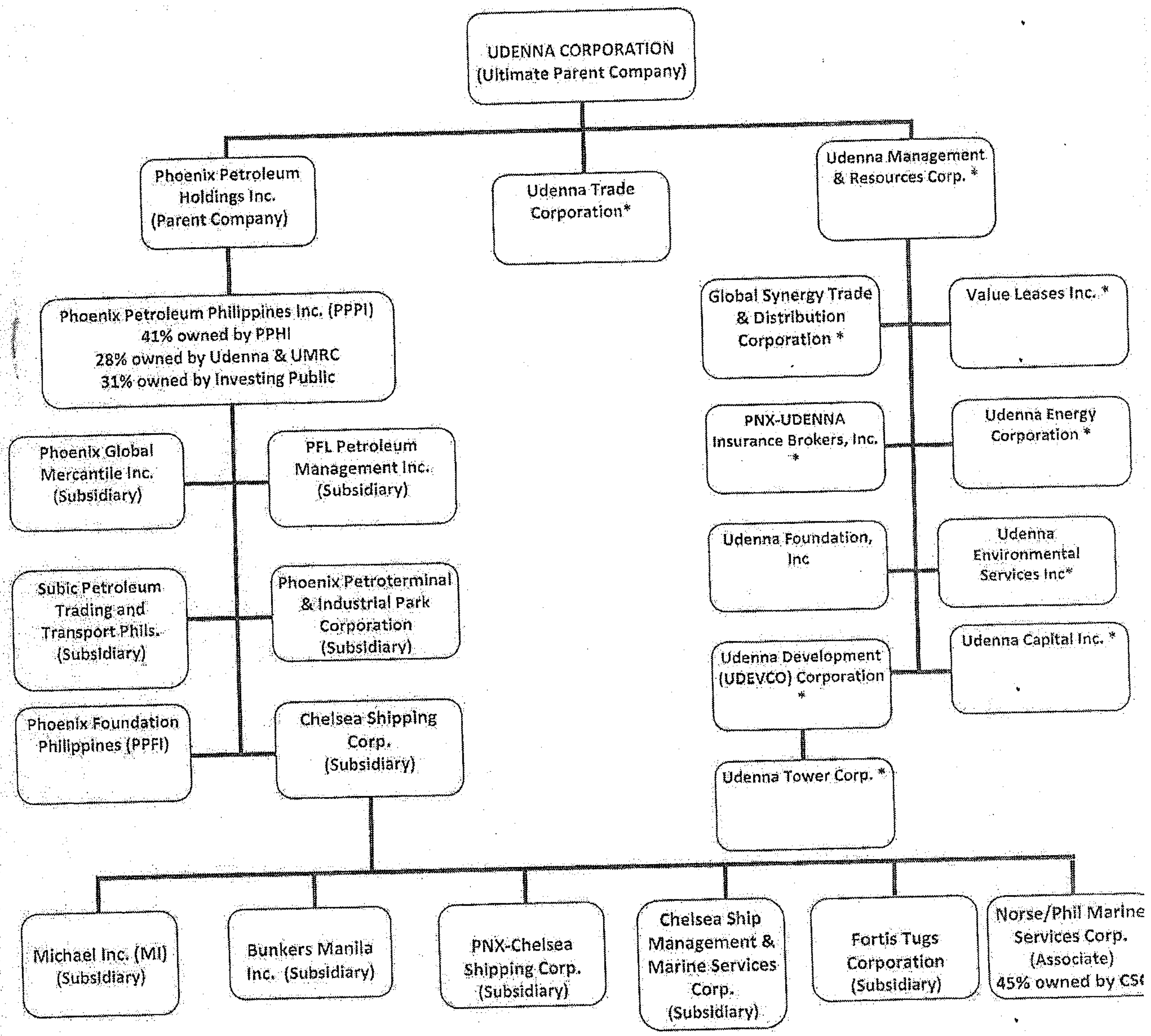
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE
DECEMBER 31, 2014



*Related party under common control

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule K - Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions* *(effective July 1, 2014)*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets.	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes **	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies**	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Group.

** These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in all years presented.

P-HO-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
December 31, 2014

			2014	2013
A) LIQUIDITY RATIOS				
1.	Current Ratio:	Current Assets / Current Liabilities	1.11	1.33
2	Quick Ratio:	Current Assets - Inventories / Current Liabities	0.88	0.94
3	Cash Ratio:	Cash and Cash Equivalents / Current Liablities	0.05	0.04
B) SOLVENCY RATIOS				
1	Solvency Ratio:	After Tax Net Profit + Depreciation / Long term liabilities + Short term Liabilities	0.07	0.08
2	Debt to Equity Ratio:	Total Liablities / Equity	2.55	2.44
C) ASSET TO EQUITY RATIO				
		Total Assets / Equity	3.55	3.44
D) INTEREST RATE COVERAGE RATIO				
		Earnings Before Interest and Taxes / Interest Expense	1.85	2.08
E) PROFITABILITY RATIOS				
1	Gross Profit Margin:	Sales - Cost of Goods Sold / Sales	0.10	0.08
2	Return on Assets:	Net Income / Total Assets	0.03	0.03
3	Return on Equity:	Net Income / Equity	0.10	0.10

Punongbayan & Araullo

An instinct for growth™

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Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited the accompanying consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 4748317, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 11, 2015

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	P 555,508,720	P 357,220,520
Trade and other receivables - net	7	7,832,712,191	7,343,793,926
Inventories	8	2,870,829,069	3,812,532,673
Land held for sale and land development costs	9	485,985,811	503,672,474
Due from related parties	26	10,373,356	2,747,994
Restricted deposits	10	70,406,743	95,419,646
Input value-added tax - net		603,608,784	448,838,093
Prepayments and other current assets	11	1,146,632,540	489,913,177
Total Current Assets		13,576,057,214	13,054,138,503
NON-CURRENT ASSETS			
Property and equipment - net	12	10,688,608,904	8,628,490,469
Land held for future development	14	312,617,496	297,942,281
Investment in an associate	13	2,250,000	2,250,000
Goodwill - net	16	84,516,663	84,516,663
Other non-current assets	15	336,110,518	270,215,050
Total Non-current Assets		11,424,103,581	9,283,414,463
TOTAL ASSETS		P 25,000,160,795	P 22,337,552,966
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	P 8,479,025,750	P 8,207,229,484
Trade and other payables	18	3,734,569,995	1,570,427,327
Due to related parties	26	17,204,725	64,161,243
Total Current Liabilities		12,230,800,470	9,841,818,054
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	5,363,617,647	5,544,509,333
Deferred tax liabilities - net	25	71,872,184	76,530,691
Other non-current liabilities	19	283,644,395	376,789,584
Total Non-current Liabilities		5,719,134,226	5,997,829,608
Total Liabilities		17,949,934,696	15,839,647,662
EQUITY	27		
Preferred stock		5,000,000	5,000,000
Common stock		1,428,777,232	1,428,777,232
Additional paid-in capital		3,367,916,774	3,367,916,774
Revaluation reserves		372,138,419	272,621,771
Other reserves		(622,952,239)	(622,952,239)
Retained earnings		2,499,345,913	2,046,541,766
Total Equity		7,050,226,099	6,497,905,304
TOTAL LIABILITIES AND EQUITY		P 25,000,160,795	P 22,337,552,966

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REVENUES				
Sale of goods	26	P 34,100,287,928	P 43,139,691,819	P 34,080,171,520
Charter fees	2	392,681,626	205,235,733	201,813,941
Rent and storage income	30	100,583,267	79,208,786	113,295,479
Port revenues	2	84,647,031	65,206,403	54,385,910
Fuel service and other revenues	2	56,184,644	62,643,613	135,885,455
		34,734,384,496	43,551,986,354	34,585,552,305
COST AND EXPENSES				
Cost of sales and services	20	31,404,503,935	40,248,166,084	31,961,749,413
Selling and administrative expenses	21	1,916,826,177	1,991,460,138	1,473,661,606
		33,321,330,112	42,239,626,222	33,435,411,019
OTHER CHARGES (INCOME)				
Finance costs	22	804,137,896	669,030,064	519,720,493
Finance income	22	(3,394,843)	(8,481,577)	(24,629,351)
Others		(6,842,368)	(14,625,113)	(16,133,556)
		793,900,685	645,923,374	478,957,586
PROFIT BEFORE TAX		619,153,699	666,436,758	671,183,700
TAX EXPENSE	25	2,790,727	1,379,153	19,873,548
NET PROFIT		616,362,972	665,057,605	651,310,152
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of tankers	27	180,637,550	6,847,358	331,807,097
Remeasurements of post-employment defined benefit obligation	23	(31,217,753)	(3,147,836)	(13,306,797)
Tax expense	25	(29,334,251)	(1,109,855)	(95,550,091)
Other Comprehensive Income - net of tax		120,085,546	2,589,667	222,950,209
TOTAL COMPREHENSIVE INCOME		P 736,448,518	P 667,647,272	P 874,260,361
Basic and Diluted Earnings per share	28	P 0.40	P 0.45	P 0.48

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

						Other Comprehensive Income			
	Note	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Reserves	Revaluation Reserves	Retained Earnings	Total	Total Equity
Balance at January 1, 2014		P 5,000,000	P 1,428,777,232	P 3,367,916,774	(P 622,952,239)	P 272,621,771	P 2,046,541,766	P 2,319,163,537	P 6,497,905,304
Cash dividends	27	-	-	-	-	-	(184,127,723)	(184,127,723)	(184,127,723)
Total comprehensive income for the year		-	-	-	-	120,085,546	616,362,972	736,448,518	736,448,518
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(20,568,898)	20,568,898	-	-
Balance at December 31, 2014		P 5,000,000	P 1,428,777,232	P 3,367,916,774	(P 622,952,239)	P 372,138,419	P 2,499,345,913	P 2,871,484,332	P 7,050,226,099
Balance at January 1, 2013		P 5,000,000	P 906,059,416	P 2,051,723,794	(P 622,952,239)	P 282,423,030	P 1,859,916,993	P 2,142,340,023	P 4,482,170,994
Issuance of shares during the year		-	193,000,000	1,316,192,980	-	-	-	-	1,509,192,980
Stock dividends	27	-	329,717,816	-	-	-	(329,717,816)	(329,717,816)	-
Cash dividends	27	-	-	-	-	-	(161,105,942)	(161,105,942)	(161,105,942)
Total comprehensive income for the year		-	-	-	-	2,589,667	665,057,605	667,647,272	667,647,272
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(12,390,926)	12,390,926	-	-
Balance at December 31, 2013		P 5,000,000	P 1,428,777,232	P 3,367,916,774	(P 622,952,239)	P 272,621,771	P 2,046,541,766	P 2,319,163,537	P 6,497,905,304
Balance at January 1, 2012		P 5,000,000	P 661,123,014	P 2,051,723,794	(P 622,952,239)	P 71,543,651	P 1,547,959,455	P 1,619,503,106	P 3,714,397,675
Stock dividends	27	-	244,936,202	-	-	-	(244,936,202)	(244,936,202)	-
Cash dividends	27	-	-	-	-	-	(106,487,242)	(106,487,242)	(106,487,242)
Adjustments		-	200	-	-	-	-	-	200
Total comprehensive income for the year		-	-	-	-	222,950,209	651,310,152	874,260,361	874,260,361
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(12,070,830)	12,070,830	-	-
Balance at December 31, 2012		P 5,000,000	P 906,059,416	P 2,051,723,794	(P 622,952,239)	P 282,423,030	P 1,859,916,993	P 2,142,340,023	P 4,482,170,994

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 619,153,699	P 666,436,758	P 671,183,700
Adjustments for:				
Interest expense	22	728,178,099	617,451,997	467,358,205
Depreciation and amortization	21	660,281,915	528,400,077	405,815,569
Impairment losses	22	40,077,464	17,959,002	37,851,057
Interest income	22	(3,394,843)	(8,481,577)	(10,567,992)
Operating profit before working capital changes		2,044,296,334	1,821,766,257	1,571,640,539
Increase in trade and other receivables		(528,995,729)	(3,804,750,049)	(729,368,304)
Decrease (increase) in inventories		941,703,604	(123,772,997)	(1,556,137,271)
Decrease (increase) in land held for sale and land development costs		17,686,663	(1,641,915)	(50,443,441)
Decrease (increase) in restricted deposits		25,012,903	(12,725,617)	(13,657,192)
Increase in input value-added tax		(154,770,691)	(55,869,471)	(166,461,101)
Increase in prepayments and other current assets		(656,719,363)	(207,552,655)	(76,150,578)
Decrease in installment contract receivable		-	-	9,002,788
Increase (decrease) in trade and other payables		2,164,142,668	23,322,143	(1,536,482,533)
Cash generated from (used in) operations		3,852,356,389	(2,361,224,304)	(2,548,057,093)
Cash paid for income taxes		(610,696)	(1,635,260)	(564,033)
Net Cash From (Used in) Operating Activities		3,851,745,693	(2,362,859,564)	(2,548,621,126)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	12	(2,473,554,558)	(2,053,908,624)	(1,401,021,187)
Increase in other non-current assets		(122,883,739)	(149,078,003)	(184,693,102)
Increase in land held for future development		(14,675,215)	(8,864,054)	(17,096,393)
Advances to related parties	26	(10,373,356)	(17,362,078)	(9,467,416)
Interest received		2,750,097	7,831,603	9,406,440
Collections from related parties	26	2,747,994	22,914,084	27,479,102
Proceeds from disposal of property and equipment		949,543	1,834,386	2,734,603
Net Cash Used in Investing Activities		(2,615,039,234)	(2,196,632,686)	(1,572,657,953)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from additional interest-bearing loans and borrowings		35,866,969,673	29,837,925,969	20,255,892,079
Repayments of interest-bearing loans and borrowings		(35,776,065,093)	(26,001,508,949)	(16,217,888,445)
Interest paid		(798,899,617)	(688,863,445)	(545,207,465)
Payments of cash dividends	27	(184,127,723)	(161,105,942)	(106,487,242)
Increase (decrease) in other non-current liabilities		(99,338,981)	3,951,722	225,101,428
Repayments to related parties	26	(46,956,518)	(21,390,502)	(153,064,039)
Proceeds from issuance of shares of stock	27	-	1,509,192,980	-
Proceeds from borrowings from related parties		-	-	177,435,185
Net Cash From (Used in) Financing Activities		(1,038,418,259)	4,478,201,833	3,635,781,501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		198,288,200	(81,290,417)	(485,497,578)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		357,220,520	438,510,937	924,008,515
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 555,508,720	P 357,220,520	P 438,510,937

Supplemental Information on Non-cash Investing and Financing Activities:

1) Stock dividends declared and distributed by the Group amounted to nil in 2014, P329.7 million in 2013 and P244.9 million in 2012 (see Note 27.6)

2) On July 6, 2012, the Board of Directors of the Parent Company approved the acquisition of 100% shares of stock of Chelsea Shipping Corp. (CSC) via share-for-share swap. The agreed purchase price amounted to P1,578.0 million payable as 90% issuance of new common shares of the Parent Company and 10% cash. Accordingly, 171.35 million new common shares were issued in favor of Udenna Management & Resources Corp., a related party under common control. The acquisition of CSC is accounted for as business combination using pooling-of-interest method (see Note 1.3 and 27.3).

3) Certain hauling and heavy equipment with carrying amount of P19.5 million, P23.7 million and P25.5 million as of December 31, 2014, 2013 and 2012, respectively, are carried under finance leases (see Notes 12.5, 17.6 and 30.5).

4) The Group's tankers were revalued by an independent appraiser in each year from 2009. Revaluation reserves amounted to P407.9 million, P286.6 million and P294.1 million as of December 31, 2014, 2013 and 2012, respectively (see Notes 12.2 and 27.5).

5) Interest payments amounting to P70.7 million, P71.4 million and P77.8 million in 2014, 2013 and 2012, respectively, were capitalized as part of the cost of property and equipment (see Notes 12.3 and 17).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

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

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

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

The Parent Company has a total of 418 operating retail service stations, comprising of 141 service stations in Luzon, 56 in the Visayas and 221 in Mindanao and a total of 61 service stations under construction as of December 31, 2014.

1.2 Subsidiaries, Associate and their Operations

The Parent Company holds ownership interests in the following entities as of December 31 (the Parent Company and the subsidiaries are collectively referred to as "the Group"):

	2014	2013
P-F-L Petroleum Management, Inc. (PPMI)	**100%**	100%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	**100%**	100%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	**100%**	100%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	**100%**	100%
Chelsea Shipping Corp. (CSC)	**100%**	100%
Bunkers Manila, Inc. (BMI)*	**100%**	100%
Michael, Inc. (MI)*	**100%**	100%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	**100%**	100%
Chelsea Ship Management Marine Services Corp. (CSMMSC)*	**100%**	100%
Fortis Tugs Corp. (FTC)*	**100%**	100%
Norse/Phil Marine Services Corp. (NPMSC)**	**45%**	45%

* *Wholly-owned subsidiaries of CSC*
***Associate of CSC*

All the subsidiaries were organized and incorporated in the Philippines.

PPMI is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the Securities and Exchange Commission (SEC) on January 31, 2007.

PGMI was registered with the SEC on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI has temporarily ceased its operation since 2008.

PPIPC is engaged in real estate development. PPIPC was registered with the SEC on March 7, 1996. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted to sell parcels of land on the Group's project, the Phoenix Petroleum Industrial Park (the Park).

SPTT was registered with the SEC on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time.

CSC was incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines.

BMI was registered with the SEC on March 7, 2000 to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines. Aside from international bunkering, BMI also ventures into hauling of marine fuel and petroleum products for major oil companies.

MI, which was registered with the SEC on December 26, 1957 and whose corporate life was approved to be extended for another 50 years by the SEC on May 6, 2008, is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil.

PNX – Chelsea was incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.

CSMMSC was incorporated on March 30, 2012 to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

FTC was incorporated on April 8, 2013 and started commercial operations on November 8, 2013. It is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines, and to acquire by purchase, charter, lease or modes recognized by law of obtaining title to or use of such equipment and properties, real or personal, which may be necessary to achieve such purpose.

NPMSC was incorporated on January 30, 2013 to engage in the business of providing technical ship services and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation. NPMSC started commercial operations on June 10, 2013.

PPMI's registered office is located at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The registered office of PGMI, CSC, BMI, MI and PNX – Chelsea, which is also their principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPIPC's registered office is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

The registered office of SPTT, which is also its principal place of business, is located at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales.

The registered address of CSMMSC and FTC, which is also their principal place of business, is located at the 26/F, Fort Legend Towers, 3rd Ave. corner 31st St., Bonifacio Global City, Taguig City.

The registered office of NPMSC, which is also its principal place of business, is located at 2/F Harbor Centre II Bldg., Railroad and Delgado Sts., South Harbor, Port Area, Manila.

1.3 Acquisition of CSC

On September 6, 2012, CSC became a wholly owned subsidiary of the Parent Company upon the approval of the Parent Company's stockholders of the acquisition of the 100% of CSC's outstanding shares from Udenna Management Resources Corp. (UMRC), a related party under common ownership (see Note 27.3). The acquisition was initially approved by the Parent Company's Board of Directors (BOD) on July 6, 2012 and was subsequently ratified by the Parent Company's stockholders on September 6, 2012.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 (including the comparative consolidated financial statements for the years ended December 31, 2013 and 2012) were authorized for issue by the Parent Company's BOD on February 11, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2014 that are Relevant to the Group*

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for the consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instrument: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed in the succeeding pages are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the Group did not recognize or reverse impairment losses on its non-financial assets during the year.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.

(iv) PFRS 10, PFRS 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosures of Interests in Other Entities, Separate Financial Statements – Exemption from Consolidation for Investment Entities.* The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. This amendment had no significant impact on the Group's consolidated financial statements as the Group does not have investment entities.

(v) Philippine Interpretation IFRIC 21, *Levies.* This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the consolidated financial statements. Accordingly, it clarifies that materiality applies to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the consolidated financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) FFRS 12 (Amendment), *Disclosures of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). The amendment clarifies that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(viii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment.* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the consolidated financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations.* The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments.* The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(e) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations.* The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement,* in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(c) PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries and an associate as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, 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. Subsidiaries are consolidated from the date the Parent Company obtains control.

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 16). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.13 and 2.24).

(b) *Investment in an Associate*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

The Parent Company holds interests in various subsidiaries and in an associate as presented in Notes 1 and 13.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the financial assets category relevant to the Group is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

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

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.6 Land Held for Sale and Land Development Costs

Land held for sale and land development costs are valued at the lower of cost and net realizable value. Land held for sale and land development costs includes the cost of land and actual development costs incurred as at the end of reporting period. Interest incurred during the development of the project is capitalized (see Note 2.19).

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of developing and the estimated costs necessary to make the sale.

2.7 Prepayments and Other Current Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.8 Land Held For Future Development

Land held for future development is valued at the lower of cost and net realizable value. Cost of land held for future development includes purchase price and other costs directly attributable to the acquisition of land.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of developing and estimated costs necessary to make the sale.

2.9 Property and Equipment

Land is stated at cost less any impairment in value. Tankers are measured at revalued amount less accumulated depreciation. All other property and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred, except for periodic drydocking costs performed at least every two years on the vessel, which are capitalized (see Note 2.10).

Following initial recognition, tankers are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amounts represent fair values determined based on appraisals by external professional valuer once every two years unless more frequently if market factors indicate a material change in fair value (see Note 5.4).

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

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

Marine Tankers	30 years
Buildings, depot and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Vessel equipment	5 years
Hauling and heavy equipment	1-5 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-3 years

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

Hauling and heavy equipment held under finance lease agreements (see Note 2.15) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

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

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

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

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

2.10 Drydocking Costs

Drydocking costs are considered major repairs that preserve the life of the vessel. As an industry practice, costs associated with drydocking are amortized over two years or until the next drydocking occurs, whichever comes earlier. When significant drydocking expenditures occur prior to their expiry, any remaining unamortized balance of the preceding drydocking costs is expensed in the month of the subsequent drydocking.

Amortization of drydocking costs starts only when the process has been completed and the related vessel is ready for use.

The carrying amount of drydocking costs, presented as part of the Other Non-current Asset account in the consolidated statement of financial position, is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The carrying amount of drydocking costs is derecognized upon derecognition of the related tanker. The computed gain or loss arising on the derecognition of the tanker takes into consideration the carrying amount of drydocking costs and is included in profit or loss in the year the related tanker is derecognized (see Note 2.9).

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), due to related parties and security deposits (presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

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

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.15 and 30.5).

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

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

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Provisions and Contingencies

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

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

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

2.13 Business Combinations

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

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

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

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

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

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

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

Under the pooling-of-interest method, similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT), rebates and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e. generally when the customer has acknowledged delivery of goods or when the customer has taken undisputed delivery of goods.

(b) *Charter fees* – Revenue, which consists mainly of charter income arising from the charter hire of tankers, is recognized based on the type of charter arrangement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or a bareboat agreement (BB) [see Note 3.1*(d)*]. Under a TC and BB, revenue is recognized based on the terms of the contract, with the distinction that in a BB, no administration or technical maintenance is included as part of the agreement. Under a CVC, revenue is recognized upon completion of the voyage; however, appropriate accrual of revenue is made at the end of the reporting period.

(c) *Fuel service and other revenues, port revenues and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. This account includes franchise income, which has minimal amount. In addition, this includes revenue arising from port and cargo handling services.

(d) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.15).

(e) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

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

The cost of real estate sold, if any, before the completion of the development is determined based on the actual costs incurred to date which include the cost of land plus estimated costs to complete the project development. The estimated expenditures for the development of sold real estate, as determined by project engineers, are charged to Cost of Sales and Services account in the consolidated statement of comprehensive income with a corresponding credit to accrued expenses presented under the Trade and Other Payables account in the consolidated statement of financial position. Effects of any revisions in the total project cost estimates are recognized in the year in which the changes become known.

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

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

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

2.16 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment in an associate, drydocking costs (presented as part of Other Non-current Assets in the consolidated statement of financial position), goodwill and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill that is tested for impairment at least annually.

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

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

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

2.18 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

2.19 Borrowing Costs

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

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

2.20 Income Taxes

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

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

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

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

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

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

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

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

2.21 Offsetting Financial Instruments

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

2.22 Related Party Transactions and Relationships

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

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

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

2.23 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 29 which represent the main products and services provided by the Group.

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

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

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

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.24 Equity

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

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's tankers and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves pertain to the difference between the Parent Company's cost of investment and the acquired net assets of CSC accounted for under the pooling-of-interest method (see Notes 2.3 and 2.13).

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

2.25 Earnings per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinguishing Operating and Finance Leases

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

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant contingencies are presented in Note 30.

(c) Qualifying Assets on Borrowing Costs

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

(d) Revenue Recognition for Charter Fee Arrangements

In determining the appropriate method to use in recognizing the Group's revenue from TC, CVC and BB, management considers the following criteria: (1) whether the fulfilment of the arrangement is dependent on the use of a specific vessel; and, (2) whether the arrangement conveys a right to use the vessel. Management determined that if both criteria are met, the revenue should be recognized using the straight-line method over the term of the contract (see Note 2.14). Otherwise, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables and Due from Related Parties

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from related parties is shown in Note 26.4. The Group has determined that no impairment loss on Due from Related Parties account should be recognized in 2014, 2013 and 2012.

(b) Determining Net Realizable Value of Inventories

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

(c) Determining Net Realizable Value of Land Held for Sale and Land Development Costs and Land Held for Future Development

In determining the net realizable value of land held for sale and land development costs and land held for future development, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amounts of land held for sale and development costs and land held for future development is affected by price changes and demand from the target market segments. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments within the next financial reporting period.

(d) Estimating Useful Lives of Property and Equipment and Drydocking Costs

The Group estimates the useful lives of property and equipment and drydocking costs based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and drydocking costs are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and drydocking costs are analyzed in Notes 12 and 15, respectively. Based on management's assessment as of December 31, 2014 and 2013, there is no change in the estimated useful lives of the property and equipment and drydocking costs during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Fair Value Measurement of Tankers

The Group's tankers, presented as part of the Property and Equipment account, are carried at revalued amount at the end of the reporting period. In determining the fair values of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.4.

For tankers with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of the Group's tankers.

A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on the Group's tankers are disclosed in Note 12.

(f) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2014 and 2013 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2014 and 2013 is disclosed in Note 25.

(g) Estimating Liability for Land Development

Obligations to complete development of real estate are based on actual costs and project estimates of the Group's contractors and technical personnel. These costs are reviewed at least annually and are updated if expectations differ from previous estimates. Liability to complete the project for sold units included in the determination of cost of sales amounting to P0.1 million as of December 31, 2014 and 2013, are presented as part of accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 18).

(h) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 23.2.

(i) Estimating Development Costs

The accounting for real estate requires the use of estimates in determining costs and gross profit recognition. Cost of real estate sold (under Cost of Sales and Services in the consolidated statement of comprehensive income) includes estimated costs for future development. The development cost of the project is estimated by the Group's contractors and technical personnel. Many factors influence a project development cost estimate, which include among others, the geographic location of the project, quantity of materials and item availability, general soil conditions and scheduling of resources including labor and equipment. At the end of reporting period, these estimates are reviewed and revised to reflect the current conditions, when necessary.

(j) Impairment of Non-Financial Assets

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

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2014, 2013 and 2012.

(k) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Market Risk

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

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US$). The liability covering the fuel importation is covered by letter of credits which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has several U.S. dollar loans from certain banks which were used to finance its capital expenditures (see Note 17). The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate follow:

	2014	2013
Financial assets	**P4,383,654,349**	P 1,174,762,469
Financial liabilities	**(2,988,051,570)**	(1,465,688,449)
Net exposure	**P1,395,602,779**	(P 290,925,980)

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2014	2013
Reasonably possible change in rate	**27.8%**	23.4%
Effect in profit before tax	**P 387,977,573**	(P 68,076,679)
Effect in equity after tax	**271,584,301**	(47,653,675)

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of December 31, 2014 and 2013, the Group is exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates (see Notes 6 and 17). All other financial assets and liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.96% and +/-1.10% in 2014 and 2013, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.68% and +/-1.67% for Philippine peso and +/-0.31% and +/-0.69% for U.S. dollar in 2014 and 2013, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of the each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P68.2 million and +/- P85.9 million for the years ended December 31, 2014 and 2013, respectively.

(c) Other Price Risk

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

4.2 Credit Risk

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

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	Notes	**2014**	2013
Cash and cash equivalents	6	**P 555,508,720**	P 357,220,520
Trade and other receivables – net	7	**3,789,225,134**	6,402,695,635
Due from related parties	26.4	**10,373,356**	2,747,994
Restricted deposits	10, 15	**71,670,538**	96,683,441
Refundable rental deposits	15	**172,226,696**	180,951,286
		P 4,599,004,444	P7,040,298,876

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables and Due from Related Parties

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee which approves credit lines given to its customers. The Group's Credit and Collection Department, which regularly reports to the Credit Committee, continuously monitors customers' performance and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade and other receivables are past due at the end of the reporting date. The age of financial assets past due but not impaired is as follows:

	2014	2013
Not more than one month	**P 205,924,748**	P 182,306,369
More than one month but not more than two months	**152,505,688**	149,532,251
More than two months but not more than six months	**87,978,949**	120,856,868
More than six months but not more than one year	**74,091,227**	69,157,737
More than one year	**86,449,908**	45,598,603
	P 606,950,520	P 567,451,828

In respect of due from related parties, the Group has assessed that these advances are collectible and the credit risk exposure is considered to be low.

4.3 Liquidity Risk

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

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

As of December 31, 2014, the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 7,011,246,094	P 1,692,894,035	P 6,116,547,965
Trade and other payables (excluding tax-related payables)	3,193,805,959	517,524,441	-
Due to related parties	17,204,725	-	-
Security deposits	-	-	158,325,351
	P10,222,256,778	**P 2,210,418,476**	**P 6,274,873,316**

This compares to the maturity of the Group's financial liabilities as of

December 31, 2013 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 6,050,573,611	P 2,726,331,756	P 6,007,722,903
Trade and other payables (excluding tax-related payables)	818,142,220	451,750,258	-
Due to related parties	33,991,925	30,169,318	-
Security deposits	-	-	275,962,723
	P 6,902,707,756	P 3,208,251,332	P 6,283,685,626

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

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

5.1 *Carrying Amounts and Fair Values by Category*

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

		2014		2013	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 555,508,720	P 555,508,720	P 357,220,520	P 357,220,520
Trade and other receivables-net	7	3,789,225,134	3,789,225,134	6,402,695,635	6,402,695,635
Due from related parties	26.4	10,373,356	10,373,356	2,747,994	2,747,994
Restricted deposits	10, 15	71,670,538	71,670,538	96,683,441	96,683,441
Refundable rental deposits	15	172,226,696	172,226,696	180,951,286	180,951,286
		P 4,599,004,444	P 4,599,004,444	P 7,040,298,876	P 7,040,298,876
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P 13,842,643,397	P 13,842,643,397	P 13,751,738,817	P 13,751,738,817
Trade and other payables*	18	3,711,330,400	3,711,330,400	1,269,892,478	1,269,892,478
Due to related parties	26.4	17,204,725	17,204,725	64,161,243	64,161,243
Security deposits	19	158,325,351	158,325,351	275,962,723	275,962,723
		P 17,729,503,873	P 17,729,503,873	P 15,361,755,261	P 15,361,755,261

**Excludes tax-related payables*

See Notes 2.4 and 2.11 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

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

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

5.3 Fair Instruments Measured at Amortized Cost for which Fair Value is Disclosed

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

		2014			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 555,508,720	P -	P -	P 555,508,720
Trade and other receivables - net	7	-	-	3,789,225,134	3,789,225,134
Due from related parties	26.4	-	-	10,373,356	10,373,356
Restricted deposits	10, 15	71,670,538	-	-	71,670,538
Refundable rental deposits	15	-	-	172,226,696	172,226,696
		P 627,179,258	P -	P3,971,825,186	P4,599,004,444

	Notes	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans					
and borrowings	17	P -	P -	P 13,842,643,397	P 13,842,643,397
Trade and other payables	18	-	-	3,711,330,400	3,711,330,400
Due to related parties	26.4	-	-	17,204,725	17,204,725
Security deposits	19	-	-	158,325,351	158,325,351
		P -	P -	P 17,729,503,873	P 17,729,503,873

	Notes	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 357,220,520	P -	P -	P 357,220,520
Trade and other receivables - net	7	-	-	6,402,695,635	6,402,695,635
Due from related parties	26.4	-	-	2,747,994	2,747,994
Restricted deposits	10, 15	96,683,441	-	-	96,683,441
Refundable rental deposits	15	-	-	180,951,286	180,951,286
		P 453,903,961	P -	P 6,586,394,915	P7,040,298,876
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans					
and borrowings	17	P -	P -	P 13,751,738,817	P 13,751,738,817
Trade and other payables	18	-	-	1,269,892,478	1,269,892,478
Due to related parties	26.4	-	-	64,161,243	64,161,243
Security deposits	19	-	-	275,962,723	275,962,723
		P -	P -	P 15,361,755,261	P 15,361,755,261

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

The fair values of the financial assets and financial liabilities included in Level 3 in the preceding page, which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since not all significant inputs required to determine the fair value of the other instruments not included in Level 1 are observable, these are included in Level 3.

5.4 Fair Value Measurements for Non-financial Assets

a) Determining Fair Value of Tankers

The fair values of the Group's tankers, included as part of the Property and Equipment account, were determined based on the appraisal reports of a professional and independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the tanker.

In estimating the fair value of these tankers, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of tankers was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

b) Other Fair Value Information

The reconciliation of the carrying amount of tankers included in Level 3 is presented in Note 12.2.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2014 and 2013.

5.5 *Offsetting of Financial Assets and Financial Liabilities*

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

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 4,031,673,199	(P 242,448,065)	P 3,789,225,134	P -	P -	P 3,789,225,134
Restricted deposits	70,406,743	-	70,406,743	(70,406,743)	-	-
	P 4,102,079,942	(P 242,448,065)	P 3,859,631,877	(P 70,406,743)	P -	P 3,789,225,134

	December 31, 2013					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Restricted deposits	P 95,419,646	P -	P 95,419,646	(P 95,419,646)	P -	P -

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

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,842,643,397	P -	P 13,842,643,397	(P 70,406,743)	P -	P 13,772,236,654
Trade and other payables	3,769,778,465	(58,448,065)	3,711,330,400	-	-	3,711,330,400
Security deposits	342,325,351	(184,000,000)	158,325,351	-	-	158,325,351
	P 17,954,747,213	(P 242,448,065)	P 17,712,299,148	(P 70,406,743)	P -	P 17,641,892,405

	December 31, 2013					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,751,738,817	P -	P 13,751,738,817	(P 95,419,646)	P -	P 13,656,319,171

6. CASH AND CASH EQUIVALENTS

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

	2014	2013
Revolving fund	**P 1,131,815**	P 21,213,984
Cash on hand	**10,335,747**	7,731,306
Cash in banks	**538,072,742**	249,585,435
Short-term placements	**5,968,416**	78,689,795
	P 555,508,720	P 357,220,520

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 3.00% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 2.10% to 7.10% per annum in all years presented. Interest income earned amounted to P2.8 million, P7.8 million and P9.4 million in 2014, 2013 and 2012, respectively, and is included as part of Finance Income in the statements of comprehensive income (see Note 22.2).

The balances of cash in banks as of December 31, 2014 and 2013 exclude restricted time deposits amounting to P71.7 million and P96.7 million, respectively, which are shown as Restricted Deposits account (see Note 10) and restricted time deposits under Other Non-current Assets (see Note 15) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17.1).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2014	2013
Trade receivables:			
Third parties		**P 3,771,130,305**	P 6,323,073,299
Related parties	26.1	**25,524,583**	37,334,222
		3,796,654,888	6,360,407,521
Advances to suppliers:			
Third parties	30.7	**4,001,272,283**	924,304,898
Related parties	26.2	**10,024,800**	2,000,000
		4,011,297,083	926,304,898
Non-trade receivables		**242,324,636**	237,344,364
Advances subject to liquidation		**32,189,974**	14,793,393
Other receivables		**34,636,908**	49,257,584
		8,117,103,489	7,588,107,760
Allowance for impairment		**(284,391,298)**	(244,313,834)
		P 7,832,712,191	P 7,343,793,926

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2014 and 2013. Impairment losses amounted to P40.1 million, P18.0 million and P37.9 million in 2014, 2013 and 2012, respectively, and are presented as part of Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income (see Note 22.1).

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note	2014	2013
Balance at beginning of year		**P 244,313,834**	P 226,354,832
Impairment loss for the year	22.1	**40,077,464**	17,959,002
Balance at end of year		**P 284,391,298**	P 244,313,834

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

Advances to suppliers include amounts initially paid to foreign corporation amounting to P89.6 million (US$2.0 million) as of December 31, 2014, in relation to the Memorandum of Agreement (MOA) entered into by PNX – Chelsea for the importation of one unit of oil tanker vessel (MT Chelsea Denise II) from China for a total consideration of $7.3 million.

Non-trade receivables mostly pertain to receivable from locators and accrued rent and franchise income. Non-trade receivables also include P12.9 million and P12.7 million worth of reimbursable costs incurred by the Group as of December 31, 2014 and 2013, respectively, in relation to its TC agreement with a certain third party.

Other receivables include partial claims from an insurance company amounting to P32.9 million and P31.9 million as of December 31, 2014 and 2013, respectively, which is related to an incident encountered by certain vessels of the Group and one of FTC's tugboats. The amount represents the actual costs incurred for the vessels, net of the applicable deductible clause. In 2014, the Group received a notice of the final amount to be settled by the insurance company based on the computations provided by the adjuster. Out of the outstanding claim of the Group of P32.9 million, only P29.0 million will be collectible; hence, the remaining balance of P3.9 million was recognized as Loss on settlement of insurance claims, which is presented as part of Finance Costs in the 2014 consolidated statement of comprehensive income (see Note 22.1).

Certain trade receivables amounting to P33.3 million and P15.5 million as of December 31, 2014 and 2013, respectively, were used as collateral to the Group's interest-bearing loans and borrowings [see Notes 17.5*(a)*, 17.5*(b)* and 17.5*(e)*].

8. INVENTORIES

Inventories which are stated at cost are broken down as follows:

	2014	2013
Fuel	**P2,564,596,748**	P 3,589,175,766
Lubricants	**306,133,400**	223,353,772
Others	**98,921**	3,135
	P2,870,829,069	P 3,812,532,673

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P2,138.5 million and P3,554.4 million as of December 31, 2014 and 2013, respectively, have been released to the Group in trust for the bank. The Group is accountable to the bank for the trusteed inventories or their sales proceeds (see Note 17.1).

There were no inventory write-down in all of the years presented.

An analysis of the cost of inventories included in the cost of fuels and lubricants sold in each year is presented in Note 20.1.

9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs stated at cost relate to the following as of December 31:

	2014	2013
Land held for sale	**P 450,786,035**	P 483,927,707
Land development costs	**35,199,776**	19,744,767
	P 485,985,811	P 503,672,474

The land held for sale was used as security for the Group's installment payable with Land Bank of the Philippines (LBP) [see Note 17.2*(a)*].

Land development costs pertain to expenditures for the development and improvement of the land held for sale of the Park.

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P70.4 million and P95.4 million as of December 31, 2014 and 2013, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies (see Note 17.1). Interest rates for this type of deposit range from 2.40% to 5.98% per annum for all the years presented.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2014	2013
Prepayments	**P 577,645,850**	P 167,721,208
Creditable withholding tax	**353,395,385**	174,300,564
Supplies	**215,476,323**	144,038,688
Others	**114,982**	3,852,717
	P 1,146,632,540	P 489,913,177

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2014 and 2013 are shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
December 31, 2014											
Cost or valuation	P 3,824,032,006	P 97,172,129	P1,946,995,014	P 84,756,860	P 579,287,791	P 75,106,949	P4,440,508,081	P 265,909,110	P 641,719,262	P 996,711,879	P 12,952,199,081
Accumulated depreciation and amortization	(793,867,463)	(47,067,752)	(372,424,732)	(67,337,047)	(293,248,875)	(66,443,159)	(548,682,231)	(74,518,918)	-	-	(2,263,590,177)
Net carrying amount	**P 3,030,164,543**	**P 50,104,377**	**P1,574,570,282**	**P 17,419,813**	**P 286,038,916**	**P 8,663,790**	**P 3,891,825,850**	**P 191,390,192**	**P 641,719,262**	**P 996,711,879**	**P 10,688,608,904**
December 31, 2013											
Cost or valuation	P 2,940,015,956	P 68,286,414	P1,349,077,762	P 76,438,965	P 547,121,336	P 66,714,204	P3,102,998,637	P 132,261,485	P 358,163,195	P 1,643,322,006	P 10,284,399,960
Accumulated depreciation and amortization	(633,529,168)	(36,606,594)	(189,963,789)	(56,019,329)	(228,201,903)	(63,532,510)	(410,279,603)	(37,776,595)	-	-	(1,655,909,491)
Net carrying amount	P 2,306,486,788	P 31,679,820	P1,159,113,973	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,628,490,469
January 1, 2013											
Cost or valuation	P 3,084,915,381	P 55,656,133	P 407,092,708	P 75,462,927	P 338,114,309	P 63,195,010	P2,935,833,849	P 109,371,360	P 314,817,213	P 826,164,543	P 8,210,623,433
Accumulated depreciation and amortization	(488,342,896)	(34,646,602)	(90,255,972)	(59,479,148)	(161,728,911)	(58,709,091)	(306,045,202)	(12,629,793)	-	-	(1,211,837,615)
Net carrying amount	P 2,596,572,485	P 21,009,531	P 316,836,736	P 15,983,779	P 176,385,398	P 4,485,919	P 2,629,788,647	P 96,741,567	P 314,817,213	P 826,164,543	P 6,998,785,818

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013 of property and equipment is shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 2,306,486,788	P 31,679,820	P 1,159,113,973	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,628,490,469
Additions	124,963,964	28,885,715	116,897,418	8,181,587	32,527,133	8,977,566	168,433,749	49,842,599	283,556,067	1,722,010,278	2,544,276,076
Revaluation increment	-	-	-	-	-	-	180,637,550	-	-	-	180,637,550
Transfers	760,494,436	-	482,071,526	174,656	308,573	-	988,438,145	83,805,026	-	(2,368,620,405)	(53,328,043)
Cost of asset disposed	(1,442,350)	-	(1,051,692)	(38,348)	(669,251)	(584,821)	-	-	-	-	(3,786,462)
Accumulated depreciation of asset disposed	1,442,350	-	361,152	38,348	614,935	380,134	-	-	-	-	2,836,919
Depreciation and amortization charges for the year	(161,780,645)	(10,461,158)	(182,822,095)	(11,356,066)	(65,661,907)	(3,290,783)	(138,402,628)	(36,742,323)	-	-	(610,517,605)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 3,030,164,543	P 50,104,377	P 1,574,570,282	P 17,419,813	P 286,038,916	P 8,663,790	P 3,891,825,850	P 191,390,192	P 641,719,262	P 996,711,879	P 10,688,608,904
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 2,596,572,485	P 21,009,531	P 316,836,736	P 15,983,779	P 176,385,398	P 4,485,919	P 2,629,788,647	P 96,741,567	P 314,817,213	P 826,164,543	P 6,998,785,818
Additions	183,013,627	15,921,442	111,480,716	13,553,509	136,021,056	5,279,959	160,317,430	22,890,125	43,345,982	1,433,496,226	2,125,320,072
Revaluation increment	-	-	-	-	-	-	6,847,358	-	-	-	6,847,358
Transfers	(324,753,648)	3,092,242	842,451,561	13,076,749	82,471,859	-	-	-	-	(616,338,763)	-
Cost of asset disposed	(3,159,404)	(6,383,403)	(11,947,223)	(25,654,220)	(9,485,888)	(1,760,765)	-	-	-	-	(58,390,903)
Accumulated depreciation of asset disposed	1,332,633	6,379,948	10,536,181	12,784,339	8,874,799	-	-	-	-	-	39,907,900
Depreciation and amortization charges for the year	(146,518,905)	(8,339,940)	(110,243,998)	(9,324,520)	(75,347,791)	(4,823,419)	(104,234,401)	(25,146,802)	-	-	(483,979,776)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 2,306,486,788	P 31,679,820	P 1,159,113,973	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,628,490,469

12.1 Acquisition of Vessel – MT Chelsea Donatela

In 2013, PNX – Chelsea entered into a MOA with a foreign corporation for the importation of one unit of oil tank vessel (MT Chelsea Donatela) from China for US$21.2 million [see Note 17.2(g)]. The construction of the vessel was completed in 2014 and had its first voyage on July 15, 2014.

As of December 31, 2013, the vessel is still under construction. Since the vessel is not yet ready for use, the contract price of the vessel, costs incurred for the major improvements made to the vessel and other incidental costs totaling P418.6 million are recognized as construction in progress and presented as part of Property and Equipment - net in the 2013 consolidated statement of financial position. The whole amount was then reclassified to tankers in 2014 upon completion of the vessel.

MT Chelsea Donatela is used as collateral to secure the payment of interest-bearing loan obtained to finance the acquisition of the vessel [see Note 17.2*(g)*].

12.2 Fair Value of Tankers

The Group's tankers are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 27.5).

The information on the fair value measurement and disclosures related to the revalued tankers are presented in Note 5.4.

If the tankers were carried using the cost model, the cost, accumulated depreciation and carrying amount as of December 31 would be as follows:

	2014	2013
Cost	**P 5,905,411,437**	P 4,843,406,123
Accumulated depreciation	**(848,386,914)**	(671,334,763)
	P5,057,024,523	P 4,172,071,360

12.3 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P70.7 million and P71.4 million as of December 31, 2014 and 2013, respectively, representing the actual borrowing costs incurred on borrowings obtained to fund the retail stations and depot facilities. The average capitalization rate used was 8.5% both in 2014 and 2013.

12.4 Collaterals

Port expansion facilities with carrying value of P192.9 million as of December 31, 2013, are used to secure the Group's installment payable with LBP [see Note 17.2*(a)*].

Certain property and equipment with an aggregate carrying value of nil and P24.2 million as of December 31, 2014 and 2013, respectively, are mortgaged with local banks [see Note 17.2*(b)*].

As of December 31, 2014 and 2013, certain tankers owned by the Group with carrying value of P1,483.7 million and P1,420.1 million as of December 31, 2014 and 2013, respectively, were used as collaterals for the interest-bearing loans from various local commercial banks [see Notes 17.2*(c)*, 17.4, 17.5*(a)* and 17.5*(b)*].

Moreover, certain service vehicle of the Group with carrying value of P3.0 million and P40.9 million as of December 31, 2014 and 2013, respectively, was used as collateral for mortgage payable (see Note 17.7).

12.5 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to P19.5 million and P23.7 million as of December 31, 2014 and 2013, respectively (see Note 17.6).

12.6 Depreciation and Amortization

The amount of depreciation and amortization is allocated as follows:

	Notes		**2014**		2013		2012
Cost of services	20.2	**P**	**201,694,106**	P	149,726,182	P	122,984,227
Selling and administrative expenses			**408,823,499**		334,253,594		258,443,669
	21	**P**	**610,517,605**	P	483,979,776	P	381,427,896

As of December 31, 2014 and 2013, the cost of fully-depreciated property and equipment still used in operations amounted to P247.0 million and P146.7 million, respectively.

13. INVESTMENT IN AN ASSOCIATE

The Group has 45% equity interest in NMPSC which management considered to be material to the Group. The investment in NPMSC is accounted for using the equity method in these consolidated financial statements.

The summarized financial information of NPMSC is shown below.

	2014	2013
Total assets	**P 15,860,855**	P 11,823,327
Total liabilities	**5,699,029**	7,705,459
Total equity	**10,161,826**	4,117,868
Total revenues	**36,353,600**	19,659,530
Net profit (loss)	**6,043,958**	(882,132)

The Group did not recognize its share of the net profit (loss) of NPMSC in the Group's consolidated statements of comprehensive income as the Group's management deemed it to be insignificant.

No dividends were received from NPMSC in 2014 and 2013.

NPMSC is a private company and there are no quoted prices available for its shares of stocks.

14. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents the Group's land property totaling to 44 hectares in Phase 2 and 3 of the Park that is intended for sale once developed.

The Group's land held for future development was used as collateral for the Group's installment payable with LBP [see Note 17.2*(a)*].

15. OTHER NON-CURRENT ASSETS

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

	Notes	2014	2013
Refundable rental deposits	26.3	**P 172,226,696**	P 180,951,286
Advances for future investment in a joint venture		**67,750,000**	-
Drydocking costs – net		**58,281,453**	46,588,245
Deferred minimum lease payments		**34,379,811**	34,554,625
Restricted time deposits	6	**1,263,795**	1,263,795
Others		**2,208,763**	6,857,099
		P 336,110,518	P 270,215,050

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P0.6 million both in 2014 and 2013, and P1.2 million in 2012, and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 22.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statement of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P0.9 million, P0.8 million and P1.4 million in 2014, 2013 and 2012, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 21).

Advances for future investment in a joint venture represent the Group's payment to a certain third party for the Group's partial share in the investment in future joint venture, per memorandum of agreement entered into with the said third party. The Group and the third party, through the future joint venture, are committed to construct a terminal and storage facility.

Restricted time deposits represent cash deposited with a local bank as an environmental trust fund set aside in compliance with the requirements of the Department of Environment and Natural Resources.

Presented below is a reconciliation of the carrying amount at the beginning and end of 2014 and 2013 of drydocking costs.

	Notes	2014	2013
Balance at beginning of year		**P 46,588,245**	P 64,433,228
Transfer from construction in progress	12	**53,328,043**	-
Additions		**8,229,538**	26,597,993
Amortization during the year	20.2, 21	**(49,764,310)**	(44,420,301)
Disposal		**(100,063)**	(22,675)
Balance at end of year		**P 58,281,453**	P 46,588,245

Amortization pertaining to drydocking costs is presented as part of depreciation and amortization under Cost of Sales and Services in the consolidated statements of comprehensive income (see Note 20.2).

Drydocking costs are being amortized over two years or until the occurrence of the next drydocking, whichever comes earlier.

16. GOODWILL

Goodwill amounting to P84.5 million as of December 31, 2014 and 2013, represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition. In 2012, the Parent Company assessed that the goodwill pertaining with PGMI is impaired, hence, full impairment loss amounting to P1.3 million was recognized.

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2014	2013
Current:		
Liabilities under letters of credits and trust receipts	**P 3,640,151,291**	P 6,777,195,674
Installment and notes payable	**2,163,017,181**	1,104,979,911
Liabilities under short-term commercial papers	**1,942,752,503**	-
Bank loans	**364,293,475**	55,923,184
Term loans	**359,737,069**	255,841,741
Obligations under finance lease	**7,462,297**	7,559,190
Mortgage payable	**1,611,934**	5,729,784
	P8,479,025,750	P 8,207,229,484
Non-current:		
Installment and notes payable	**P 4,319,927,159**	P 4,678,622,549
Term loans	**1,036,612,418**	799,094,377
Obligations under finance lease	**5,671,371**	13,226,187
Mortgage payable	**1,406,699**	3,553,774
Bank loans	**-**	50,012,446
	P 5,363,617,647	P 5,544,509,333

17.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of letters of credit (LC) and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 5.00% per annum in 2014 and 6.50% per annum both in 2013 and 2012.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits and a surety of a stockholder [see Notes 6, 10 and 26.6*(a)*].

17.2 Installment and Notes Payable

(a) Installment Loan with LBP

On April 16, 2010, the Group availed the P580.0 million loan with LBP. The loan with LBP was used to refinance the installment payable with PHINMA Group via take-out of the outstanding installment payable to PHINMA Group. The refinanced installment payable is payable for seven years with one year grace period on principal and bears an interest rate based on the prevailing LBP rate at the time of availment subject to quarterly repricing with reference to a three month PDST-F rate plus minimum spread of 2.5%. The installment payable with LBP is secured by the Group's parcel of land with carrying value of P326.7 million as of December 31, 2013, which is presented as part of land held for sale (see Note 9) and land held for future development (see Note 14), and port expansion facilities with carrying value of P192.9 million as of December 31, 2013, which is presented as part of buildings, depot and pier facilities (see Note 12.4). These securities were released upon full payment of the loan in 2014.

The outstanding balance of the principal of the loan as of December 31, 2013 amounted to P67.5 million.

(b) Notes Facility Agreement with BDO Group

In 2011, the Group availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO Capital & Investment Corporation, Banco De Oro Unibank, Inc. (BDO), Maybank Philippines, Inc., Robinsons Bank Corporation and Banco de Oro Unibank, Inc. – Trust and Investment Group. The long-term loan amounting to P700.0 million with interest rate of 7.35% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.66% is payable on August 23, 2018.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P727.5 million and P742.0 million, respectively.

(c) Omnibus Loan and Security Agreement (OLSA) with PBComm

On February 10, 2012, the Group entered into a loan agreement with PBComm amounting to P107.0 million to partly finance the double hulling and drydocking of a vessel owned by the Group. In February and May 2012, PBComm released the loan amounting to P65.0 million and P42.0 million, respectively. The loan is subject to annual interest rate of 9.5% and is payable in 36 equal monthly installments with one quarter grace period from date of each release.

The loan is secured by a chattel mortgage on two of the tankers (MT Chelsea Resolute and MT Ernesto Uno) of the Group with net book value amounting to P332.1 million and P317.5 million as of December 31, 2014 and 2013, respectively (see Note 12.4).

The loan agreement requires the Group to maintain a debt-to-equity ratio of not more than 4:1. As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P8.0 million and P41.2 million, respectively.

(d) OLSA with BDO – MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit of oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million.

In connection with the MOA, the Group entered into an OLSA amounting to US$14.5 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan is payable into 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to interest computed at one-year LIBOR plus applicable margin of 3.50% per annum.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of P1,100.4 million and P1,059.8 million as of December 31, 2014 and 2013, respectively.

Related debt issuance costs amounted to P8.2 million of which P1.4 million and P2.3 million was amortized in 2014 and 2013, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income (see Note 22.1). The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P404.4 million and P496.9 million, respectively.

(e) Convertible Notes Facility Agreement with BDO

On July 11, 2012, the Parent Company executed a Convertible Notes Facility Agreement worth P500.0 million with warrants offering amounting to P180.0 million with BDO. The loan is subject to annual interest rate of 7.6% and is payable quarterly in arrears over its three years term. The issuance of the convertible note is part of the Group's plan to raise long-term capital, to refinance short-term debt and finance capital expenditures.

BDO is granted the option to convert all or any portion of the unpaid principal amount of the notes held by it into the conversion shares exercisable at any time upon written notice by BDO to the Parent Company specifying the time and date of the conversion. Also, BDO has the option to elect one nominee to the Parent Company's BOD which option may be exercised anytime after signing date and on or before conversion date.

For and in consideration of the subscription of BDO to the convertible notes issued by the Parent Company, the latter also granted the former the right to subscribe to the warrants to be issued by the Parent Company which is convertible into common shares of the Parent Company up to the aggregate principal amount of P180.0 million. The availment of the convertible note and the issuance of the warrant were approved by the Parent Company's stockholders during a special stockholders' meeting held on September 6, 2012. The Parent Company's stockholders also authorized the execution, delivery and performance of Subscription Agreement between the Parent Company and BDO in relation to the issuance of the warrants.

The exercise price of the option to convert the note to the Parent Company's common shares and the warrant is equivalent to a determined price base plus a premium of fifteen percent. The exercise based used was the 30-day volume-weighted average price of the Parent Company's share on the PNX PM Equity HP page of Bloomberg from May 24, 2012 to July 5, 2012 which is equal to P8.3 per share. The exercise period consists of a two-year period commencing on the third anniversary date of the convertible notes issue date and expiring five years thereafter.

Considering that a fixed number of shares will be issued for options and warrants, the warrants and options may qualify as an equity instrument to be recorded as a separate component in the equity in the Group's consolidated financial statements. The Group's management , however, assesses that at the date of the initial recognition, the equity component has no value since the interest rate to be charged by the lender on the convertible note with warrants is similar to the interest rate of the note had it been issued without conversion options and warrants. As such, the fair value of the hybrid convertible note and the host instrument is the same resulting in the nil value of the equity component at the date of initial recognition.

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 1.5:1.

The outstanding balance of the principal of the note as of both December 31, 2014 and 2013 amounted to P500.0 million.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants.

(f) Notes Facility Agreement with China Banking Corporation and Pentacapital Investment Corporation

On November 8, 2012, the Parent Company entered into a notes facility agreement with China Banking Corporation and Pentacapital Investment Corporation totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.75% which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Parent Company for the roll out of the retails stations, for debt financing, to support capital expenditures and for other general corporate purposes.

By virtue of the notes facility agreement, the Parent Company affirms that it shall maintain the listing of its common shares with PSE and shall not declare or pay any dividends to stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated.

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 1.5:1.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P2,476.2 million and P2,468.5 million, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants.

(g) OLSA with BDO – MT Chelsea Donatela

In 2013, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit oil tanker (MT Chelsea Donatela) of PNX - Chelsea in the amount of US$21.2 million (see Note 12.1). In connection with the acquisition of an oil tank vessel, the Group entered into an OLSA amounting to US$14 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. In September 2013, the local bank granted the loan and released the first tranche amounting to US$4 million. The second tranche amounting to US$10 million was availed of by the Group in 2014. The loan is payable for a period of five years from the initial drawdown date in US$560,000 quarterly principal installments and any unpaid balance on maturity date, with two quarter grace period, commencing after the second tranche. The loan bears effective interest rate of 5.25% per annum.

Interest incurred on these loans amounted to P29.2 million and P3.3 million in 2014 and 2013, respectively, and is shown as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income. Related debt issuance costs amounted to P9.6 million of which P1.5 million and P0.1 million was amortized during 2014 and 2013, respectively, using effective interest rate of 5.58% and 5.54%, respectively. Amortized debt issuance cost was also recognized as part of the Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 22.1). Unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The loan is secured by a chattel mortgage of MT Chelsea Donatela upon its delivery and registration with the Maritime Industry Authority. The carrying amount of MT Chelsea Donatela, presented as part of construction in progress, amounted to P1,091.0 million and P418.6 million as of December 31, 2014 and 2013, respectively (see Note 12.1).

The OLSA requires the Group to maintain debt to equity ratio of not more than 1.5:1 and debt coverage ratio (DCR) of at least 1.20, except on drydocking year where minimum DCR shall be 1.00. The Group filed a waiver with the local bank for the debt covenant ratios.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P595.1 million and P171.6 million, respectively.

(h) Notes Payable

The Group availed of borrowings from various local banks with interest rates ranging from 7.0% to 10.2% per annum and will mature within five to seven years. The loans, which are secured by the Groups's certain buildings, depot and pier facilities and hauling and heavy equipment, is payable quarterly (see Note 12.4).

17.3 Liabilities under Short-term Commercial Papers

On October 23, 2014, the SEC approved the Parent Company's registration, licensing and issuance of short-term commercial papers up to P2.0 billion. The short-term commercial papers bear annual interest rates ranging from 4.0% to 4.5%, which is already deducted in advance from the proceeds, and will mature on various dates until October 31, 2015. In 2014, the Parent Company fully issued and received the proceeds of the P2.0 billion short-term commercial papers, which were used to finance the Parent Company's working capital requirements.

17.4 Bank Loans

The bank loans represent secured loans from local commercial banks for working capital purposes. The loans bear annual interest rates ranging from 7.5% to 14.0% in 2014 and 2013, subject to monthly repricing. These loans are secured by certain vessels (MT Chelsea Intrepid, MT BMI Patricia and MT Ernesto Uno) owned by the Group with net revalued amount of P212.1 million and P201.9 million as of December 31, 2014 and 2013, respectively (see Note 12.4), and by certain stockholders [see Note 26.6*(b)*].

17.5 Term Loans

(a) Term Loan Agreement (TLA) with Development Bank of the Philippines (DBP)

On September 12, 2007, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the construction of one unit of oil tanker in the amount of US$15.0 million. In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with DBP, the proceeds of which shall be exclusively used to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (P159.0 million) and US$9.1 million (P432.5 million), respectively. The loan is payable over five years in equal quarterly principal installments, with one quarter grace period on principal, commencing November 2009 and was subject to 10.5% interest rate per annum. The loan was fully settled in 2014.

On October 30, 2014, the Group entered into a loan agreement with DBP amounting to P140.0 million to finance the drydocking and repairs and maintenance expenses of MT Chelsea Resolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to annual interest rate of 5.0% and is payable in eight equal quarterly installments commencing on the first quarter from the initial drawdown.

In addition, the Group obtained P160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.0% per annum and is payable in ten equal quarterly installments commencing on February 28, 2015.

The loan is secured by a chattel mortgage on certain vessel (MT Chelsea Cherylyn) of the Group with net book value amounting to P824.8 million and P776.5 million as of December 31, 2014 and 2013, respectively. The loan is also secured by certain collateral on receivables of CSC and guaranteed by certain stockholders [see Notes 7 and 26.6*(b)*].

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P300.0 million and P222.1 million, respectively.

(b) Loan Agreement with Robinsons Bank Corporation (RBC)

In 2014, the Group obtained three bank loans from RBC totaling P62.2 million to finance the drydocking costs of MT Chelsea Denise. The loan is subject to annual interest rate of 6.3% and is payable in twelve equal monthly installments commencing on the first month from the initial drawdown.

The loan is secured by a chattel mortgage on one of the vessels (MT Chelsea Denise) of the Group with net book value amounting to P114.7 million and P124.2 million as of December 31, 2014 and 2013, respectively, and receivables of CSC from certain customer (see Note 7). The loan is also guaranteed by certain stockholders [see Note 26.6*(b)*].

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P56.8 million.

(c) TLA with Maybank Philippines, Inc.

On July 18, 2012, the Parent Company signed with Maybank Philippines, Inc. a five year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.0% and is payable in twenty equal quarterly installments.

In connection with the TLA, all existing and future advances to the Parent Company by its stockholders or related parties are subordinated to the loan. The Parent Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

The outstanding balance of the loan as of December 31, 2014 and 2013 amounted to P165.0 million and P225.0 million, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

On October 28, 2014 and November 4, 2014, the Group obtained unsecured, interest-bearing loans from Maybank Philippines, Inc. amounting to P100.0 million for CSC's working capital requirements.

(d) TLA with Maybank International Ltd.

On November 20, 2012, the Parent Company entered into a TLA amounting to US$ 24.0 million with Maybank International Ltd. to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1) which is due in five years and US$10.0 million (tranche 2) with a term of three years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.25% per annum, or cost of funds plus a margin of 2.0% per annum, whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International Ltd. reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

Moreover, Maybank International Ltd. has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term facility either via follow-on offering of the Parent Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to P451.2 million and P723.9 million, translated into Philippine Peso using the closing rate as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

(e) TLA with Asia United Bank (AUB)

In 2013, the Group obtained interest-bearing loans from AUB to partially finance the acquisition of tug boats amounting to P100 million. The loan bears fixed interest rate at 7.00% for the first three years from the initial drawdown date, and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

The interest-bearing loans amounted to P88.9 million and P100.0 million as of December 31, 2014 and 2013, respectively, of which P22.2 million and P11.1 million, respectively, was presented under current liabilities section in the consolidated statements of financial position.

Interest expense related to the loans amounted to P7.3 million and P1.1 million in 2014 and 2013, respectively, and is shown as part of Finance Cost under Other Charges (Income) in the consolidated statements of comprehensive income.

Certain trade receivables amounting to P20.2 million and P8.2 million as of December 31, 2014 and 2013, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 7).

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P88.9 million and P100.0 million, respectively.

(f) Loan Agreement with Multinational Investment Bancorporation (MIB)

On December 29, 2014, the Group obtained an unsecured, interest-bearing loans from MIB totaling to P166.8 million for the CSC's working capital requirements. The loan is subject to annual interest rate of 4.3% and is payable in 30 days.

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P166.8 million.

17.6 Obligations under Finance Lease

The finance lease liability has an effective interest rate of 5.1% which is equal to the rate implicit in the lease contract (see Note 30.5). Lease payments are made on a monthly basis.

17.7 Mortgage Payable

The mortgage payable represents secured loans which bear interest rates ranging from 7.6% to 11.4% per annum, and with terms ranging from 18 months to 36 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Property and Equipment account in the consolidated statements of financial position (see Note 12.4).

17.8 Credit Line

The Parent Company has an available credit line of P16.3 billion under LC/TR. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit line is secured by the following:

(a) Assignment of future receivables;
(b) Suretyship of PPHI and pledge of its share in the Parent Company amounting to P46.9 million (at P1 par value);
(c) Joint several signature of certain stockholders; and,
(d) Negative pledge over the remaining shares of PPHI in Parent Company in favor of the bank amounting to P1.1 billion.

Interest expense for 2014, 2013 and 2012 presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P728.2 million, P617.5 million and P467.4 million (see Note 22.1), respectively, net of the capitalized borrowing cost of P70.7 million, P71.4 million and P77.8 million as of December 31, 2014, 2013 and 2012, respectively (see Note 12.3).

18. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2014	2013
Trade payables:			
Third parties		**P3,375,091,069**	P 744,975,896
Related parties	26.3, 26.5	**9,156,631**	1,981,597
		3,384,247,700	746,957,493
Accrued expenses		**211,559,670**	362,111,496
Retention payable		**42,699,144**	106,903,516
Advances from customers		**19,003,143**	290,926,769
Income tax payable		**4,236,452**	9,608,080
Non-trade payables		**2,986,179**	22,462,466
Others	30.8	**69,837,707**	31,457,507
		P3,734,569,995	P 1,570,427,327

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

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group.

Advances from customers pertain to the advance payment of the various customers for their fuel purchases. Advances from customers are measured at the amount of cash received from the customers and are offset against trade receivables once the related sales transactions are consummated.

19. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note		2014		2013
Security deposits		**P**	**158,325,351**	P	275,962,723
Unearned rent			**48,922,071**		49,726,176
Post-employment defined benefit obligation	23.2		**76,396,973**		51,100,685
		P	**283,644,395**	P	376,789,584

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P1.0 million, P0.8 million and P1.0 million in 2014, 2013 and 2012, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 22.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statement of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P1.1 million, P0.8 million and P0.9 million in 2014, 2013 and 2012, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

20. COST OF SALES AND SERVICES

This account is composed of the following as of December 31:

	Notes	2014	2013	2012
Cost of fuels and lubricants sold	20.1	**P 30,730,192,895**	P 39,785,623,659	P 31,444,710,716
Cost of services	20.2	**658,586,006**	460,109,294	517,038,697
Cost of real estate sold	21	**15,725,034**	2,433,131	-
	26.2	**P 31,404,503,935**	P 40,248,166,084	P 31,961,749,413

20.1 Cost of Fuels and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Note	2014	2013	2012
Inventories at beginning of year	8	**P 3,812,532,673**	P 3,688,759,676	P 2,132,622,405
Net purchases during the year		**29,788,489,291**	39,909,396,656	33,000,847,987
Goods available for sale		**33,601,021,964**	43,598,156,332	35,133,470,392
Inventories at end of year	8	**(2,870,829,069)**	(3,812,532,673)	(3,688,759,676)
		P 30,730,192,895	P 39,785,623,659	P 31,444,710,716

20.2 Cost of Services

Details of cost of services are shown below:

	Notes	2014	2013	2012
Depreciation and amortization	12.6, 15	**P 251,458,416**	P 194,146,483	P 147,371,900
Salaries and employee benefits		**72,059,949**	50,522,176	29,065,941
Charter hire fees		**69,693,786**	34,795,266	71,143,057
Repairs and maintenance		**49,642,029**	24,474,791	19,611,488
Port expenses		**45,644,274**	23,934,889	58,257,723
Bunkering		**42,813,138**	11,540,954	106,973,168
Professional fees		**38,960,794**	43,989,983	42,067,106
Insurance		**36,861,986**	34,095,778	25,329,791
Service fees	26.5	**33,584,854**	20,611,959	-
Taxes and licenses		**11,384,037**	11,593,974	7,745,126
Outside services		**1,772,671**	1,487,408	-
Security services		**1,755,920**	1,644,570	1,210,469
Fuel, gas and lubricants		**119,716**	4,798,629	4,974,245
Others		**2,834,436**	2,472,434	3,288,683
		P 658,586,006	P 460,109,294	P 517,038,697

21. COSTS AND EXPENSES BY NATURE

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

	Notes	2014	2013	2012
Cost of sales:				
Fuels		**P 30,543,127,456**	P 39,571,822,572	P 31,046,564,548
Lubricants		**187,065,439**	213,801,087	398,146,168
Depreciation and amortization	12, 15	**660,281,915**	528,400,077	405,815,569
Rent	15, 26.3, 30.3	**390,370,058**	364,369,594	240,876,571
Salaries and employee benefits	23.1	**329,362,174**	287,613,201	208,734,347
Taxes and licenses		**149,610,326**	118,231,983	132,946,735
Advertising and promotions		**123,571,860**	176,373,387	84,473,675
Repairs and maintenance		**117,868,813**	69,675,294	61,023,908
Rebates		**112,198,227**	49,470,808	40,802,132
Service fees		**105,133,477**	81,910,722	81,392,862
Insurance		**85,836,811**	62,357,917	49,923,821
Charter hire fees		**69,693,786**	34,795,266	33,546,169
Fuel, oil and lubricants		**54,440,905**	33,792,075	49,339,252
Utilities		**51,773,260**	49,221,472	33,806,011
Professional fees		**49,116,948**	92,185,195	85,399,457
Port expenses		**45,644,274**	23,559,968	59,299,038
Security fees		**45,583,946**	33,738,550	26,108,756
Bunkering		**42,813,138**	13,420,044	62,899,266
Travel and transportation		**40,475,571**	40,005,732	35,184,779
Outside services		**31,638,406**	6,853,856	9,585,134
Freight charges		**16,800,518**	56,992,995	50,386,551
Representation		**16,729,142**	18,658,934	12,761,925
Cost of real estate sold	20	**15,725,034**	2,433,131	-
Office supplies		**10,052,801**	10,668,819	12,775,030
Sales incentives		**5,491,456**	17,133,225	960,783
Trucking charges		**-**	267,300,218	130,451,226
Handling and processing fees		**-**	-	9,285,094
Miscellaneous	26.8	**20,924,371**	14,840,100	72,922,212
		P 33,321,330,112	P 42,239,626,222	P 33,435,411,019

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

	Note	2014	2013	2012
Cost of sales and services	20	**P 31,404,503,935**	P 40,248,166,084	P 31,961,749,413
Selling and administrative expenses		**1,916,826,177**	1,991,460,138	1,473,661,606
		P 33,321,330,112	P 42,239,626,222	P 33,435,411,019

22. FINANCE INCOME (COSTS)

The breakdown of these accounts follows:

22.1 Finance Costs

	Notes	2014	2013	2012
Interest expense on bank loans and other borrowings	17	**P 728,178,099**	P 617,451,997	P 467,358,205
Impairment losses on trade and other receivables	7	**40,077,464**	17,959,002	37,851,057
Foreign currency exchange losses – net		**19,247,244**	27,100,014	-
Bank charges		**9,455,061**	3,343,182	11,969,046
Loss on settlement of insurance claims	7	**3,898,441**	-	-
Interest expense from post-employment defined benefit obligation – net	23.2	**2,296,995**	2,413,691	1,499,078
Interest expense from security deposits	19	**984,592**	762,178	1,043,107
		P 804,137,896	P 669,030,064	P 519,720,493

22.2 Finance Income

	Notes	2014	2013	2012
Interest income from cash in banks	6	**P 2,750,097**	P 7,831,603	P 9,406,440
Interest income on amortization of rental deposits	15	**644,746**	649,974	1,161,552
Foreign currency exchange gains – net		**-**	-	14,061,359
		P 3,394,843	P 8,481,577	P 24,629,351

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2014	2013	2012
Short-term benefits:				
Salaries and wages		**P 283,624,069**	**P 225,401,424**	P 91,118,445
Employee welfare and other benefits		**23,142,795**	**42,348,608**	101,719,266
13th month pay and bonuses		**11,618,034**	**10,645,506**	10,975,301
Post-employment defined benefit	23.2	**10,977,276**	**9,217,663**	4,921,335
	21	**P 329,362,174**	**P 287,613,201**	P 208,734,347

23.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

In 2014, the Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 75% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 19) in the consolidated statements of financial position, are determined as follow:

	2014	2013
Present value of obligation	P 88,610,880	P 51,100,685
Fair value of plan assets	(12,213,907)	-
	P 76,396,973	P 51,100,685

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

	2014	2013
Balance at beginning of year	P 51,100,685	P 36,440,105
Current service cost	10,977,276	9,217,663
Interest expense	2,751,078	2,413,691
Remeasurements:		
Actuarial losses (gains) arising from:		
Experience adjustments	14,461,165	37,016,452
Changes in financial assumptions	6,981,384	7,880,254
Changes in demographic assumptions	3,643,648	(41,748,870)
Benefits paid	(1,304,356)	(118,610)
Balance at end of year	P 88,610,880	P 51,100,685

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

	2014	2013
Balance at beginning of year	P -	P -
Contributions to the plan	18,661,947	-
Return on plan assets (excluding amounts included in net interest)	(6,131,556)	-
Benefits paid	(770,567)	-
Interest income	454,083	-
Balance at end of year	P 12,213,907	P -

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

	2014	2013
Cash and cash equivalents	P 100,624	P -
Quoted equity securities:		
Telecommunications	2,460,120	-
Manufacturing	2,449,440	-
	4,909,560	-
Unit investment trust funds (UITF)	7,203,723	-
	P 12,213,907	P -

The fair value of the above investment is determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy).

The plan assets incurred a negative return of P6.1 million in 2014.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

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

	Notes	2014	2013	2012
Reported in profit or loss:				
Current service cost	23.1	P 10,977,276	P 9,217,663	P 4,921,335
Net interest expense	22.1	2,296,995	2,413,691	1,499,078
		P 13,274,271	P 11,631,354	P 6,420,413
Reported in other comprehensive income:				
Actuarial losses (gains) arising from changes in:				
Experience adjustments		P 14,461,165	P 37,016,452	P 13,678,177
Financial assumptions		6,981,384	7,880,254	(371,380)
Demographic assumptions		3,643,648	(41,748,870)	-
Return on plan assets (excluding amounts included in net interest expense)		6,131,556	-	-
		P 31,217,753	P 3,147,836	P 13,306,797

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 23.1).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) account (see Note 22.1).

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

	2014	2013	2012
Discount rates	**4.49% to 4.78%**	4.60% to 5.32%	5.20% to 6.20%
Expected rate of salary increases	**5.00% to 8.00%**	5.00% to 8.00%	5.00% to 7.00%

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

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risk

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

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

	2014		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	**+/- 1.0%**	**(P 8,001,285)**	**P 9,813,193**
Salary increase rate	**+/- 1.0%**	**8,761,574**	**(7,364,342)**

	2013		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 4,520,745)	P 5,438,812
Salary increase rate	+/- 1.0%	4,865,011	(4,166,542)

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

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2014 is allocated to UITF.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2014, the plan is underfunded by P76.4 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P1.9 million to the plan during the next reporting period.

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

	2014	2013
Within one year	**P 18,890,357**	P 11,722,940
More than one year to five years	**21,183,125**	10,885,698
More than five years to ten years	**39,055,703**	34,341,627
	P 79,129,185	P 56,950,265

The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 years.

24. REGISTRATION WITH THE BOARD OF INVESTMENTS

24.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

24.2 BOI Registration as New Industry Participant – Zamboanga Depot

The Parent Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 24.1. The ITH will expire five years from November 25, 2010.

24.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited in the previous page. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

24.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

24.5 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

24.6 BOI Registration for MT Chelsea Thelma and MT Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Chelsea Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

24.7 BOI Registration for MT Chelsea Donatela

On September 3, 2013, PNX – Chelsea had registered its activity for MT Chelsea Donatela with the BOI under Executive Order No. 226 as a new operator of domestic/inter-island shipping on a pioneer status. As a registered entity, the PNX – Chelsea is entitled to tax and non-tax incentives which include a six-year ITH. The related tax incentives started in January 2014. ITH incentives shall be limited only to the revenues generated by the registered project.

25. TAXES

The components of tax expense as reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

	2014	2013	2012
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 32,174,095**	P 28,432,954	P 14,677,522
Minimum corporate income tax (MCIT) at 2%	**3,998,694**	1,822,943	462,671
Final tax at 20% and 7.5%	**610,696**	1,509,944	1,564,032
	36,783,485	31,765,841	16,704,225
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(33,992,758)**	(30,386,688)	3,169,323
	P 2,790,727	P 1,379,153	P 19,873,548
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 29,334,251**	P 1,109,855	P 95,550,091

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

	2014	2013	2012
Tax on pretax profit at 30%	**P 185,746,110**	P 199,931,027	P 201,355,110
Adjustment for income subjected to lower income tax rates	**(330,316)**	(839,537)	(1,257,900)
Tax effects of:			
Adjustment for income and expenses under ITH	**(189,717,081)**	(201,393,953)	(186,809,228)
Derecognition of previously unrecognized deferred tax assets	**2,812,324**	-	-
Non-deductible expenses	**2,554,185**	3,633,628	11,600,817
Reversal of net operating loss carry over (NOLCO)	**1,097,619**	-	354,713
Reversal of MCIT	**673,510**	-	-
Non-taxable income	**(102,149)**	-	(5,392,024)
Unrecognized deferred tax asset	**56,525**	47,988	22,060
Tax expense reported in profit or loss	**P 2,790,727**	P 1,379,153	P 19,873,548

The net deferred tax liabilities as of December 31, 2014 and 2013 pertain to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Income (Loss)		
	2014	2013	2014	2013	2012	2014	2013	2012
Deferred tax assets:								
Post-employment benefit obligation	P 27,678,252	P 15,330,207	P 2,982,720	P 3,453,825	P 1,895,332	P 9,365,325	P 944,352	P 3,992,039
NOLCO	43,156,706	13,662,197	29,494,509	(3,210,247)	4,346,930	-	-	-
Unrealized foreign currency losses (gains) – net	(5,689,016)	10,954,840	(16,643,856)	21,681,377	(11,051,466)	-	-	-
Impairment losses	12,748,029	10,944,461	1,803,568	1,033,927	1,355,842	-	-	-
MCIT	10,520,288	2,696,022	7,824,266	1,441,695	(5,907,021)	-	-	-
Accrued loss on contamination	2,057,831	2,057,831	-	-	-	-	-	-
Accrued rent	65,992	65,992	-	-	-	-	-	-
	90,538,082	55,711,550	25,461,207	24,400,577	(9,360,383)	9,365,325	944,352	3,992,039
Deferred tax liabilities:								
Revaluation reserves of tankers	(154,508,434)	(122,809,003)	7,000,145	5,310,393	5,173,210	(38,699,576)	(2,054,207)	(99,542,130)
Capitalized borrowing cost	(7,901,832)	(8,222,176)	320,344	320,345	320,345	-	-	-
Unamortized debt issuance cost	-	(1,211,062)	1,211,062	355,373	697,505	-	-	-
	(162,410,266)	(132,242,241)	8,531,551	5,986,111	6,191,060	(38,699,576)	(2,054,207)	(99,542,130)
Net deferred tax liabilities	(P 71,872,184)	(P 76,530,691)						
Net deferred tax income (expense)			P 33,992,758	P 30,386,688	(P 3,169,323)	(P 29,334,251)	(P 1,109,855)	(P 99,550,091)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2014	P 111,422,978	P 33,426,893	2017
2013	14,139,899	4,241,970	2016
2012	18,714,721	5,614,416	2015
	P 144,277,598	P 43,283,279	

Deferred tax asset on NOLCO of PGMI amounting to P0.1 million and P0.2 million as of December 31, 2014 and 2013, respectively, was not recognized since management assessed that this is not recoverable as PGMI does not expect any taxable income in the coming years.

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. SPTT's MCIT was higher than RCIT in 2014. PPIPC's MCIT was higher than RCIT for the years 2013 and 2012. PPMI's MCIT was higher than RCIT for all the years presented.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2014	P -	P 3,998,964	P 3,998,964	P 3,998,964	2017
2013	-	6,433,147	6,433,147	6,433,147	2016
2012	-	88,177	88,177	88,177	2015
	P -	**P10,520,288**	**P 10,520,288**	**P10,520,288**	

In 2014, 2013 and 2012, the Group claimed itemized deductions in computing for its income tax due.

26. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, the parent company, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012 is presented below.

Related Party Category	Notes	Amount of Transactions			Outstanding Balance	
		2014	2013	2012	**2014**	2013
Other related parties under common ownership						
Sale of goods	7, 26.1	**P 1,473,214**	P 39,139,112	P 125,553,735	**P 25,524,583**	P 37,334,222
Purchases of services	26.2	**-**	-	654,413,710	**-**	-
Advances to suppliers	7, 26.2	**10,024,800**	-	-	**10,024,800**	2,000,000
Rentals	18, 26.3	**66,398,252**	43,119,800	53,004,744	**7,145,631**	-
Due from related parties	26.4	**7,625,362**	(5,552,006)	(15,311,686)	**10,373,356**	2,747,994
Due to related parties	26.4	**(46,956,518)**	(21,390,502)	24,371,146	**17,204,725**	62,161,243
Donations	26.8	**200,000**	1,500,500	5,298,172	**-**	-
Associate						
Technical ship Services	18, 20.2, 26.5	33,584,854	15,842,825	-	2,011,000	1,981,597
Other related party						
Due to related parties	26.4	-	-	-	-	2,000,000
Key management personnel						
Salaries and employee benefits	26.7	**54,692,790**	50,027,748	45,610,775	**-**	-

26.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2014, 2013 and 2012 based on management's assessment.

26.2 Purchases of Services

In 2012, the Group purchased services from related parties under common ownership on the basis of price lists in force with non-related parties. The amount of transaction is presented as part of the Cost of Sales and Services account in the consolidated statements of comprehensive income (see Note 20). There is no related outstanding payable as of December 31, 2014 and 2013.

In 2014, the Group advanced a certain amount to a related party under common ownership for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related party. The outstanding advances, which are unsecured and non-interest-bearing, are presented as part of advances to suppliers under Trade and Other Receivables account in the 2014 consolidated statement of financial position (see Note 7).

26.3 Rentals

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

(a) Udenna Corporation – of which total rent expense incurred in the years 2014, 2013 and 2012 amounted to P7.4 million, P6.5 million and P6.6 million, respectively. The outstanding rental payable amounting to P7.1 million and nil in 2014 and 2013, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 18).

(b) Udenna Development (UDEVCO) Corporation – of which total rent expense in 2014, 2013 and 2012 amounted to P47.3 million, P28.5 million and P26.4 million, respectively. Rental deposit for the lease amounted to P6.4 million and P7.1 million as of December 31, 2014 and 2013, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 15).

(c) Valueleases, Inc. – of which total rent expense in 2014, 2013 and 2012 amounted to P11.7 million, P8.1 million and P20.0 million, respectively. Refundable Rental Deposits amounted to P6.1 million and P0.1 million as of December 31, 2014 and 2013, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 15).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Notes 21 and 30.3).

26.4 Due from and Due to Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2014 and 2013, the outstanding receivable and payable balances from these advances are shown as Due From Related Parties and Due to Related Parties, respectively, in the consolidated statements of financial position. Due from Related Parties and Due to Related Parties - current are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Non-current Due to Related Parties, on the other hand, are unsecured non-interest-bearing liabilities. These are stated at their carrying value since the date of repayment is not currently determinable.

Due from related parties represent outstanding advances to PhoenixPhilippines Foundation, Inc. (PPFI), a foundation created by the Group, amounting to P10.4 million as of December 31, 2014, and outstanding advances to Udenna Environmental Services, Inc., an entity under common ownership, amounting to P2.7 million as of December 31, 2013.

The movement of Due from Related Parties as of December 31 is as follows:

	2014	2013
Balance at beginning of year	P 2,747,994	P 8,300,000
Additions	10,373,356	17,362,078
Collections	(2,747,994)	(22,914,084)
Balance at end of year	P 10,373,356	P 2,747,994

No impairment loss is recognized in 2014, 2013 and 2012 related to advances to related parties.

The breakdown of the Due to Related Parties as of December 31 is as follows:

	2014	2013
Related parties under common ownership	P 17,204,725	P 62,161,243
Other related party	-	2,000,000
	P 17,204,725	P 64,161,243

The movement of Due to Related Parties in 2014 and 2013 follows:

	2014	2013
Balance at beginning of year	P 64,161,243	P 85,551,745
Payments	(46,956,518)	(21,390,502)
Balance at end of year	P 17,204,725	P 64,161,243

26.5 Technical Ship Services Agreement

On April 1, 2013, the Group entered into a Technical Ship Services Agreement (the Agreement) with NPMSC, a newly incorporated associate of CSC. Under the Agreement, NPMSC shall carry out technical services in respect of CSC's tanker vessel as agents for and on behalf of the CSC. NPMSC's responsibilities include crew management, technical management, accounting services, and the arrangement for the supply of provisions.

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Total technical ship services fee incurred amounting to P33.6 million and P15.8 million in 2014 and 2013, respectively, is presented as part of Service Fees under the Cost of Sales and Services account in the consolidated statements of comprehensive income (see Note 20.2), while the related outstanding liability (unsecured and non-interest bearing) of P2.0 million as of both December 31, 2014 and 2013 is presented as part of Trade and Other Payables in the consolidated statements of financial position (see Note 18).

26.6 Loan Collateral

(a) Surety and a negative pledge over the remaining shares of a stockholder secured the liabilities under LC and TR (see Note 17.1).

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Group were guaranteed by certain stockholders through a surety agreement with the respective banks.

26.7 Key Management Compensations

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

	2014	2013	2012
Salaries and wages	**P 43,955,837**	P 40,724,453	P 36,822,265
13^{th} month pay and bonuses	**5,567,610**	4,586,418	4,129,412
Honoraria and allowances	**4,894,118**	4,447,058	4,416,398
Post-employment benefits	**275,225**	269,819	242,700
	P 54,692,790	P 50,027,748	P 45,610,775

26.8 Others

The Group has made donations amounting to P0.2 million, P0.5 million and P1.5 million in 2014, 2013 and 2012, respectively, to Udenna Foundation, Inc., a non-stock, non-profit organization established by the ultimate parent company. In addition, the Group has also made donations amounting to nil, P1.0 million and P3.8 million in 2014, 2013 and 2012, respectively, to PPFI, a non-stock non-profit organization established by the Parent Company. The donations are presented as part of miscellaneous under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 21).

27. EQUITY

27.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2014	2013	2012	2014	2013	2012
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued and outstanding	**5,000,000**	5,000,000	5,000,000	**P 5,000,000**	P 5,000,000	P 5,000,000
Common shares – P1 par value						
Authorized:						
Balance at beginning of year	**2,500,000,000**	2,500,000,000	750,000,000	**P2,500,000,000**	P2,500,000,000	P 750,000,000
Increase in authorized stock	**-**	-	1,750,000,000	**-**	-	1,750,000,000
Balance at end of year	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,428,777,232**	906,059,416	489,872,215	**P 1,428,777,232**	P 906,059,416	P 489,872,215
Issuance during the year	**-**	193,000,000	171,250,799	**-**	193,000,000	171,250,799
Stock dividends	**-**	329,717,816	244,936,202	**-**	329,717,816	244,936,202
Reclassification	**-**	-	200	**-**	-	200
Balance at end of year	**1,428,777,232**	1,428,777,232	906,059,416	**P 1,428,777,232**	P1,428,777,232	P 906,059,416
				P 1,433,777,232	P1,433,777,232	P 911,059,416

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and 50.0 million preferred shares with par value of P1 per share into P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the Preferred Shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends on the Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The Preferred Shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum

Based on its plans, the BOD of the Parent Company will also declare and distribute cash dividends in 2015 out of the Parent Company's retained earnings as of December 31, 2014.

27.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80. As of December 31, 2014, the number of holders of such securities is 62. The market price of the Parent Company's shares as of December 31, 2014 is P3.09. The total number of issued shares not listed with the PSE amounted to P116.0 million shares.

The history of public offerings and private placements of the shares of the Parent Company lodged at PSE are as follows:

Transaction	Subscriber	Issue Date	Number of Shares
Initial public offering	Various	July 11, 2007	29,000,000
30% stock dividends	Various	August 6, 2008	43,000,198
40% stock dividends	Various	August 3, 2009	73,660,476
Placement	Social Security System	November 13, 2009	7,500,000
40% stock dividends	Various	October 20, 2010	107,664,266
30% stock dividends	Various	May 6, 2011	113,047,475
50% stock dividends	Various	April 26, 2012	244,936,203
Shares issuance for CSC acquisition	UMRC	September 6, 2012	171,250,798
Placement	Various	March 11, 2013	130,000,000
30% stock dividends	Various	June 10, 2013	329,717,816
Payment of subscription	PPHI	October 8, 2013	63,000,000
			1,312,777,232

27.3 Additional Paid-in Capital

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

In 2012, the Parent Company issued 171,250.8 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC (see Note 1.3). The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

27.4 Other Reserves

In 2012, the Parent Company issued 171,250.8 million common shares plus cash of P157.8 million in exchange of the net assets of CSC. The acquisition of CSC is accounted for under business combination using pooling-of-interest method wherein the difference between the consideration given up over the carrying value of the net assets of CSC is recognized as Other Reserves (see Note 2.3).

27.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below and on the succeeding page.

	Property and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2014	P 286,554,327	(P 13,932,556)	P 272,621,771
Remeasurements of defined post-employment obligation	-	(31,217,753)	(31,217,753)
Revaluation of tankers	180,637,550	-	180,637,550
Depreciation transfer to retained earnings – revalued tankers	(29,384,140)	-	(29,384,140)
Other comprehensive income (loss) before tax	151,253,410	(31,217,753)	120,035,657
Tax income (expense)	(29,884,334)	9,365,325	(20,519,009)
Other comprehensive income (loss) after tax	121,369,076	(21,852,428)	99,516,648
Balance as of December 31, 2014	**P 407,923,403**	**(P 35,784,984)**	**P 372,138,419**

	Property and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2013	P 294,152,102	(P 11,729,072)	P 282,423,030
Remeasurements of defined post-employment obligation	-	(3,147,836)	(3,147,836)
Revaluation of tankers	6,847,358	-	6,847,358
Depreciation transfer to retained earnings – revalued tankers	(17,701,323)	-	(17,701,323)
Other comprehensive loss before tax	(10,853,965)	(3,147,836)	(14,001,801)
Tax income	3,256,190	944,352	4,200,542
Other comprehensive loss after tax	(7,597,775)	(2,203,484)	(9,801,259)
Balance as of December 31, 2013	P 286,554,327	(P 13,932,556)	P 272,621,771
Balance as of January 1, 2012	P 73,957,965	(P 2,414,314)	P 71,543,651
Remeasurements of defined post-employment obligation	-	(13,306,797)	(13,306,797)
Revaluation of tankers	331,807,097	-	331,807,097
Depreciation transfer to retained earnings – revalued tankers	(17,244,043)	-	(17,244,043)
Other comprehensive income (loss) before tax	314,563,054	(13,306,797)	301,256,257
Tax income (expense)	(94,368,917)	3,992,039	(90,376,878)
Other comprehensive income (loss) after tax	220,194,137	(9,314,758)	210,879,379
Balance as of December 31, 2012	P 294,152,102	(P 11,729,072)	P 282,423,030

27.6 Retained Earnings

On January 29, 2014, the BOD approved the declaration of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

On March 8, 2013, the stockholders ratified the BOD approval of 30% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P103.6 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2013.

On March 8, 2012, the stockholders ratified the BOD's approval of 50% stock dividends (or a total of 244.9 million shares), valued at par and distributed on April 26, 2012 to stockholders of record as of March 28, 2012. In addition, cash dividends of 10 centavos per common shares totaling to P49.0 million were also declared and paid in 2012. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2012.

27.7 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2014	2013
Total liabilities	**P 17,949,934,696**	P 15,839,647,662
Total equity	**7,050,226,099**	6,497,905,304
Debt-to-equity ratio	**2.55 : 1.00**	2.44 : 1.00

The increase of the total liabilities in 2014 is the result of the additional borrowings for the procurement of petroleum and construction of depot facilities, tankers and retail stations. The increase in equity is due to the accumulated earnings.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

28. EARNINGS PER SHARE

EPS were computed as follows:

	2014	2013	2012
a) Net profit pertaining to common shares	**P 575,112,972**	P 608,047,331	P 593,810,152
b) Net profit attributable to common shares and potential common shares	**575,112,972**	608,047,331	593,810,152
c) Weighted average number of outstanding common shares	**1,428,777,232**	1,357,005,010	1,235,777,232
d) Weighted average number of outstanding common and potential common shares	**1,428,777,232**	1,357,005,010	1,235,777,232
Basic EPS (a/c)	**P 0.40**	P 0.45	P 0.48
Diluted EPS (b/d)	**P 0.40**	P 0.45	P 0.48

The options and warrants attached on the convertible notes do not have dilutive effect since the average market price of the common shares of the Parent Company during the year does not exceed the exercise price of the options or warrants [see Note 17.2*(e)*].

29. SEGMENT REPORTING

29.1 Business Segments

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group, namely fuels, lubricants, depot services and real estate. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

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29.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade payable, trust receipts, wages, and accrued liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

29.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the next pages present revenue and profit information regarding business segments of the Group for the years ended December 31, 2014, 2013 and 2012 and certain asset and liability information regarding industry segments as of December 31, 2014 and 2013 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
TOTAL REVENUES															
Sales to external customers	P 34,103,750	P 43,170,295	P 18,114,762	P 48,566	P 78,080	P 4,991,055	P 410,649	P 220,471	P11,479,735	P 171,419	P 83,140	P -	P 34,734,384	P 43,551,986	P 34,585,552
Intersegment sales	4,042,237	3,672,471	8,247,365	14,227	1,123,486	2,983,599	488,312	539,099	1,023,475	-	-	-	4,544,776	5,335,056	12,254,439
Total revenues	38,145,987	46,842,766	26,362,127	62,793	1,201,566	7,974,654	898,961	759,570	12,503,210	171,419	83,140	-	39,279,160	48,887,042	46,839,991
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	35,695,544	45,040,855	9,870,315	938,107	1,610,067	27,608,374	481,417	352,475	7,790,861	82,981	60,307	-	37,198,049	47,063,704	45,269,550
Depreciation and amortization	345,953	148,288	228,398	30,330	176,743	69,092	230,906	180,284	108,325	53,093	2,740	-	660,282	508,055	405,815
	36,041,497	45,189,143	10,098,713	968,437	1,786,810	27,677,466	712,323	532,759	7,899,186	136,074	63,047	-	37,858,331	47,571,759	45,675,365
SEGMENT OPERATING PROFIT (LOSS)	P 2,104,490	P 1,653,623	P 16,263,414	(P 905,644)	(P 585,244)	(P19,702,812)	P 186,638	P 226,811	P 4,604,024	P 35,345	P 20,093	P -	P 1,420,829	P 1,315,283	P 1,164,626
ASSETS AND LIABILITIES															
Segment assets	P 15,310,682	P 20,369,077		P 6,659,753	P 719,749		P4,659,316	P3,597,560		P 1,224,925	P 1,085,589		P 27,854,676	P 25,786,350	
Segment liabilities	16,837,053	14,181,969		662,143	2,603,665		2,696,325	1,987,929		537,057	423,976		20,732,578	19,197,539	

29.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (in thousands).

	2014	2013	2012
Revenues			
Total segment revenues	**P 39,279,160**	P 48,887,042	P 46,839,991
Elimination of intersegment revenues	**(4,544,776)**	(5,335,056)	(12,254,439)
Revenues as reported in profit or loss	**P34,734,384**	P 43,551,986	P 34,585,552
Profit or loss			
Segment operating profit	**P 1,420,829**	P 1,315,283	P 1,164,626
Other unallocated income	**6,842**	22,845	5,863
Other unallocated expense	**(7,774)**	(11,143)	(4,214)
Operating profit as reported in profit or loss	**1,419,897**	1,326,985	1,166,275
Finance costs	**(804,138)**	(669,030)	(519,720)
Finance income	**3,395**	8,482	24,629
Profit before tax as reported in profit or loss	**P 619,154**	P 666,437	P 671,184
Assets			
Segment assets	**P27,854,676**	P 25,771,975	
Elimination of intercompany accounts	**(2,854,515)**	(3,434,422)	
Total assets reported in the consolidated statements of financial position	**P 25,000,161**	P 22,337,553	
Liabilities			
Segment liabilities	**P20,732,578**	P 19,197,539	
Deferred tax liabilities - net	**71,872**	76,531	
Elimination of intercompany accounts	**(2,854,515)**	(3,434,422)	
Total liabilities as reported in the consolidated statements of financial position	**P 17,949,935**	P 15,839,648	

30. COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

As of December 31, 2014, the Group has commitments of more than P1,000.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 418 operating retail service stations as of December 31, 2014. An additional of 61 retail service stations are under various stages of completion as of December 31, 2014.

In 2014, the Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

30.2 Letters of Credits

As of December 31, 2014 and 2013, the Parent Company has unused LCs amounting to P7,131.7 million and P1,021.0 million, respectively.

30.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 25 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2014	2013
Within one year	**P 306,965,591**	P 259,337,311
After one year but not more than five years	**1,019,563,212**	1,042,366,014
More than five years	**3,054,218,327**	2,009,559,064
	P4,380,747,130	P 3,311,262,389

Total rent expense for the years 2014, 2013 and 2012 amounted to P390.4 million, P 364.4 million and P240.9 million, respectively (see Note 21).

30.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 2 to 15 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below:

	2014	2013
Within one year	**P 77,559,213**	P 45,535,652
After one year but not more than five years	**241,175,866**	100,847,748
More than five years	**2,254,311**	5,499,057
	P 320,989,390	P 151,882,457

Rent income in 2014, 2013 and 2012 amounting to P94.5 million, P47.5 million and P54.3 million, respectively, is presented as part of Rent and Storage Income account in the consolidated statements of comprehensive income.

30.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2014		2013	
	Future MLP	**PV of NMLP**	Future MLP	PV of NMLP
Within one year	**P 8,284,913**	**P7,462,297**	P 9,007,429	P 7,559,190
After one year but not more than five years	**5,926,834**	**5,671,371**	14,253,842	13,226,187
	14,211,747	**13,133,668**	23,261,271	20,785,377
Amounts representing finance charges	**(1,078,079)**	**-**	(2,475,894)	-
Present value of MLP	**P 13,133,668**	**P13,133,668**	P 20,785,377	P 20,785,377

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings (see Note 17.6).

30.6 Charter Agreements

The Group has existing commitments to charterers under TC, CVC and BB agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's tankers in good working condition and compliant with all the shipping regulations as required by the Philippine Maritime Industry Authority.

30.7 Purchase Commitments

On September 4, 2014, PNX – Chelsea entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit of oil tanker (MT Chelsea Denise II) for a total consideration of US$7.3 million. As of December 31, 2014, PNX – Chelsea has made an initial downpayment of US$ 2.0 million and is presented as part of Advances to suppliers under the Trade and Other Receivables account in the 2014 consolidated statement of financial position (see Note 7).

30.8 Legal Claims

The Group filed a complaint for a sum of money against one of its customers for unpaid charter fees including damages. A Writ of Garnishment on the customer's funds for the amount of P16.0 million has been issued by the trial court in favor of the Group.

The same customer filed a suit against the Group for reimbursement and damages, amounting to P13.7 million, for the loss it incurred from the contamination of its cargo, which was on board on one of the Group's vessels in 2010. In the same year, the Group made a provision in the amount of P6.9 million for the amount of probable liability that it could answer for such claim. The related liability is presented as part of Others under the Trade and Other Payables account in the consolidated statements of financial position (see Note 18). No additional loss was recognized related to this claim in the succeeding years.

30.9 Others

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. The Petition for Certiorari, with Docket No. CA-G.R. SP No. 06500-MIN, is now pending with the Court of Appeals.

There is also a pending Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10^{th}) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statements. As of December 31, 2014 and 2013, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparable discussion on Material Changes in Results of Operations Period Ended December 31, 2014 vs. December 31, 2013

Revenues

The Group generated total revenues of Php 34.734 billion in 2014, which is 20% lower than its 2013 level of Php 43.552 billion, primarily due to the 18% decrease in sales volume of refined petroleum products plus the decline in average price in 2014. However, this was minimized due to the higher revenues from fuels service, shipping, storage and other revenue by 54%.

Sales revenues from trading and distribution of petroleum products decreased by 21% from Php 43.14 billion in 2013 to Php 34.10 billion in 2014 resulting principally from a decline in volume for the wholesale. The effect was however minimized as volume in retail (station sales) increased by 22% due to wider distribution network and growth in same store sales. The decrease on wholesale account is a conscious effort of the Company to manage resources and profitability. The Parent Company had four hundred eighteen (418) Phoenix Fuels Life retail service stations as of December 31, 2014 compared to three hundred sixty-eight (368) retail stations as of the same period last year. The Parent Company has a number of retail stations undergoing construction and projected to be opened within the year and early next year.

The Group generated Php 634 million from its fuels service, storage, port and other income in 2014 versus Php 412 million in 2013, a 54% increase compared to the same period last year. This is due to the increase in turnover of storage service compared to last year, additional service of charter hire to third party, and revenue from tug-boat operations for the year.

Cost and expenses

The Group recorded cost of sales and services of Php 31.405 billion, a decline of 22% from its 2013 level of Php 40.248 billion, primary due to an 18% decrease in the sales volume of petroleum products. The higher decline in percentage of costs of sales by 22% compared to the decline of 18% in volume is a result of lower average costs of petroleum products for this year. This year's average for the three major petroleum products such as Gasoil (Diesel), MOGAS (Gasoline) and Kerosene (JETA1) is lower by 8% compared to the same period of 2013. Furthermore, for 2014, the ratio of retail compared to commercial/industrial (C&I) accounts improved compared to the same period in 2013 due to the Company's strategy to push more volume in Retail. Retail stations normally sell more premium products like gasoline as opposed to C&I which is more diesel.

Selling and administrative expenses declined by 3.5% as a result of lower variable costs but minimized by the increase in rentals, depreciation, salaries & wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower and logistics costs, resulting to an increase in operating costs.

Net Income

The Group's net income for the year 2014 is Php 616 million versus 2013 net income of Php 665 million, a decrease of 7%. Despite the lower volume by 18%, the Company was able to temper the drop in profit by improving its sales mix in favor of retail as well as increased efficiencies and savings particularly from its trading and supply management operations. With the better sales mix, the net income to sales ratio (return on sales) improved to 1.77% in 2014 compared to 1.53% in 2013.

The Parent Company is registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitles the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010, thus entitling the Parent Company another set of incentives including the five (5) year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Parent Company also received new approvals from the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012. The registration entitles the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI registered entity.

Financial Condition
(As of December 31, 2014 versus December 31, 2013)

Total resources of the Group as of December 31, 2014 stood at Php 25 billion, higher by 12% compared to the Php 22.338 billion as of December 31, 2013. This is mainly due to increase in Property, Plant, and Equipment with the continuous expansion on retail stations, storage and including shipping assets. The increase by 4% on current assets also contributed to the total increase in assets.

Cash and cash equivalents increased by 56% from Php 357 million in December 31, 2013 to Php 556 million due to timing of collections of receivables as against payment of various liabilities and the objective of the Company on certain level of cash and cash equivalent needed for day to day operations.

The Group's liquidity position, though lower against last year, thus continued to be strong with Current Assets amounting to Php 13.576 billion as of December 31, 2014, compared to Php 13.054 billion as of December 31, 2013. The increase in Cash contributed to the increase in Current Assets.

Trade and other receivables increased by 7% from Php 7.344 billion as of December 31, 2013 to Php 7.832 billion as of December 31, 2014, which were mainly due to Company receivables from various customers and suppliers. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories declined by 25% at Php 2.871 billion as of December 31, 2014 from Php 3.812 billion as of December 31, 2013. The volume year on year is comparably same level for both years. However, the average unit price in 2014 year-end inventory is lower by 37% compared to 2013. The Company maintains an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, this may go higher than the desired level due to vessel arrival timing.

Due to related parties in December 31, 2014 and December 31, 2013 is Php 10.373 million and Php 2.748 million respectively. The decrease of Php 7.625 million or 277% is due to charges made during the year.

Input taxes-net decrease by 34% in December 31, 2014 is the result of offsetting of higher output taxes this year due to increased level of inventory, as well as input taxes of capital expenditures and increase in inventory level in which input taxes have been paid.

Other current assets are at Php 1,147 million and Php 489.9 million as of December 31, 2014 and December 31, 2013 respectively. The increase represents prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets.

As of December 31, 2014, the Group's property and equipment, net of accumulated depreciation, increased to Php 10.689 billion compared to Php 8.628 billion as of December 31, 2013 due to investments in additional shipping vessel, depot capacity in existing areas, and new sites. In the first quarter, the Parent Company took delivery of a brand new marine tanker for fuel importation, plus costs to ongoing storage facility expansions. Additional retail stations were also constructed and or under construction in Luzon, Mindanao and Visayas as part of the Company objective to further expand retail network.

Loans and Borrowings, current and non-current, increased merely by 1% from Php 13.752 billion as of December 31, 2013 to Php13.843 billion as of December 31, 2014. The slight increase of Php 90 million was a result of timing of availment of working capital lines.

Trade and other payables increased by 138% from Php 1.570 billion as of December 31, 2013 to Php 3.735 billion as of December 31, 2014. This is the result of longer suppliers' credit to finance inventory.

Total Stockholders' Equity increased to Php 7.050 billion as of December 31, 2014 from Php 6.498 billion as of December 31, 2013 as a result of the period net income for the three quarters less the cash dividend declared and paid during the year for both common shares and preferred shares.

Key Performance Indicators and Relevant Ratios

The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	December 31, 2014	December 31, 2013
Current Ratio[1]	1.11 : 1	1.33 : 1
Debt to Equity-Total[2]	2.55 : 1	2.44 : 1
Return on Equity-Common[3]	9.01%	12.10%
Net Book Value Per Share[4]	4.93	4.54
Debt to Equity-Interest Bearing[5]	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted [6]	0.40	0.45

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

These key indicators were chosen to provide management with a measure of the Company's financial strength (Current Ratio and Debt to Equity) and the Company's ability to maximize the value of its stockholders' investment in the Company (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Company's performance with similar companies.

The Company's debt to equity (DE) ratio for 2014 is higher at 2.55 : 1 due to higher accounts payable trade. However, interest bearing DE this year improved to 1.96 : 1, compared to 2.12 : 1 in 2013.

The foregoing key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group's (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise these ratios are used to compare the Group's performance with its competitors and similar-sized companies.

Material Changes to the Group's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (Increase/decrease of 5% or more)

56% increase in Cash and Cash Equivalents
This is a result of collection and disbursement timing during the period. Certain levels of Cash are also maintained to support maturing obligations.

7% increase in Trade and other receivables
Primarily due to increase in advances to suppliers as a result of various shipment in transit and final price computation.

25% decrease in inventory
A result of lower average price per unit by 37% in 2014.

277% increase in Due from related parties
Various charges and billings during the period-net.

47% increase in other current assets
As a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

34% increase in Value Added Tax-net
Increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

134% increase in other current assets
Increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

24% increase in property, plant and equipment
Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

138% increase in Trade and other payables
Trade Payable to foreign suppliers for purchases of inventory.

73% decline on Due to related parties
Settlement of various advances from prior years.

6% decrease in deferred tax liability
As a result of decline on the deferred tax liability for tanker vessel appraisals increments.

25% reduction on non-current liability
Due to some retirement of cash security deposits in favor of other form of security.

Material changes to the Group's Income Statement as of December 31, 2014 compared to December 31, 2013 (Increase/decrease of 5% or more)

21% decrease in Sales for petroleum products
Principally due to 18% lower sales volume compared to 2013. However, it was minimized by the higher service revenue.

54% increase in fuel service, shipping, storage income, and other revenue
Higher turnover on service volume specifically on storage volume of new terminal, additional revenue on charter hire, and tugboat revenue.

22% decrease in cost of sales
Primarily due to decreased sales of petroleum products minimized by the effect of the lower unit prices this year compared to 2013.

20.2% increase in Finance Costs (net)
Due to interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

53.2% increase in other income/Costs
Due to periodic inventory losses recorded during the period plus other various costs.

102% increase in income tax
Due to the increase of income not related to its BOI registered activity.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

16 July 2015

Hon. Vicente Graciano P. Felizmenio, Jr.
Director
Market and Securities Regulation Department
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills
Mandaluyong City, Metro Manila

Dear ***Dir. Felizmenio:***

We are herewith submitting the Company's Second Report for period ended 30 June 2015 (SEC Form 17-Q) in compliance with the Securities Regulation Code and Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

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COVER SHEET

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S.E.C. Registration Number

P-H-O-E-N-I-X PETROLEUM
PHILIPPINES INC.

P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

STELLA HIZON REYES RD.
BO. PAMPANGA LANANG
DAVAO CITY

(Business Address: No. Street City / Town / Province)

Dennis A. Uy
Contact Person

(082) 233-0168
Company Telephone Number

1	2

Month

3	1

Day

Fiscal Year Ending

SEC Form 17-Q
FORM TYPE

3
Month

last Friday
XX.
Day

Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1.	For the quarterly period ended:	June 30, 2015
2.	SEC identification number:	A200207283
3.	BIR Tax Identification No.	006-036-274
4.	Exact name of issuer as specified in its charter	**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5.	Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6.	Industry Classification Code:	(SEC Use Only)
7.	Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
	Postal Code:	8000
8.	Issuer's telephone number, including area code:	(082) 233-0168
9.	Former name, former address and former fiscal year, if changed since last report:	Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,428,777,232
PREFERRED	10,000,000

Amount of Debt Outstanding as of June 30, 2015: Php18,174,862,615

11. Are any or all of the securities listed on the Stock Exchange? Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended:	June 30, 2015
2. SEC identification number:	A200207283
3. BIR Tax Identification No.	006-036-274
4. Exact name of issuer as specified in its charter	**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5. Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6. Industry Classification Code:	(SEC Use Only)
7. Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Postal Code:	8000
8. Issuer's telephone number, including area code:	(082) 233-0168
9. Former name, former address and former fiscal year, if changed since last report:	Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,428,777,232.00
PREFERRED	10,000,000.00

Amount of Debt Outstanding as of June 30, 2013:	Php 18,134,862,615.00

11. Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange
12. Check whether the issuer has:	
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

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P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 AND December 31, 2014
(Amounts in Philippine Pesos)

	Notes	June 30, 2015	December 31, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	P 823,258,617	P 555,508,720
Trade and other receivables - net	7	6,846,673,302	7,832,712,191
Inventories	8	3,502,257,061	2,870,829,069
Land held for sale and land development costs	9	485,985,811	485,985,811
Due from related parties	26	13,685,843	10,373,356
Restricted deposits	10	70,766,970	70,406,743
Input value-added tax - net		576,906,854	603,608,784
Prepayments and other current assets	11	1,108,384,147	1,146,632,540
Total Current Assets		13,427,918,606	13,576,057,214
NON-CURRENT ASSETS			
Land held for future development	14	312,617,496	312,617,496
Property and equipment - net	12	11,256,715,777	10,688,608,904
Investment in an associate	13	2,250,200	2,250,000
Goodwill - net	16	84,516,463	84,516,663
Other non-current assets	15	449,956,660	336,110,518
Total Non-current Assets		12,106,056,596	11,424,103,581
TOTAL ASSETS		P 25,533,975,202	P 25,000,160,795
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	P 9,972,674,655	P 8,479,025,750
Trade and other payables	18	1,924,238,563	3,734,569,995
Due to related parties	26	0	17,204,725
Total Current Liabilities		11,896,913,218	12,230,800,470
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	5,832,547,323	5,363,617,647
Deferred tax liabilities - net	25	142,290,800	71,872,184
Other non-current liabilities	19	263,111,274	283,644,395
Total Non-current Liabilities		6,237,949,397	5,719,134,226
Total Liabilities		18,134,862,615	17,949,934,696
EQUITY	27		
Common stock		1,428,777,232	1,428,777,232
Preferred stock		5,000,000	5,000,000
Additional paid-in capital		3,367,916,774	3,367,916,774
Revaluation reserves		391,651,876	372,138,419
Other reserves		(622,952,239)	(622,952,239)
Retained earnings		2,828,718,944	2,499,345,913
Total Equity		7,399,112,586	7,050,226,099
TOTAL LIABILITIES AND EQUITY		P 25,533,975,201	P 25,000,160,795

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2015 & 2014
(Amounts in Philippine Pesos)

	Notes	YTD (January-June) Unaudited		2nd Quarter (April-June) Unaudited	
		2015	2014	2015	2014
REVENUES					
Sale of goods - NET		14,133,769,828	18,332,113,166	6,815,382,976	9,876,496,429
Fuel service, storage income and other revenue		273,935,082	182,715,860	192,066,312	110,824,306
		14,407,704,911	**18,514,829,026**	**7,007,449,289**	**9,987,320,735**
COST AND EXPENSES					
Cost of sales and services	19	12,558,107,708	16,897,866,438	6,101,706,450	9,217,155,675
Selling and administrative expenses	20	1,012,242,198	891,229,739	500,171,961	429,121,520
		13,570,349,907	**17,789,096,177**	**6,601,878,412**	**9,646,277,195**
OTHER INCOME (CHARGES)		88.85%	92.18%		
Finance costs - net		(396,081,655)	(312,415,161)	(211,253,721)	(151,286,817)
Others		(2,509,031)	1,133,448	(611,952)	7,398,198
		(398,590,686)	**(311,281,713)**	**(211,865,673)**	**(143,888,620)**
PROFIT BEFORE TAX		**438,764,318**	**414,451,136**	**193,705,204**	**197,154,921**
TAX INCOME (EXPENSE)		(13,542,468)	(12,617,925)	1,314,706	(7,193,033)
NET PROFIT		**425,221,850**	**401,833,211**	**195,019,910**	**189,961,888**
Earnings Per Share		**0.28**	**0.27**		

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2015 and JUNE 30, 2014
(Amounts in Philippine Pesos)

	Notes	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 438,764,318	P 414,451,136
Adjustments for:			
Interest expense	22	406,839,199	325,441,451
Depreciation and amortization	12, 15	353,167,618	274,148,421
Impairment losses	22	6,000,000	600,000
Interest income	22	(864,984)	(1,001,713)
Operating profit before working capital changes		1,203,906,151	1,013,639,295
Decrease (increase) in trade and other receivables		980,038,889	2,968,440,551
Decrease (increase) in inventories		(631,427,992)	(332,642,750)
Decrease (increase) in land held for sale and land development costs		-	9,177,106
Decrease (increase) in restricted deposits		(360,227)	45,929,016
Decrease (Increase) in input value-added tax		26,701,930	(136,939,386)
Decrease (increase) Increase in prepayments and other current assets		38,248,393	(104,708,557)
Decrease (increase) in installment contract receivable		-	(34,766,254)
Increase (decrease) in trade and other payables		(1,810,331,432)	263,063,773
Cash generated from (used in) operations		(193,224,289)	3,691,192,793
Provision for Taxes		(610,696)	(12,617,925)
Net Cash From (Used in) Operating Activities		(193,834,985)	3,678,574,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	12	(850,552,973)	(1,289,031,054)
Increase in other non-current assets		(113,846,142)	(77,349,275)
Increase in land held for future development		-	2,681,599
Advances to related parties	26	(3,312,487)	-
Interest received		864,984	1,001,713
Collections from related parties	26	-	799,500
Proceeds from disposal of property and equipment		15,728,499	-
Net Cash Used in Investing Activities		(951,118,119)	(1,361,897,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional interest-bearing loans and borrowings			-
Net Increase (Decrease) increase in loans and borrowings		1,962,578,581	(1,287,288,072)
Interest paid		(477,560,717)	(325,441,451)
Payments of cash dividends	27	(92,063,862)	(163,502,723)
Increase in other non-current liabilities		36,953,722	(71,017,752)
Repayments to related parties	26	(17,204,725)	(64,161,243)
Prior Period adjusments		-	(6,014,655)
Increase (Decrease) on Other reserves		-	(1,460,192)
Net Cash From (Used in) Financing Activities		1,412,703,001	(1,918,886,088)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		267,749,897	397,791,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		555,508,720	357,220,520
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 823,258,617	P 755,011,783

See Notes to Consolidated Financial Statements.

(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2015 AND 2014
(Amounts in Philippine Pesos)

	Note	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
COMMON STOCK	27		
Balance at beginning of year		P 1,428,777,232	P 1,428,777,232
Stock dividends			
Issuance during the period		-	-
Balance at end of year*		1,428,777,232	1,428,777,232
PREFERRED STOCK	27		
Balance at beginning of year		5,000,000	5,000,000
Stock dividends			
Additional issuance during the year		-	-
Balance at end of period		P 5,000,000	P 5,000,000
ADDITIONAL PAID-IN CAPITAL	27		
Balance at beginning of year		3,367,916,774	3,367,916,774
Additions		-	-
Balance at end of period		3,367,916,774	3,367,916,774
Revaluation Reserves	27	391,651,876	272,621,771
Other Reserves	27	(622,952,239)	(622,952,239)
RETAINED EARNINGS			
Balance at beginning of year		2,499,345,913	2,046,541,766
Net profit		425,221,850	401,833,211
Stock Dividend			
Adjustments from Prior year		(3,784,958)	(6,014,656)
Cash dividends		(92,063,862)	(163,502,723)
Balance at end of period		2,828,718,943	2,278,857,598
TOTAL EQUITY		P 7,399,112,586	P 6,730,221,136

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND DECEMBER 31, 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's shares of stock are listed with the Philippine Stock Exchange (PSE). The Parent Company is presently engaged in trading of refined petroleum products on wholesale and retail basis and operating of gas stations, oil depots, storage facilities and other allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

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

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

The Parent Company has a total of 443 operating retail service stations, comprising of 158 service stations in Luzon, 62 in the Visayas and 223 in Mindanao and a total of 61 service stations under construction as of June 30, 2015.

1.2 Subsidiaries, Associate and their Operations

The Parent Company holds ownership interests in the following entities as of December 31 (the Parent Company and the subsidiaries are collectively referred to as "the Group"):

	2014	2013
P-F-L Petroleum Management, Inc. (PPMI)	**100%**	100%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	**100%**	100%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	**100%**	100%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	**100%**	100%
Chelsea Shipping Corp. (CSC)	**100%**	100%
Bunkers Manila, Inc. (BMI)*	**100%**	100%
Michael, Inc. (MI)*	**100%**	100%

PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	**100%**	100%
Chelsea Ship Management Marine Services Corp. (CSMMSC)*	**100%**	100%
Fortis Tugs Corp. (FTC)*	**100%**	100%
Norse/Phil Marine Services Corp. (NPMSC)**	**45%**	45%

** Wholly-owned subsidiaries of CSC*
***Associate of CSC*

All the subsidiaries were organized and incorporated in the Philippines.

PPMI is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the Securities and Exchange Commission (SEC) on January 31, 2007.

PGMI was registered with the SEC on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI has temporarily ceased its operation since 2008.

PPIPC is engaged in real estate development. PPIPC was registered with the SEC on March 7, 1996. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted to sell parcels of land on the Group's project, the Phoenix Petroleum Industrial Park (the Park).

SPTT was registered with the SEC on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time.

CSC was incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines.

BMI was registered with the SEC on March 7, 2000 to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines. Aside from international bunkering, BMI also ventures into hauling of marine fuel and petroleum products for major oil companies.

MI, which was registered with the SEC on December 26, 1957 and whose corporate life was approved to be extended for another 50 years by the SEC on May 6, 2008, is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil.

PNX – Chelsea was incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.

CSMMSC was incorporated on March 30, 2012 to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

FTC was incorporated on April 8, 2013 and started commercial operations on November 8, 2013. It is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines, and to acquire by purchase, charter, lease or modes recognized by law of obtaining title to or use of such equipment and properties, real or personal, which may be necessary to achieve such purpose.

NPMSC was incorporated on January 30, 2013 to engage in the business of providing technical ship services and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation. NPMSC started commercial operations on June 10, 2013.

PPMI's registered office is located at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The registered office of PGMI, CSC, BMI, MI and PNX – Chelsea, which is also their principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPIPC's registered office is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

The registered office of SPTT, which is also its principal place of business, is located at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales.

The registered address of CSMMSC and FTC, which is also their principal place of business, is located at the 26/F, Fort Legend Towers, 3rd Ave. corner 31st St., Bonifacio Global City, Taguig City.

The registered office of NPMSC, which is also its principal place of business, is located at 2/F Harbor Centre II Bldg., Railroad and Delgado Sts., South Harbor, Port Area, Manila.

1.3 Acquisition of CSC

On September 6, 2012, CSC became a wholly owned subsidiary of the Parent Company upon the approval of the Parent Company's stockholders of the acquisition of the 100% of CSC's outstanding shares from Udenna Management Resources Corp. (UMRC), a related party under common ownership (see Note 27.3). The acquisition was initially approved by the Parent Company's Board of Directors (BOD) on July 6, 2012 and was subsequently ratified by the Parent Company's stockholders on September 6, 2012.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 (including the comparative consolidated financial statements for the years ended December 31, 2013 and 2012) were authorized for issue by the Parent Company's President and Chief Executive Officer on February 11, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for the consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instrument: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed in the succeeding pages are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets.* The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement,* such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the Group did not recognize or reverse impairment losses on its non-financial assets during the year.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.* The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.

(iv) PFRS 10, PFRS 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosures of Interests in Other Entities, Separate Financial Statements – Exemption from Consolidation for Investment Entities.* The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* or PFRS 9, *Financial Instruments,* both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. This amendment had no significant impact on the Group's consolidated financial statements as the Group does not have investment entities.

(v) Philippine Interpretation IFRIC 21, *Levies.* This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the consolidated financial statements. Accordingly, it clarifies that materiality applies to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the consolidated financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) FFRS 12 (Amendment), *Disclosures of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). The amendment clarifies that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(viii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment.* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the consolidated financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations.* The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments.* The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of

the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(e) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations.* The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(c) PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries and an associate as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the said entity and has the ability to affect those returns through its power over the same entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 16). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.13 and 2.24).

(b) *Investment in an Associate*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

The Parent Company holds interests in various subsidiaries and in an associate as presented in Notes 1 and 13.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the financial assets category relevant to the Group is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

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

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.6 Land Held for Sale and Land Development Costs

Land held for sale and land development costs are valued at the lower of cost and net realizable value. Land held for sale and land development costs includes the cost of land and actual development costs incurred as at the end of reporting period. Interest incurred during the development of the project is capitalized (see Note 2.19).

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of developing and the estimated costs necessary to make the sale.

2.7 Prepayments and Other Current Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.8 Land Held For Future Development

Land held for future development is valued at the lower of cost and net realizable value. Cost of land held for future development includes purchase price and other costs directly attributable to the acquisition of land.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of developing and estimated costs necessary to make the sale.

2.9 Property and Equipment

Land is stated at cost less any impairment in value. Tankers are measured at revalued amount less accumulated depreciation. All other property and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred, except for periodic drydocking costs performed at least every two years on the vessel, which are capitalized (see Note 2.10).

Following initial recognition, tankers are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amounts represent fair values determined based on appraisals by external professional valuer once every two years unless more frequently if market factors indicate a material change in fair value (see Note 5.4).

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

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

Marine Tankers	30 years
Buildings, depot and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Vessel equipment	5 years
Hauling and heavy equipment	1-5 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-3 years

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

Hauling and heavy equipment held under finance lease agreements (see Note 2.15) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

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

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

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

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

2.10 Drydocking Costs

Drydocking costs are considered major repairs that preserve the life of the vessel. As an industry practice, costs associated with drydocking are amortized over two years or until the next drydocking occurs, whichever comes earlier. When significant drydocking expenditures occur prior to their expiry, any remaining unamortized balance of the preceding drydocking costs is expensed in the month of the subsequent drydocking.

Amortization of drydocking costs starts only when the process has been completed and the related vessel is ready for use.

The carrying amount of drydocking costs, presented as part of the Other Non-current Asset account in the consolidated statement of financial position, is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The carrying amount of drydocking costs is derecognized upon derecognition of the related tanker. The computed gain or loss arising on the derecognition of the tanker takes into consideration the carrying amount of drydocking costs and is included in profit or loss in the year the related tanker is derecognized (see Note 2.9).

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), due to related parties and security deposits (presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

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

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.15 and 30.5).

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

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

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Provisions and Contingencies

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

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

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

2.13 Business Combinations

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

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

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

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

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

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

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

Under the pooling-of-interest method, similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT), rebates and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e. generally when the customer has acknowledged delivery of goods or when the customer has taken undisputed delivery of goods.

(b) *Charter fees* – Revenue, which consists mainly of charter income arising from the charter hire of tankers, is recognized based on the type of charter arrangement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or a bareboat agreement (BB) [see Note 3.1*(d)*]. Under a TC and BB, revenue is recognized based on the terms of the contract, with the distinction that in a BB, no administration or technical maintenance is included as part of the agreement. Under a CVC, revenue is recognized upon completion of the voyage; however, appropriate accrual of revenue is made at the end of the reporting period.

(c) *Fuel service and other revenues, port revenues and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. This account includes franchise income, which has minimal amount. In addition, this includes revenue arising from port and cargo handling services.

(d) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.15).

(e) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

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

The cost of real estate sold, if any, before the completion of the development is determined based on the actual costs incurred to date which include the cost of land plus estimated costs to complete the project development. The estimated expenditures for the development of sold real estate, as determined by project engineers, are charged to Cost of Sales and Services account in the consolidated statement of comprehensive income with a corresponding credit to accrued expenses presented under the Trade and Other Payables account in the consolidated statement of financial position. Effects of any revisions in the total project cost estimates are recognized in the year in which the changes become known.

2.15 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

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

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

2.16 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment in an associate, drydocking costs (presented as part of Other Non-current Assets in the consolidated statement of financial position), goodwill and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill that is tested for impairment at least annually.

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

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

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

2.18 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

2.19 Borrowing Costs

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

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

2.20 Income Taxes

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

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

All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

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

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

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

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

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

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

2.21 Offsetting Financial Instruments

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

2.22 Related Party Transactions and Relationships

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

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

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

2.23 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 29 which represent the main products and services provided by the Group.

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

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.
In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.24 Equity

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

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's tankers and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves pertain to the difference between the Parent Company's cost of investment and the acquired net assets of CSC accounted for under the pooling-of-interest method (see Notes 2.3 and 2.13).

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

2.25 Earnings per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinguishing Operating and Finance Leases

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

(b) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant contingencies are presented in Note 30.

(c) *Qualifying Assets on Borrowing Costs*

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

(d) *Revenue Recognition for Charter Fee Arrangements*

In determining the appropriate method to use in recognizing the Group's revenue from TC, CVC and BB, management considers the following criteria: (1) whether the fulfilment of the arrangement is dependent on the use of a specific vessel; and, (2) whether the arrangement conveys a right to use the vessel. Management determined that if both criteria are met, the revenue should be recognized using the straight-line method over the term of the contract (see Note 2.14). Otherwise,, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Impairment of Trade and Other Receivables and Due from Related Parties*

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from related parties is shown in Note 26.4. The Group has determined that no impairment loss on Due from Related Parties account should be recognized in 2014, 2013 and 2012.

(b) *Determining Net Realizable Value of Inventories*

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

(c) *Determining Net Realizable Value of Land Held for Sale and Land Development Costs and Land Held for Future Development*

In determining the net realizable value of land held for sale and land development costs and land held for future development, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amounts of land held for sale and development costs and land held for future development is affected by price changes and demand from the target market segments. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments within the next financial reporting period.

(d) *Estimating Useful Lives of Property and Equipment and Drydocking Costs*

The Group estimates the useful lives of property and equipment and drydocking costs based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and drydocking costs are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and drydocking costs are analyzed in Notes 12 and 15, respectively. Based on management's assessment as of December 31, 2014 and 2013, there is no change in the estimated useful lives of the property and equipment and drydocking costs during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Fair Value Measurement of Tankers*

The Group's tankers, presented as part of the Property and Equipment account, are carried at revalued amount at the end of the reporting period. In determining the fair values of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.4.

For tankers with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of the Group's tankers.

A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on the Group's tankers are disclosed in Note 12.

(f) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2014 and 2013 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2014 and 2013 is disclosed in Note 25.

(g) *Estimating Liability for Land Development*

Obligations to complete development of real estate are based on actual costs and project estimates of the Group's contractors and technical personnel. These costs are reviewed at least annually and are updated if expectations differ from previous estimates. Liability to complete the project for sold units included in the determination of cost of sales amounting to P0.1 million as of December 31, 2014 and 2013, are presented as part of accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 18).

(h) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 23.2.

(i) *Estimating Development Costs*

The accounting for real estate requires the use of estimates in determining costs and gross profit recognition. Cost of real estate sold (under Cost of Sales and Services in the consolidated statement of comprehensive income) includes estimated costs for future development. The development cost of the project is estimated by the Group's contractors and technical personnel. Many factors influence a project development cost estimate, which include among others, the geographic location of the project, quantity of materials and item availability, general soil conditions and scheduling of resources including labor and equipment. At the end of reporting period, these estimates are reviewed and revised to reflect the current conditions, when necessary.

(j) Impairment of Non-Financial Assets

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

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2014.

(k) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Market Risk

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

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US$). The liability covering the fuel importation is covered by letter of credits which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has several U.S. dollar loans from certain banks which were used to finance its capital expenditures (see Note 17). The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate follow:

	2014
Financial assets	**P4,383,654,349**
Financial liabilities	**(2,988,051,570)**
Net exposure	**P1,395,602,779**

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2014
Reasonably possible change in rate	27.8%
Effect in profit before tax	**P 387,977,573**
Effect in equity after tax	**271,584,301**

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of December 31, 2014 and 2013, the Group is exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates (see Notes 6 and 17). All other financial assets and liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.96% and +/-1.10% in 2014 and 2013, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.68% and +/-1.67% for Philippine peso and +/-0.31% and +/-0.69% for U.S. dollar in 2014 and 2013, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of the each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P68.2 million year ended December 31, 2014.

(c) Other Price Risk

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

4.2 Credit Risk

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

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	Notes	**June 30,2014**	Dec. 31, 2014
Cash and cash equivalents	6	**P 823,258,617**	P 555,508,720
Trade and other receivables – net*	7	**3,603,851,622**	3,789,225,134
Due from related parties	26.4	**13,685,843**	10,373,356
Restricted deposits	10, 15	**70,766,970**	71,670,538
Refundable rental deposits	15	**155,596,271**	172,226,696
		P 4,667,159,323	P4,599,004,444

* *Excludes advances to supplier and advances subject to liquidation.*

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

None of the financial assets are secured by collateral or other cred`it enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables and Due from Related Parties

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee which approves credit lines given to its customers. The Group's Credit and Collection Department, which regularly reports to the Credit Committee, continuously monitors customers' performance and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade and other receivables are past due at the end of the reporting date. The age of financial assets past due but not impaired is as follows:

	June 30, 2015	Dec. 30, 2014
Not more than one month	**P 380,297,783**	P 205,924,748
More than one month but not more than two months	**28,719,922**	152,505,688
More than two months but not more than six months	**39,031,058**	87,978,949
More than six months but not more than one year	**37,862,012**	74,091,227
More than one year	**96,840,209**	86,449,908
	P 582,750,984	P 606,950,520

In respect of due from related parties, the Group has assessed that these advances are collectible and the credit risk exposure is considered to be low.

4.3 Liquidity Risk

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

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

As of December 31, 2014, the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 7,011,246,094	P 1,692,894,035	P 6,116,547,965
Trade and other payables (excluding tax-related payables)	3,193,805,959	517,524,441	-
Due to related parties	17,204,725	-	-
Security deposits	-	-	158,325,351
	P10,222,256,778	**P 2,210,418,476**	**P 6,274,873,316**

This compares to the maturity of the Group's financial liabilities as of

December 31, 2013 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 6,050,573,611	P 2,726,331,756	P 6,007,722,903
Trade and other payables (excluding tax-related payables)	818,142,220	451,750,258	-
Due to related parties	33,991,925	30,169,318	-
Security deposits	-	-	275,962,723
	P 6,902,707,756	P 3,208,251,332	P 6,283,685,626

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

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

5.1 Carrying Amounts and Fair Values by Category

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

	Notes	June 30, 2015 Carrying Values	June 30, 2015 Fair Values	December 31, 2014 Carrying Values	December 31, 2014 Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 823,258,617**	**P 823,258,617**	P 555,508,720	P 555,508,720
Trade and other receivables-net*	7	**3,603,851,622**	**3,603,851,622**	3,789,225,134	3,789,225,134
Due from related parties	26.4	**13,685,843**	**13,685,843**	10,373,356	10,373,356
Restricted deposits	10, 15	**70,766,970**	**70,766,970**	71,670,538	71,670,538
Refundable rental deposits	15	**155,596,271**	**155,596,271**	172,226,696	172,226,696
		P 4,667,159,323	**P 4,667,159,323**	P 4,599,004,444	P 4,599,004,444
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	**P 15,805,221,978**	**P 15,805,221,978**	P 13,842,643,397	P 13,842,643,397
Trade and other payables*	18	**1,924,238,563**	**1,924,238,563**	3,711,330,400	3,711,330,400
Due to related parties	26.4			17,204,725	17,204,725
Security deposits	19	**144,894,637**	**144,894,637**	158,325,351	158,325,351
		P 17,874,355,178	**P 17,874,355,178**	P 17,729,503,873	P 17,729,503,873

**Excludes Advances to Supplier and Advances Subject to Liquidation*
***Excludes tax-related payables*

See Notes 2.4 and 2.11 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

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

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

5.3 Fair Instruments Measured at Amortized Cost for which Fair Value is Disclosed

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

		2014			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 555,508,720	P -	P -	P 555,508,720
Trade and other receivables - net	7	-	-	3,789,225,134	3,789,225,134
Due from related parties	26.4	-	-	10,373,356	10,373,356
Restricted deposits	10, 15	71,670,538	-	-	71,670,538
Refundable rental deposits	15	-	-	172,226,696	172,226,696
		P 627,179,258	P -	P 3,971,825,186	P 4,599,004,444

	Notes	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans					
and borrowings	17	P -	P -	P 13,842,643,397	P 13,842,643,397
Trade and other payables	18	-	-	3,711,330,400	3,711,330,400
Due to related parties	26.4	-	-	17,204,725	17,204,725
Security deposits	19	-	-	158,325,351	158,325,351
		P -	P -	P 17,729,503,873	P 17,729,503,873

	Notes	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 357,220,520	P -	P -	P 357,220,520
Trade and other receivables - net	7	-	-	6,402,695,635	6,402,695,635
Due from related parties	26.4	-	-	2,747,994	2,747,994
Restricted deposits	10, 15	96,683,441	-	-	96,683,441
Refundable rental deposits	15	-	-	180,951,286	180,951,286
		P 453,903,961	P -	P 6,586,394,915	P7,040,298,876
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans					
and borrowings	17	P -	P -	P 13,751,738,817	P 13,751,738,817
Trade and other payables	18	-	-	1,269,892,478	1,269,892,478
Due to related parties	26.4	-	-	64,161,243	64,161,243
Security deposits	19	-	-	275,962,723	275,962,723
		P -	P -	P 15,361,755,261	P 15,361,755,261

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

The fair values of the financial assets and financial liabilities included in Level 3 in the preceding page, which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since not all significant inputs required to determine the fair value of the other instruments not included in Level 1 are observable, these are included in Level 3.

5.4 Fair Value Measurements for Non-financial Assets

a) Determining Fair Value of Tankers

The fair values of the Group's tankers, included as part of the Property and Equipment account, were determined based on the appraisal reports of a professional and independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the tanker.

In estimating the fair value of these tankers, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of tankers was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

b) Other Fair Value Information

The reconciliation of the carrying amount of tankers included in Level 3 is presented in Note 12.2.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2014 and 2013.

5.5 *Offsetting of Financial Assets and Financial Liabilities*

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

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 4,031,673,199	(P 242,448,065)	P 3,789,225,134	P -	P -	P 3,789,225,134
Restricted deposits	70,406,743	-	70,406,743	(70,406,743)	-	-
	P 4,102,079,942	(P 242,448,065)	P 3,859,631,877	(P 70,406,743)	P -	P 3,789,225,134

	December 31, 2013					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Restricted deposits	P 95,419,646	P -	P 95,419,646	(P 95,419,646)	P -	P -

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

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,842,643,397	P -	P 13,842,643,397	(P 70,406,743)	P -	P 13,772,236,654
Trade and other payables	3,769,778,465	(58,448,065)	3,711,330,400	-	-	3,711,330,400
Security deposits	342,325,351	(184,000,000)	158,325,351	-	-	158,325,351
	P 17,954,747,213	(P 242,448,065)	P 17,712,299,148	(P 70,406,743)	P -	P 17,641,892,405

	December 31, 2013					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,751,738,817	P -	P 13,751,738,817	(P 95,419,646)	P -	P 13,656,319,171

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of June 30:

	June 30, 2015	Dec. 31, 2014
Revolving fund	**P 50,000**	P 1,131,815
Cash on hand	**6,647,441**	10,335,747
Cash in banks	**735,592,761**	538,072,742
Short-term placements	**80,968,416**	5,968,416
	P 823,258,617	P 555,508,720

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 3.00% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.875% to 1.25% per annum in all years presented. Interest income earned amounted to P0.865 million and P1.001 million in June 2015 and 2014 respectively, and is included as part of Finance Income in the statements of comprehensive income (see Note 22.2).

The balances of cash in banks as of June 30, 2015 and December 31, 2014 exclude restricted time deposits amounting to P70.8 million and P71.7 million, respectively, which are shown as Restricted Deposits account (see Note 10) and restricted time deposits under Other Non-current Assets (see Note 15) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17.1).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	June 30, 2015	Dec. 31, 2014
Trade receivables:			
Third parties		**P3,579,875,523**	P 3,771,130,305
Related parties	26.1	**23,976,099**	25,524,583
		3,603,851,622	3,796,654,888
Advances to suppliers:			
Third parties	30.7	**3,133,033,484**	4,001,272,283
Related parties	26.2	**10,024,800**	10,024,800
		3,143,058,285	4,011,297,083
Non-trade receivables		**334,858,008**	242,324,636
Advances subject to liquidation		**24,634,435**	32,189,974
Other receivables		**30,080,954**	34,636,908
		7,137,604,600	8,117,103,489
Allowance for impairment		**(290,391,298)**	(284,391,298)
		P6,846,673,302	P 7,832,712,191

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of June 30, 2015 and December 31, 2014. Impairment losses amounted to P3.0 million, P40.1 million as of June 30, 201 and December 31, 2014, respectively, and are presented as part of Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income (see Note 22.1).

A reconciliation of the allowance for impairment at the beginning and end of June 30,2015 and December 31, 2014 is shown below.

	Note	**June 30,2015**	December 31,2014
Balance at beginning of year		**P 284,391,298**	P 244,313,834
Impairment loss for the year	22.1	**3,000,000**	40,077,464
Balance at end of year		**P 287,391,298**	P 284,391,298

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

Advances to suppliers include amounts initially paid to foreign corporation amounting to P89.6 million (US$2.0 million) as of December 31, 2014, in relation to the Memorandum of Agreement (MOA) entered into by PNX – Chelsea for the importation of one unit of oil tanker vessel (MT Chelsea Denise II) from China for a total consideration of $7.3 million.

Non-trade receivables mostly pertain to receivable from locators and accrued rent and franchise income. Non-trade receivables also include P12.9 million worth of reimbursable costs incurred by the Group as of December 31, 2014, in relation to its TC agreement with a certain third party.

Other receivables include partial claims from an insurance company amounting to P32.9 million as of December 31, 2014, which is related to an incident encountered by certain vessels of the Group and one of FTC's tugboats. The amount represents the actual costs incurred for the vessels, net of the applicable deductible clause. In 2014, the Group received a notice of the final amount to be settled by the insurance company based on the computations provided by the adjuster. Out of the outstanding claim of the Group of P32.9 million, only P29.0 million will be collectible; hence, the remaining balance of P3.9 million was recognized as Loss on settlement of insurance claims, which is presented as part of Finance Costs in the 2014 consolidated statement of comprehensive income (see Note 22.1).

Certain trade receivables amounting to P33.3 million as of December 31, 2014, were used as collateral to the Group's interest-bearing loans and borrowings [see Notes 17.5*(a)*, 17.5*(b)* and 17.5*(e)*].

8. INVENTORIES

Inventories which are stated at cost are broken down as follows:

	June 30,2014	Dec. 31, 2014
Fuel	**P3,240,996,599**	P 2,564,596,748
Lubricants	**261,135,355**	306,133,400
Others	**125,107**	98,921
	P3,502,257,061	P 2,870,829,069

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P2,138.5 million and P3,554.4 million as of December 31, 2014 and 2013, respectively, have been released to the Group in trust for the bank. The Group is accountable to the bank for the trusteed inventories or their sales proceeds (see Note 17.1).

There were no inventory write-down in all of the years presented.

An analysis of the cost of inventories included in the cost of fuels and lubricants sold in each year is presented in Note 20.1.

9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs stated at cost relate to the following as of June 30 and December 31:

	June 30, 2015	Dec. 31, 2014
Land held for sale	**P 450,786,035**	P 450,786,035
Land development costs	**35,199,776**	35,199,776
	P485,985,811	P485,985,811

The land held for sale was used as security for the Group's installment payable with Land Bank of the Philippines (LBP) [see Note 17.2*(a)*].

Land development costs pertain to expenditures for the development and improvement of the land held for sale of the Park.

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P70.8 million and P70.4 million as of June 30, 2015 and December 31,2014, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies(see Note 17.1). Interest rates for this type of deposit range from 2.40% to 5.98% per annum for all the years presented.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of June 30 and December 31 is shown below:

	June 30, 2015	Dec. 31, 2014
Prepayments	**P 443,389,696**	P 577,645,850
Creditable withholding tax	**397,557,074**	353,395,385
Supplies	**112,216,368**	215,476,323
Others	**155,221,009**	114,982
	P1, 108,384,147	P 1,146,632,540

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of June 30, 2015 and December 31, 2014 are shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
June 30, 2015											
Cost or valuation	P 3,863,239,281	P 97,378,244	P2,133,909,285	P 83,865,297	P 592,693,920	P 85,062,506	P4,491,909,739	P 361,489,089	P 645,252,512	P 1,490,824,685	P 13,845,624,558
Accumulated depreciation and amortization	(868,957,979)	(51,234,293)	(477,683,449)	(67,419,789)	(322,952,216)	(70,747,768)	(627,503,823)	(102,409,464)	-	-	(2,588,908,782)
Net carrying amount	P 2,944,281,302	P 46,143,951	P1,656,225,836	P 16,445,508	P 269,741,705	P 14,314,738	P 3,864,405,916	P 191,390,192	P 641,719,262	P 996,711,879	P 11,256,715,777
December 31, 2014											
Cost or valuation	P 3,824,032,006	P 97,172,129	P1,946,995,014	P 84,756,860	P 579,287,791	P 75,106,949	P4,440,508,081	P 265,909,110	P 641,719,262	P 996,711,879	P 12,952,199,081
Accumulated depreciation and amortization	(793,867,463)	(47,067,752)	(372,424,732)	(67,337,047)	(293,248,875)	(66,443,159)	(548,682,231)	(74,518,918)	-	-	(2,263,590,177)
Net carrying amount	P 3,030,164,543	P 50,104,377	P1,574,570,282	P 17,419,813	P 286,038,916	P 8,663,790	P 3,891,825,850	P 191,390,192	P 641,719,262	P 996,711,879	P 10,688,608,904
December 31, 2013											
Cost or valuation	P P 2,940,015,956	P 68,286,414	P1,349,077,762	P 76,438,965	P 547,121,336	P 66,714,204	P3,102,998,637	P 132,261,485	P 358,163,195	P 1,643,322,006	P 10,284,399,960
Accumulated depreciation and amortization	(633,529,168)	(36,606,594)	(189,963,789)	(56,019,329)	(228,201,903)	(63,532,510)	(410,279,603)	(37,776,595)	-	-	(1,655,909,491)
Net carrying amount	P 2,306,486,788	P 31,679,820	P1,159,113,973	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,628,490,469

A reconciliation of the carrying amounts at the beginning and end of June 30, 2015 and December 31, 2014 of property and equipment is shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 3,030,164,543	P 50,104,377	P 1,574,570,282	P 17,419,813	P 286,038,916	P 8,663,790	P 3,891,825,850	P 191,390,192	P 641,719,262	P 996,711,879	P 10,688,608,904
Additions	35,587,616	206,115	22,496,915	3,488,463	15,844,919	7,695,089	5,048,186	-	3,533,250	810,280,722	904,181,274
Revaluation increment	-	-	-	-	-	-	-	-	-	-	-
Transfers	3,619,659	-	166,313,243	350,777	1,670,317	2,280,468	46,353,472	95,579,979	-	(316,167,916)	-
Cost of asset disposed	-	-	(1,895,887)	(4,730,803)	(4,109,107)	(20,000)	-	-	-	-	(10,755,797)
Accumulated depreciation of asset disposed	-	-	-	4,233,862	3,561,036	19,999	-	-	-	-	7,814,897
Depreciation and amortization charges for the year	(75,090,516)	(4,166,541)	(105,258,717)	(4,316,604)	(33,264,376)	(4,324,609)	(78,821,592)	(27,890,546)	-	-	(333,133,502)
Balance at June 30, 2015, net of accumulated depreciation and amortization	P 2,994,281,302	P 46,143,951	P 1,656,225,836	P 16,445,508	P 269,741,705	P 14,314,738	P 3,864,405,916	P 259,079,625	P 645,252,512	P 1,490,824,685	P 11,256,715,777
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 2,306,486,788	P 31,679,820	P 1,159,113,973	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,628,490,469
Additions	124,963,964	28,885,715	116,897,418	8,181,587	32,527,133	8,977,566	168,433,749	49,842,599	283,556,067	1,722,010,278	2,544,276,076
Revaluation increment	-	-	-	-	-	-	180,637,550	-	-	-	180,637,550
Transfers	760,494,436	-	482,071,526	174,656	308,573	-	988,438,145	83,805,026	-	(2,368,620,405)	(53,328,043)
Cost of asset disposed	(1,442,350)	-	(1,051,692)	(38,348)	(669,251)	(584,821)	-	-	-	-	(3,786,462)
Accumulated depreciation of asset disposed	1,442,350	-	361,152	38,348	614,935	380,134	-	-	-	-	2,836,919
Depreciation and amortization charges for the year	(161,780,645)	(10,461,158)	(182,822,095)	(11,356,066)	(65,661,907)	(3,290,783)	(138,402,628)	(36,742,323)	-	-	(610,517,605)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 3,030,164,543	P 50,104,377	P 1,574,570,282	P 17,419,813	P 286,038,916	P 8,663,790	P 3,891,825,850	P 191,390,192	P 641,719,262	P 996,711,879	P 10,688,608,904

12.1 Acquisition of Vessel – MT Chelsea Donatela

In 2013, PNX – Chelsea entered into a MOA with a foreign corporation for the importation of one unit of oil tank vessel (MT Chelsea Donatela) from China for US$21.2 million [see Note 17.2(g)]. The construction of the vessel was completed in 2014 and had its first voyage on July 15, 2014.

As of December 31, 2013, the vessel is still under construction. Since the vessel is not yet ready for use, the contract price of the vessel, costs incurred for the major improvements made to the vessel and other incidental costs totaling P418.6 million are recognized as construction in progress and presented as part of Property and Equipment - net in the 2013 consolidated statement of financial position. The whole amount was then reclassified to tankers in 2014 upon completion of the vessel.

MT Chelsea Donatela is used as collateral to secure the payment of interest-bearing loan obtained to finance the acquisition of the vessel [see Note 17.2*(g)*].

12.2 Fair Value of Tankers

The Group's tankers are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 27.5).

The information on the fair value measurement and disclosures related to the revalued tankers are presented in Note 5.4.

If the tankers were carried using the cost model, the cost, accumulated depreciation and carrying amount as of December 31 would be as follows:

	2014
Cost	**P 5,905,411,437**
Accumulated depreciation	**(848,386,914)**
	P5,057,024,523

12.3 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P70.7 million and P71.4 million as of December 31, 2014 representing the actual borrowing costs incurred on borrowings obtained to fund the retail stations and depot facilities. The average capitalization rate used was 8.5% both in 2014 and 2013.

12.4 Collaterals

As of December 31, 2014 and 2013, certain tankers owned by the Group with carrying value of P1,483.7 million and P1,420.1 million as of December 31, 2014 and 2013, respectively, were used as collaterals for the interest-bearing loans from various local commercial banks [see Notes 17.2*(c)*, 17.4, 17.5*(a)* and 17.5*(b)*].

Moreover, certain service vehicle of the Group with carrying value of P3.0 million and P40.9 million as of December 31, 2014 and 2013, respectively, was used as collateral for mortgage payable (see Note 17.7).

12.5 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to P19.5 million and P23.7 million as of December 31, 2014 and 2013, respectively (see Note 17.6).

13. INVESTMENT IN AN ASSOCIATE

The Group has 45% equity interest in NMPSC which management considered to be material to the Group. The investment in NPMSC is accounted for using the equity method in these consolidated financial statements.

The summarized financial information of NPMSC is shown below.

		2014
Total assets	P	**15,860,855**
Total liabilities		**5,699,029**
Total equity		**10,161,826**
Total revenues		**36,353,600**
Net profit (loss)		**6,043,958**

The Group did not recognize its share of the net profit (loss) of NPMSC in the Group's consolidated statements of comprehensive income as the Group's management deemed it to be insignificant.

No dividends were received from NPMSC in 2014 and 2013.

NPMSC is a private company and there are no quoted prices available for its shares of stocks.

14. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents the Group's land property totaling to 44 hectares in Phase 2 and 3 of the Park that is intended for sale once developed.

The Group's land held for future development was used as collateral for the Group's installment payable with LBP was fully paid in 2014[see Note 17.2*(a)*].

15. OTHER NON-CURRENT ASSETS

The composition of this account as of June 30 is shown below.

	Notes	June 30,2014	Dec. 31,2014
Refundable rental deposits	26.3	**P 159,433,271**	P 172,226,696
Advances for future investment in a joint venture		**-**	67,750,000
Drydocking costs – net		**62,045,860**	58,281,453
Deferred minimum lease payments		**35,398,096**	34,379,811
Restricted time deposits	6	**-**	1,263,795
Others		**193,079,432**	2,208,763
		P 449,956,660	P 336,110,518

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P0.6 million in 2014 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 22.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statement of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P0.9 million in 2014and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 21).

Advances for future investment in a joint venture represent the Group's payment to a certain third party for the Group's partial share in the investment in future joint venture per memorandum of agreement entered into with the said third party. The Group and the third party, through the future joint venture, are committed to construct a terminal and storage facility.

Restricted time deposits represent cash deposited with a local bank as an environmental trust fund set aside in compliance with the requirements of the Department of Environment and Natural Resources.

Presented below is a reconciliation of the carrying amount at the beginning and end of 2014 of drydocking costs.

	Notes	2014
Balance at beginning of year		**P 46,588,245**
Transfer from construction		

in progress	12	53,328,043
Additions		8,229,538
Amortization during the year	20.2, 21	(49,764,310)
Disposal		(100,063)
Balance at end of year		P 58,281,453

Amortization pertaining to drydocking costs is presented as part of depreciation and amortization under Cost of Sales and Services in the consolidated statements of comprehensive income (see Note 20.2).

Drydocking costs are being amortized over two years or until the occurrence of the next drydocking, whichever comes earlier.

16. GOODWILL

Goodwill amounting to P84.5 million as of December 31, 2014 and 2013, represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition. In 2012, the Parent Company assessed that the goodwill pertaining with PGMI is impaired, hence, full impairment loss amounting to P1.3 million was recognized.

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	June 30,2015	Dec. 31,2014
Current:		
Liabilities under letters of credits and trust receipts	**P2,829,483,261**	P 3,640,151,291
Installment and notes payable	-	2,163,017,181
Liabilities under short-term commercial papers	**3,422,742,503**	1,942,752,503
Bank loans	**3,719,875,859**	364,293,475
Term loans	-	359,737,069
Obligations under finance lease	-	7,462,297
Mortgage payable	**573,031**	1,611,934
	P9,972,684,654	P 8,479,025,750
Non-current:		
Installment and notes payable	**P -**	P4,319,927,159
Term loans	**5,832,547,323**	1,036,612,418
Obligations under finance lease	-	5,671,371
Mortgage payable	-	1,406,699
Bank loans	-	-
	P5,832,547,323	P 5,363,617,647

17.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of letters of credit (LC) and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 5.00% per annum in 2014.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits and a surety of a stockholder [see Notes 6, 10 and 26.6*(a)*].

17.2 Installment and Notes Payable

(a) Installment Loan with LBP

On April 16, 2010, the Group availed the P580.0 million loan with LBP. The loan with LBP was used to refinance the installment payable with PHINMA Group via take-out of the outstanding installment payable to PHINMA Group. The refinanced installment payable is payable for seven years with one year grace period on principal and bears an interest rate based on the prevailing LBP rate at the time of availment subject to quarterly repricing with reference to a three month PDST-F rate plus minimum spread of 2.5%. The installment payable with LBP is secured by the Group's parcel of land with carrying value of P326.7 million as of December 31, 2013, which is presented as part of land held for sale (see Note 9) and land held for future development (see Note 14), and port expansion facilities with carrying value of P192.9 million as of December 31, 2013, which is presented as part of buildings, depot and pier facilities (see Note 12.4). These securities were released upon full payment of the loan in 2014.

(b) Notes Facility Agreement with BDO Group

In 2011, the Group availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO Capital & Investment Corporation, Banco De Oro Unibank, Inc. (BDO), Maybank Philippines, Inc., Robinsons Bank Corporation and Banco de Oro Unibank, Inc. – Trust and Investment Group. The long-term loan amounting to P700.0 million with interest rate of 7.35% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.66% is payable on August 23, 2018.

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P727.5 million.

(c) Omnibus Loan and Security Agreement (OLSA) with PBComm

On February 10, 2012, the Group entered into a loan agreement with PBComm amounting to P107.0 million to partly finance the double hulling and drydocking of a vessel owned by the Group. In February and May 2012, PBComm released the loan amounting to P65.0 million and P42.0 million, respectively. The loan is subject to annual interest rate of 9.5% and is payable in 36 equal monthly installments with one quarter grace period from date of each release.

The loan is secured by a chattel mortgage on two of the tankers (MT Chelsea Resolute and MT Ernesto Uno) of the Group with net book value amounting to

P332.1 million and P317.5 million as of December 31, 2014 and 2013, respectively (see Note 12.4).

The loan agreement requires the Group to maintain a debt-to-equity ratio of not more than 4:1. As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P8.0 million.

(d) OLSA with BDO – MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit of oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million.

In connection with the MOA, the Group entered into an OLSA amounting to US$14.5 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan is payable into 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to interest computed at one-year LIBOR plus applicable margin of 3.50% per annum.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of P1,100.4 million and P1,059.8 million as of December 31, 2014 and 2013, respectively.

Related debt issuance costs amounted to P8.2 million of which P1.4 million and P2.3 million was amortized in 2014 and 2013, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income (see Note 22.1). The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P404.4 million and P496.9 million, respectively.

(e) Convertible Notes Facility Agreement with BDO

On July 11, 2012, the Parent Company executed a Convertible Notes Facility Agreement worth P500.0 million with warrants offering amounting to P180.0 million with BDO. The loan is subject to annual interest rate of 7.6% and is payable quarterly in arrears over its three years term. The issuance of the convertible note is part of the Group's plan to raise long-term capital, to refinance short-term debt and finance capital expenditures.

BDO is granted the option to convert all or any portion of the unpaid principal amount of the notes held by it into the conversion shares exercisable at any time upon written notice by BDO to the Parent Company specifying the time and date of the conversion. Also, BDO has the option to elect one nominee to the Parent Company's BOD which option may be exercised anytime after signing date and on or before conversion date.

For and in consideration of the subscription of BDO to the convertible notes issued by the Parent Company, the latter also granted the former the right to subscribe to the warrants to be issued by the Parent Company which is convertible into common shares of the Parent Company up to the aggregate principal amount of P180.0 million. The availment of the convertible note and the issuance of the warrant were approved by the Parent Company's stockholders during a special stockholders' meeting held on September 6, 2012. The Parent Company's stockholders also authorized the execution, delivery and performance of Subscription Agreement between the Parent Company and BDO in relation to the issuance of the warrants.

The exercise price of the option to convert the note to the Parent Company's common shares and the warrant is equivalent to a determined price base plus a premium of fifteen percent. The exercise based used was the 30-day volume-weighted average price of the Parent Company's share on the PNX PM Equity HP page of Bloomberg from May 24, 2012 to July 5, 2012 which is equal to P8.3 per share. The exercise period consists of a two-year period commencing on the third anniversary date of the convertible notes issue date and expiring five years thereafter.

Considering that a fixed number of shares will be issued for options and warrants, the warrants and options may qualify as an equity instrument to be recorded as a separate component in the equity in the Group's consolidated financial statements. The Group's management , however, assesses that at the date of the initial recognition, the equity component has no value since the interest rate to be charged by the lender on the convertible note with warrants is similar to the interest rate of the note had it been issued without conversion options and warrants. As such, the fair value of the hybrid convertible note and the host instrument is the same resulting in the nil value of the equity component at the date of initial recognition.

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 1.5:1.

The outstanding balance of the principal of the note as of both December 31, 2014 and 2013 amounted to P500.0 million.

As of December 31, 2014 the Group has complied with its debt covenants.

(f) Notes Facility Agreement with China Banking Corporation and Pentacapital Investment Corporation

On November 8, 2012, the Parent Company entered into a notes facility agreement with China Banking Corporation and Pentacapital Investment Corporation totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.75% which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Parent Company for the roll out of the retails stations, for debt financing, to support capital expenditures and for other general corporate purposes.

By virtue of the notes facility agreement, the Parent Company affirms that it shall maintain the listing of its common shares with PSE and shall not declare or pay any dividends to stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated.

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 1.5:1.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P2,476.2 million and P2,468.5 million, respectively.

As of June 30,2015 and December 31, 2014, the Group has complied with its debt covenants.

(g) OLSA with BDO – MT Chelsea Donatela

In 2013, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit oil tanker (MT Chelsea Donatela) of PNX - Chelsea in the amount of US$21.2 million (see Note 12.1). In connection with the acquisition of an oil tank vessel, the Group entered into an OLSA amounting to US$14 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. In September 2013, the local bank granted the loan and released the first tranche amounting to US$4 million. The second tranche amounting to US$10 million was availed of by the Group in 2014. The loan is payable for a period of five years from the initial drawdown date in US$560,000 quarterly principal installments and any unpaid balance on maturity date, with two quarter grace period, commencing after the second tranche. The loan bears effective interest rate of 5.25% per annum.

Interest incurred on these loans amounted to P29.2 million and P3.3 million in 2014 and 2013, respectively, and is shown as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income. Related debt issuance costs amounted to P9.6 million of which P1.5 million and P0.1 million was amortized during 2014 and 2013, respectively, using effective interest rate of 5.58% and 5.54%, respectively. Amortized debt issuance cost was also recognized as part of the Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 22.1). Unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The loan is secured by a chattel mortgage of MT Chelsea Donatela upon its delivery and registration with the Maritime Industry Authority. The carrying amount of MT Chelsea Donatela, presented as part of construction in progress, amounted to P1,091.0 million and P418.6 million as of December 31, 2014 and 2013, respectively (see Note 12.1).

The OLSA requires the Group to maintain debt to equity ratio of not more than 1.5:1 and debt coverage ratio (DCR) of at least 1.20, except on drydocking year where minimum DCR shall be 1.00. The Group filed a waiver with the local bank for the debt covenant ratios.

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P595.1 million and P171.6 million, respectively.

(h) Notes Payable

The Group availed of borrowings from various local banks with interest rates ranging from 7.0% to 10.2% per annum and will mature within five to seven years. The loans, which are secured by the Groups's certain buildings, depot and pier facilities and hauling and heavy equipment, is payable quarterly (see Note 12.4).

17.3 Liabilities under Short-term Commercial Papers

On October 23, 2014, the SEC approved the Parent Company's registration, licensing and issuance of short-term commercial papers up to P2.0 billion. The short-term commercial papers bear annual interest rates ranging from 4.0% to 4.5%, which is already deducted in advance from the proceeds, and will mature on various dates until October 31, 2015. In 2014, the Parent Company fully issued and received the proceeds of the P2.0 billion short-term commercial papers, which were used to finance the Parent Company's working capital requirements.

On February 18, 2015, the SEC approved the Parent Company's registration, licensing and issuance of additional short-term commercial papers up to P1.5 billion. The short-term commercial papers bear annual interest rates ranging from 3.875 to 4.125%, which is already deducted in advance from the proceeds, and will mature on October 13, 2015. In early 2015, the Parent Company fully issued and received the proceeds of the P1.5 billion short-term commercial papers, which were used to finance the Parent Company's working capital requirements.

17.4 Bank Loans

The bank loans represent secured loans from local commercial banks for working capital purposes. The loans bear annual interest rates ranging from 7.5% to 14.0% in 2014 and 2013, subject to monthly repricing. These loans are secured by certain vessels (MT Chelsea Intrepid, MT BMI Patricia and MT Ernesto Uno) owned by the Group with net revalued amount of P212.1 million and P201.9 million as of December 31, 2014 and 2013, respectively (see Note 12.4), and by certain stockholders [see Note 26.6*(b)*].

17.5 Term Loans

(a) Term Loan Agreement (TLA) with Development Bank of the Philippines (DBP)

On September 12, 2007, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the construction of one unit of oil tanker in the amount of US$15.0 million. In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with DBP, the proceeds of which shall be exclusively used to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (P159.0 million) and US$9.1 million (P432.5 million), respectively. The loan is payable over five years in equal quarterly principal installments, with one quarter grace period on principal, commencing November 2009 and was subject to 10.5% interest rate per annum. The loan was fully settled in 2014.

On October 30, 2014, the Group entered into a loan agreement with DBP amounting to P140.0 million to finance the drydocking and repairs and maintenance expenses of MT Chelsea Resolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to annual interest rate of 5.0% and is payable in eight equal quarterly installments commencing on the first quarter from the initial drawdown.

In addition, the Group obtained P160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.0% per annum and is payable in ten equal quarterly installments commencing on February 28, 2015.

The loan is secured by a chattel mortgage on certain vessel (MT Chelsea Cherylyn) of the Group with net book value amounting to P824.8 million and P776.5 million as of December 31, 2014 and 2013, respectively. The loan is also secured by certain collateral on receivables of CSC and guaranteed by certain stockholders [see Notes 7 and 26.6*(b)*].

The outstanding balance of the principal of the note as of December 31, 2014 and 2013 amounted to P300.0 million and P222.1 million, respectively.

(b) Loan Agreement with Robinsons Bank Corporation (RBC)

In 2014, the Group obtained three bank loans from RBC totaling P62.2 million to finance the drydocking costs of MT Chelsea Denise. The loan is subject to annual interest rate of 6.3% and is payable in twelve equal monthly installments commencing on the first month from the initial drawdown.

The loan is secured by a chattel mortgage on one of the vessels (MT Chelsea Denise) of the Group with net book value amounting to P114.7 million and P124.2 million as of December 31, 2014 and 2013, respectively, and receivables of CSC from certain customer (see Note 7). The loan is also guaranteed by certain stockholders [see Note 26.6*(b)*].

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P56.8 million.

(c) TLA with Maybank Philippines, Inc.

On July 18, 2012, the Parent Company signed with Maybank Philippines, Inc. a five year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.0% and is payable in twenty equal quarterly installments.

In connection with the TLA, all existing and future advances to the Parent Company by its stockholders or related parties are subordinated to the loan. The Parent Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

The outstanding balance of the loan as of December 31, 2014 amounted to P165.0 million.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

On October 28, 2014 and November 4, 2014, the Group obtained unsecured, interest-bearing loans from Maybank Philippines, Inc. amounting to P100.0 million for CSC's working capital requirements.

(d) TLA with Maybank International Labuan Branch

On November 20, 2012, the Parent Company entered into a TLA amounting to US$ 24.0 million with Maybank International Labuan Branch. to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1) which is due in five years and US$10.0 million (tranche 2) with a term of three years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.25% per annum, or cost of funds plus a margin of 2.0% per annum, whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International Labuan Branch. reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

Moreover, Maybank International Labuan Branch has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term facility either via follow-on offering of the Parent Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to P451.2 million and P723.9 million, translated into Philippine Peso using the closing rate as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

On April 29, 2015, the Parent Company entered into another TLA amounting to US$ 10.0 million with Maybank International Labuan Branch, to fund various capital expenditures.

The loan is subject to interest computed at 90 day LIBOR + 3.75% per annum (p.a.). Interest shall be paid quarterly in arrears.

The TLA also requires the Parent Company to maintain debt-to equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5x.

TLA with Asia United Bank (AUB)

In 2013, the Group obtained interest-bearing loans from AUB to partially finance the acquisition of tug boats amounting to P100 million. The loan bears fixed interest rate at 7.00% for the first three years from the initial drawdown date, and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

The interest-bearing loans amounted to P88.9 million and P100.0 million as of December 31, 2014 and 2013, respectively, of which P22.2 million and P11.1 million, respectively, was presented under current liabilities section in the consolidated statements of financial position.

Interest expense related to the loans amounted to P7.3 million and P1.1 million in 2014 and 2013, respectively, and is shown as part of Finance Cost under Other Charges (Income) in the consolidated statements of comprehensive income.

Certain trade receivables amounting to P20.2 million and P8.2 million as of December 31, 2014 and 2013, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 7).

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P88.9 million.

(e) Loan Agreement with Multinational Investment Bancorporation (MIB)

On December 29, 2014, the Group obtained an unsecured, interest-bearing loans from MIB totaling to P166.8 million for the CSC's working capital requirements. The loan is subject to annual interest rate of 4.3% and is payable in 30 days.

The outstanding balance of the principal of the note as of December 31, 2014 amounted to P166.8 million.

17.6 Obligations under Finance Lease

The finance lease liability has an effective interest rate of 5.1% which is equal to the rate implicit in the lease contract (see Note 30.5). Lease payments are made on a monthly basis.

17.7 Mortgage Payable

The mortgage payable represents secured loans which bear interest rates ranging from 7.6% to 11.4% per annum, and with terms ranging from 18 months to 36 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Property and Equipment account in the consolidated statements of financial position (see Note 12.4).

17.8 Credit Line

The Parent Company has an available credit line of P22.6 billion under LC/TR. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit line is secured by the following:

(a) Assignment of future receivables;
(b) Suretyship of PPHI and pledge of its share in the Parent Company amounting to P46.9 million (at P1 par value);
(c) Joint several signature of certain stockholders; and,
(d) Negative pledge over the remaining shares of PPHI in Parent Company in favor of the bank amounting to P1.1 billion.

18. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	June 30, 2015	Dec.31, 2014
Trade payables:			
Third parties		**P 1,202,880,076**	P 3,375,091,069
Related parties	26.3, 26.5	**-**	9,156,631
		1,202,880,076	3,384,247,700
Accrued expenses		**333,294,150**	211,559,670
Retention payable		**44,660,058**	42,699,144
Advances from customers		**79,241,138**	19,003,143
Income tax payable		**1,514,944**	4,236,452
Non-trade payables		**127,874,999**	2,986,179
Others	30.8	**134,773,198**	69,837,707
		P1,924,238,563	P 3,734,569,995

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

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group.

Advances from customers pertain to the advance payment of the various customers for their fuel purchases. Advances from customers are measured at the amount of cash received from the customers and are offset against trade receivables once the related sales transactions are consummated.

19. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	June 30,2015	Dec. 31,2014
Security deposits		**P 144,894,637**	P 158,325,351
Unearned rent		**50,220,150**	48,922,071
Post-employment defined benefit obligation	23.2	**66,216,823**	76,396,793
		P 263,111,273	P 283,644,395

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P1.0 million in 2014 and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 22.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statement of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P1.1 million in 2014and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

20. COST OF SALES AND SERVICES

This account is composed of the following as of June 30:

	Notes	June 30,2015	June 30,2014
Cost of fuels and lubricants sold	20.1	**P 12,598,779,281**	P 16,613,172,431
Cost of services	20.2	**59,328,428**	267,478,531
Cost of real estate sold	21	**-**	7,215,476
	26.2	**P 12,658,107,708**	P 16,887,866,438

20.1 Cost of Fuels and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Note	June 30,2015	June 30,2014
Inventories at beginning of year	8	**P 2,870,829,069**	P 3,812,532,673
Net purchases during the year		**13,230,207,273**	16,945,815,181
Goods available for sale		**16,101,036,342**	20,758,347,854

Inventories at end of year	8	(**3,502,257,061**)	(4,145,175,423)
		P 12,598,779,280	P 16,613,172,431

21. COSTS AND EXPENSES BY NATURE

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

	Notes	**June 30, 2015**	June 30, 2014
Cost of sales:			
Fuels		**P 12,486,205,484**	P 16,520,258,357
Lubricants		**112,573,796**	92,914,074
Cost of Real Estate Sold			7,215,476
Services		**59,328,428**	267,478,531
Depreciation and amortization	12, 15	**240,481,811**	195,330,985
Rent	15, 26.3, 30.3	**214,704,593**	169,891,491
Salaries and employee benefits	23.1	**137,278,302**	102,838,188
Taxes and licenses		**31,729,446**	32,926,283
Advertising and promotions		**55,593,546**	71,569,393
Repairs and maintenance		**30,847,645**	34,273,746
Rebates		**40,150,932**	20,403,982
Service fees		**35,179,601**	28,795,276
Insurance		**20,465,618**	18,050,843
Bank Charges		**4,134,830**	2,710,450
Fuel, oil and lubricants		**5,425,286**	32,341,521
Utilities		**28,343,871**	22,031,457
Professional fees		**28,994,818**	22,353,749
Provision for Bad Debts		**3,000,000**	600,000
Security fees		**26,887,005**	23,884,689
Dues and Subscription		**7,225,757**	4,042,484
Travel and transportation		**17,929,542**	20,226,974
Other expenses		**14,574,630**	5,722,269
Freight charges		**8,335,818**	-
Representation		**5,407,482**	5,100,383
Office supplies		**4,673,225**	2,747,945
Sales incentives		**5,429,683**	
Trucking charges		**-**	29,561,817
Documentary Stamps		**44,173,378**	51,961,466
Miscellaneous	26.8	**1,455,380**	3,904,348
		P 13,670,349,907	P 17,789,096,177

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

	Note	June 30,2015	June 30,2014
Cost of sales and services	20	**P 12,658,107,708**	P 16,887,866,438
Selling and administrative expenses		**1,012,242,198**	901,229,739
		P 13,670,349,907	P 17,789,096,177

22. FINANCE INCOME (COSTS)

The breakdown of these accounts follows:

22.1 Finance Costs

	Notes	2014
Interest expense on bank loans and other borrowings	17	**P 728,178,099**
Impairment losses on trade and other receivables	7	**40,077,464**
Foreign currency exchange losses – net		**19,247,244**
Bank charges		**9,455,061**
Loss on settlement of insurance claims	7	**3,898,441**
Interest expense from post-employment defined benefit obligation – net	23.2	**2,296,995**
Interest expense from security deposits	19	**984,592**
		P 804,137,896

22.2 Finance Income

	Notes	2014
Interest income from cash in banks	6	P 2,750,097
Interest income on amortization of rental deposits	15	644,746
Foreign currency exchange gains – net		-
		P 3,394,843

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	June 30,2015	June 30,2014
Short-term benefits:			
Salaries and wages		P 109,591,488	P 81,033,822
Employee welfare and other benefits		20,622,288	11,813,813
13th month pay and bonuses		7,064,526	6,470,584
Post-employment defined benefit	23.2		3,519,969
	21	P 137,278,302	P 102,838,188

23.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

In 2014, the Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 75% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 19) in the consolidated statements of financial position, are determined as follow:

	2014
Present value of obligation	P 88,610,880
Fair value of plan assets	(12,213,907)
	P 76,396,973

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

	2014
Balance at beginning of year	P 51,100,685
Current service cost	10,977,276
Interest expense	2,751,078
Remeasurements:	
Actuarial losses (gains) arising from:	
Experience adjustments	14,461,165
Changes in financial assumptions	6,981,384
Changes in demographic assumptions	3,643,648
Benefits paid	(1,304,356)
Balance at end of year	P 88,610,880

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

	2014
Balance at beginning of year	P -
Contributions to the plan	18,661,947
Return on plan assets (excluding amounts included in net interest)	(6,131,556)
Benefits paid	(770,567)
Interest income	454,083
Balance at end of year	P 12,213,907

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

		2014
Cash and cash equivalents	P	100,624
Quoted equity securities:		
Telecommunications		2,460,120
Manufacturing		2,449,440
Unit investment trust funds (UITF)		7,203,723
	P	12,213,907

The fair value of the above investment is determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy).

The plan assets incurred a negative return of P6.1 million in 2014.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

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

	Notes		2014
Reported in profit or loss:			
Current service cost	23.1	P	10,977,276
Net interest expense	22.1		2,296,995
		P	13,274,271
Reported in other comprehensive income:			
Actuarial losses (gains) arising from changes in:			
Experience adjustments		P	14,461,165
Financial assumptions			6,981,384
Demographic assumptions			3,643,648
Return on plan assets (excluding amounts included in net interest expense)			6,131,556
		P	31,217,753

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 23.1).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) account (see Note 22.1).

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

	2014
Discount rates	**4.49% to 4.78%**
Expected rate of salary increases	**5.00% to 8.00%**

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

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risk

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

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

	2014		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 8,001,285)	P 9,813,193
Salary increase rate	+/- 1.0%	8,761,574	(7,364,342)

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

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2014 is allocated to UITF.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2014, the plan is underfunded by P76.4 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P1.9 million to the plan during the next reporting period.

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

		2014
Within one year	P	18,890,357
More than one year to five years		21,183,125
More than five years to ten years		39,055,703
	P	79,129,185

The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 years.

24. REGISTRATION WITH THE BOARD OF INVESTMENTS

24.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

24.2 BOI Registration as New Industry Participant – Zamboanga Depot

The Parent Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 24.1. The ITH will expire five years from November 25, 2010.

24.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited in the previous page. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

24.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

24.5 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

24.6 BOI Registration for MT Chelsea Thelma and MT Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Chelsea Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

24.7 BOI Registration for MT Chelsea Donatela

On September 3, 2013, PNX – Chelsea had registered its activity for MT Chelsea Donatela with the BOI under Executive Order No. 226 as a new operator of domestic/inter-island shipping on a pioneer status. As a registered entity, the PNX – Chelsea is entitled to tax and non-tax incentives which include a six-year ITH. The related tax incentives started in January 2014. ITH incentives shall be limited only to the revenues generated by the registered project.

25. TAXES

The components of tax expense as reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

		2014
Reported in profit or loss:		
Current tax expense:		
Regular corporate income tax (RCIT) at 30%	P	32,174,095
Minimum corporate income tax (MCIT) at 2%		3,998,694
Final tax at 20% and 7.5%		494,713
		36,783,485
Deferred tax expense (income) relating to origination and reversal of temporary diffferences	(	33,992,758)
	P	2,790,727
Reported in other comprehensive income:		
Deferred tax expense relating to origination and reversal of temporary differences	P	29,334,251

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2014	P 111,422,978	P 33,426,893	2017
2013	14,139,899	4,241,970	2016
2012	18,714,721	5,614,416	2015
	P 144,277,598	P 43,283,279	

Deferred tax asset on NOLCO of PGMI amounting to P0.1 million and P0.2 million as of December 31, 2014 and 2013, respectively, was not recognized since management assessed that this is not recoverable as PGMI does not expect any taxable income in the coming years.

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. SPTT's MCIT was higher than RCIT in 2014. PPIPC's MCIT was higher than RCIT for the years 2013 and 2012. PPMI's MCIT was higher than RCIT for all the years presented.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2014	P -	P 3,998,964	P 3,998,964	P 3,998,964	2017
2013	-	6,433,147	6,433,147	6,433,147	2016
2012	-	88,177	88,177	88,177	2015
	P -	**P10,520,288**	**P 10,520,288**	**P10,520,288**	

In 2014, 2013 and 2012, the Group claimed itemized deductions in computing for its income tax due.

26. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, the parent company, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of June 30, 2015 , December 31, 2014 and 2013, and for the years ended June 30, 2015, December 31, 2014, and 2013 is presented below.

Related Party Category	Notes	Amount of Transactions 2015	2014	2013	Outstanding Balance 2015	2014
Other related parties under common ownership						
Sale of goods	7, 26.1	P **11,348,212**	P 1,473,214	P 39,139,112	P **24,093,299**	P 25,524,583
Purchases of services	26.2	-	-	-	-	-
Advances to suppliers	7, 26.2	**10,024,800**	10,024,800	-	**10,024,800**	10,024,800
Rentals	18, 26.3	**40,207,058**	66,398,252	43,119,800	**3,338,432**	7,145,631
Due from related parties	26.4	**8,727,609**	7,625,362	(5,552,006)	**13,685,843**	10,373,356
Due to related parties	26.4	-	(46,956,518)	(21,390,502)	**17,204,725**	62,161,243
Donations	26.8		200,000	1,500,500	-	-
Associate						
Technical ship Services	18, 20.2, 26.5	-	33,584,854	15,842,825		2,011,000
Other related party						
Due to related parties	26.4	-	-	-	-	-

26.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2014, 2013 and 2012 based on management's assessment.

26.2 Purchases of Services

In 2012, the Group purchased services from related parties under common ownership on the basis of price lists in force with non-related parties. The amount of transaction is presented as part of the Cost of Sales and Services account in the consolidated statements of comprehensive income (see Note 20). There is no related outstanding payable as of June 30, 2015 and December 31, 2014.

In 2014, the Group advanced a certain amount to a related party under common ownership for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related party. The outstanding advances, which are unsecured and non-interest-bearing, are presented as part of advances to suppliers under Trade and Other Receivables account in the 2014 consolidated statement of financial position (see Note 7).

26.3 Rentals

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

(a) Udenna Corporation – of which total rent expense incurred in the years 2014 amounted to P7.4 million. The outstanding rental payable amounting to P3.3 million and P7.1 million in June 30, 2015 and December 31, 2014, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 18).

(b) Udenna Development (UDEVCO) Corporation – of which total rent expense in 2014amounted to P47.3 million. Rental deposit for the lease amounted to P6.4 million as of December 31, 2014 and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 15).

(c) Valueleases, Inc. – of which total rent expense in 2014amounted to P11.7 million. Refundable Rental Deposits amounted to P6.1 million as of December 31, 2014 is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 15).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Notes 21 and 30.3).

26.4 Due from and Due to Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2014 and 2013, the outstanding receivable and payable balances from these advances are shown as Due From Related Parties and Due to Related Parties, respectively, in the consolidated statements of financial position. Due from Related Parties and Due to Related Parties - current are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Non-current Due to Related Parties, on the other hand, are unsecured non-interest-bearing liabilities. These are stated at their carrying value since the date of repayment is not currently determinable.

Due from related parties represent outstanding advances to PhoenixPhilippines Foundation, Inc. (PPFI), a foundation created by the Group, amounting to P10.4 million as of December 31, 2014

The movement of Due from Related Parties as of June 30 is as follows:

	June 30,2015	Dec. 31, 2014
Balance at beginning of year	P 10,373,356	P 10,373,356
Additions	8,727,609	10,373,356
Collections	(5,415,122)	(2,747,994)
Balance at end of year	P 13,685,843	P 10,373,356

No impairment loss is recognized in 2015 and 2014 related to advances to related parties.

The breakdown of the Due to Related Parties as of June 30 is as follows:

	June 30, 2014	Dec. 31, 2014
Related parties under common ownership	P -	P 17,204,725
Other related party	-	-
	P -	P 17,204,725

The movement of Due to Related Parties in 2014 and 2013 follows:

	June 30, 2015	Dec. 31, 2014
Balance at beginning of year	P 17,204,725	P 64,161,243
Payments	(17,204,725)	(46,956,518)
Balance at end of year	P -	P 17,204,725

26.5 Technical Ship Services Agreement

On April 1, 2013, the Group entered into a Technical Ship Services Agreement (the Agreement) with NPMSC, a newly incorporated associate of CSC. Under the Agreement, NPMSC shall carry out technical services in respect of CSC's tanker vessel as agents for and on behalf of the CSC. NPMSC's responsibilities include crew management, technical management, accounting services, and the arrangement for the supply of provisions.

Total technical ship services fee incurred amounting to P33.6 million in 2014, is presented as part of Service Fees under the Cost of Sales and Services account in the consolidated statements of comprehensive income (see Note 20.2), while the related outstanding liability (unsecured and non-interest bearing) of P2.0 million as of December 31, 2014 is presented as part of Trade and Other Payables in the consolidated statements of financial position (see Note 18).

26.6 Loan Collateral

(a) Surety and a negative pledge over the remaining shares of a stockholder secured the liabilities under LC and TR (see Note 17.1).

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Group were guaranteed by certain stockholders through a surety agreement with the respective banks.

27. EQUITY

27.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	June 30 ,2015	Dec 31, 2014	June 30, 2015	Dec. 31, 2014
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value				
Authorized:	50,000,000	50,000,000	P 50,000,000	P 50,000,000
Issued and outstanding	5,000,000	5,000,000	P 5,000,000	P 5,000,000
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	2,500,000,000	2,500,000,000	P2,500,000,000	P2,500,000,000
Increase in authorized stock	-	-	-	-
Balance at end of year	2,500,000,000	2,500,000,000	P 2,500,000,000	P 2,500,000,000P
Issued:				
Balance at beginning of year	1,428,777,232	1,428,777,232	P 1,428,777,232	P1,428,777,232
Issuance during the year	-	-	-	-
Stock dividends	-	-	-	-
Reclassification	-	-	-	-
Balance at end of year	1,428,777,232	1,428,777,232	P 1,428,777,232	P1,428,777,232
			P1,433,777,232	P1,433,777,232

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and 50.0 million preferred shares with par value of P1 per share into P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the Preferred Shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends on the Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The Preferred Shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum

Based on its plans, the BOD of the Parent Company will also declare and distribute cash dividends in 2015 out of the Parent Company's retained earnings as of December 31, 2014.

27.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80. As of December 31, 2014, the number of holders of such securities is 62. The market price of the Parent Company's shares as of December 31, 2014 is P3.09. The total number of issued shares not listed with the PSE amounted to P116.0 million shares.

The history of public offerings and private placements of the shares of the Parent Company lodged at PSE are as follows:

Transaction	Subscriber	Issue Date	Number of Shares
Initial public offering	Various	July 11, 2007	29,000,000
30% stock dividends	Various	August 6, 2008	43,000,198
40% stock dividends	Various	August 3, 2009	73,660,476
Placement	Social Security System	November 13, 2009	7,500,000
40% stock dividends	Various	October 20, 2010	107,664,266
30% stock dividends	Various	May 6, 2011	113,047,475
50% stock dividends	Various	April 26, 2012	244,936,203
Shares issuance for CSC acquisition	UMRC	September 6, 2012	171,250,798
Placement	Various	March 11, 2013	130,000,000
30% stock dividends	Various	June 10, 2013	329,717,816
Payment of subscription	PPHI	October 8, 2013	63,000,000
			1,312,777,232

27.3 Additional Paid-in Capital

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

In 2012, the Parent Company issued 171,250.8 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC (see Note 1.3). The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

27.4 Other Reserves

In 2012, the Parent Company issued 171,250.8 million common shares plus cash of P157.8 million in exchange of the net assets of CSC. The acquisition of CSC is accounted for under business combination using pooling-of-interest method wherein the difference between the consideration given up over the carrying value of the net assets of CSC is recognized as Other Reserves (see Note 2.3).

27.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below and on the succeeding page.

	Property and Equipment	**Defined Benefit Obligation**	**Total**
Balance as of January 1, 2014	P 286,554,327	(P 13,932,556)	P 272,621,771
Remeasurements of defined post-employment obligation	-	(31,217,753)	(31,217,753)
Revaluation of tankers	180,637,550	-	180,637,550
Depreciation transfer to retained earnings – revalued tankers	(29,384,140)	-	(29,384,140)
Other comprehensive income (loss) before tax	151,253,410	(31,217,753)	120,035,657
Tax income (expense)	(29,884,334)	9,365,325	(20,519,009)
Other comprehensive income (loss) after tax	121,369,076	(21,852,428)	99,516,648
Balance as of December 31, 2014	**P 407,923,403**	**(P 35,784,984)**	**P 372,138,419**

27.6 Retained Earnings

The Board of Directors approved the declaration of cash dividend of P0.05 per share. It was disclosed last March 04, 2015, the date of record is March 08,2015 and the payment date is April 16, 2015.

Further, it also declared 8.25% dividend to preferred stockholders with record date of February 24, 2015 and the payment date of March 20, 2015.

On January 29, 2014, the BOD approved the declaration of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

On March 8, 2013, the stockholders ratified the BOD approval of 30% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P103.6 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2013.

On March 8, 2012, the stockholders ratified the BOD's approval of 50% stock dividends (or a total of 244.9 million shares), valued at par and distributed on April 26, 2012 to stockholders of record as of March 28, 2012. In addition, cash dividends of 10 centavos per common shares totaling to P49.0 million were also declared and paid in 2012. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2012.

27.7 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	June 30, 2015	Dec. 31, 2014
Total liabilities	**P 18,134,862,615**	P 17,949,934,696
Total equity	**7,399,112,586**	7,050,226,099
Debt-to-equity ratio	**2.45 : 1.00**	2.55 : 1.00

The increase of the total liabilities in 2014 is the result of the additional borrowings for the procurement of petroleum and construction of depot facilities, tankers and retail stations. The increase in equity is due to the accumulated earnings.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

28. EARNINGS PER SHARE

EPS were computed as follows:

	June 30, 2015	June 30,2014
a) Net profit pertaining to common shares	**P404,596,850**	P 381,208,211
b) Net profit attributable to common shares and potential common shares	**404,596,850**	381,208,211
c) Weighted average number of outstanding common shares	**1,428,777,232**	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	**1,428,777,232**	1,428,777,232
Basic EPS (a/c)	**P 0.28**	P 0.27
Diluted EPS (b/d)	**P 0.28**	P 0.27

The options and warrants attached on the convertible notes do not have dilutive effect since the average market price of the common shares of the Parent Company during the year does not exceed the exercise price of the options or warrants [see Note 17.2*(e)*].

29. SEGMENT REPORTING

29.1 Business Segments

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group, namely fuels, lubricants, depot services and real estate. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

30. COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

As of June 30, 2015, the Group has commitments of more than P900 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 443 operating retail service stations as of June 30, 2015. An additional of 61 retail service stations are under various stages of completion as of June 30, 2015.

In this year, the Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain logistics support to strengthen its foothold in the industry.

30.2 Letters of Credits

As of June 30, 2015 and December 31,2014, the Parent Company has unused LCs amounting to P 8,242.4 million and P7,131.0 million, respectively.

30.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 25 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2014
Within one year	**P 306,965,591**
After one year but not more than five years	**1,019,563,212**
More than five years	**3,054,218,327**
	P4,380,747,130

Total rent expense for the years 2014, 2013 and 2012 amounted to P390.4 million, P 364.4 million and P240.9 million, respectively (see Note 21).

30.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 2 to 15 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below:

	2014
Within one year	P 77,559,213
After one year but not more than five years	241,175,866
More than five years	2,254,311
	P 320,989,390

Rent income in 2014, 2013 and 2012 amounting to P94.5 million, P47.5 million and P54.3 million, respectively, is presented as part of Rent and Storage Income account in the consolidated statements of comprehensive income.

30.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2014	
	Future MLP	PV of NMLP
Within one year	P 8,284,913	P7,462,297
After one year but not more than five years	5,926,834	5,671,371
	14,211,747	13,133,668
Amounts representing finance charges	(1,078,079)	-
Present value of MLP	P 13,133,668	P13,133,668

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings (see Note 17.6).

30.6 Charter Agreements

The Group has existing commitments to charterers under TC, CVC and BB agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's tankers in good working condition and compliant with all the shipping regulations as required by the Philippine Maritime Industry Authority.

30.7 Purchase Commitments

On September 4, 2014, PNX – Chelsea entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit of oil tanker (MT Chelsea Denise II) for a total consideration of US$7.3 million. As of December 31, 2014, PNX – Chelsea has made an initial downpayment of US$ 2.0 million and is presented as part of Advances to suppliers under the Trade and Other Receivables account in the 2014 consolidated statement of financial position (see Note 7).

30.8 Legal Claims

The Group filed a complaint for a sum of money against one of its customers for unpaid charter fees including damages. A Writ of Garnishment on the customer's funds for the amount of P16.0 million has been issued by the trial court in favor of the Group.

The same customer filed a suit against the Group for reimbursement and damages, amounting to P13.7 million, for the loss it incurred from the contamination of its cargo, which was on board on one of the Group's vessels in 2010. In the same year, the Group made a provision in the amount of P6.9 million for the amount of probable liability that it could answer for such claim. The related liability is presented as part of Others under the Trade and Other Payables account in the consolidated statements of financial position (see Note 18). No additional loss was recognized related to this claim in the succeeding years.

30.9 Others

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. The Petition for Certiorari, with Docket No. CA-G.R. SP No. 06500-MIN, is now pending with the Court of Appeals.

There is also a pending Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statements. As of December 31, 2014 and 2013, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

Item II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparable discussion on Material Changes in Results of Operations for the three Months' Period Ended June 30, 2015 vs. June 30, 2014.

Revenues

The Group generated total revenues of ₱ 14.408 billion in 2015 which is 22% lower than its 2014 level of ₱ 18.514 billion, primarily due to the decline in average fuel prices in 2015 by 40% of the comparative period. This is in spite of the increase by 28% on 2015 first half volume compared to the same period of last year. The revenue decline was marginally mitigated by higher revenues from fuels service, shipping, storage and other revenue, which grew by 50% from the same period in 2014.

Sales revenues from trading and distribution of petroleum products decreased by 23% from ₱14.134 billion in 2014 to ₱ 18.332 billion in 2015 resulting principally from the decrease in average selling prices. The effect was however mitigated by a 31% increase in in ,retail (station) volume salesdue to a wider distribution network and growth in same store sales.. The Commercial and industrial segment also increased by 29% despite lower sales to wholesalers and distributors. The Parent Company had four hundred forty three (443) Phoenix retail service stations as of March 31, 2015 compared to four hundred five (405) retail stations as of the same period last year. The Parent Company has a number of retail stations undergoing construction and projected to be opened within the year.

The Group generated ₱ 273 million in net income from its fuels service, storage, port and other income in 2015 versus ₱ 182 million in 2014, a 50% increase compared to the same period last year. This due to a XX% increase in revenues from storage services and hauling and into-plane services compared with the same period last year.

Cost and expenses

The Group recorded cost of sales and services of ₱ 12.558 billion in 2015, a decline of 25.68% from its 2014 level of ₱ 16.898 billion primary due to a 40% decrease in the average price of petroleum products but mitigated by the 25% increase volume.. This year, the ratio of retail compared to commercial/industrial (C&I) accounts improved from XX% to XX% . Retail volume as a percentage to total sales grew from 33% in 2014 to 39% in 2015. Retail sales margins are generally higher vs. commercial/industrial sales due to the latter's higher sales mix of gasoline products in lieu of diesel.
Selling and administrative expenses increased by 13.58% as a result of higher rentals, depreciation, salaries & wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs thus resulted to the aforementioned increase.

Net Income

The Group's net income for the first half of 2015 was ₱ 425.2 million versus ₱ 401.8 million or a 6% increase vs. the same period last year,. Despite lower selling prices by 40%, the Company was able to grow profit as a result of its improving sales mix and higher efficiencies in its trading and supply management. In summary, the growth in net income was a combination of the 25% increase in volume and a better sales mix in favor of the more profitable Retail sales volume..

The Parent Company is registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005.

The Parent Company obtain additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal.. This entitles the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010 thus entitling the Parent Company another set of incentives including the five (5) year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Parent Company gets new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City were registered and issued certification by the BOI last May 12, 2012. The registration entitles the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI registered entity.

Financial Condition
(As of June 30, 2015 versus December 31, 2014)

Total resources of the Group as of June 30, 2015 stood at Php 25.5 billion, higher by 12% compared to the Php 25.0 billion as of December 31, 2014. This is mainly due to increase in Property, Plant, and Equipment driven by the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents this year increased by 48% from Php 556 million in December 31, 2014 to Php 823 million due to timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum daily cash balance..

Trade and other receivables increased marginally by 12.59% from Php 7.832 billion as of December 31, 2014 to Php 6.847 billion as of June 30, 2015, this due to lower receivable as a result lower prices.

Inventories increased by 22% at Php 3.502 billion as of June 30, 2015 from Php 2.871 billion as of December 31, 2014. This is due to the timing of the arrival of traditional imports combined with additional inventory for an additional product line. The Company targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due to related parties increased by Php 3.312 million or 32% from Php 10.373 million to Php 13.685 million in June 30, 2015 vs. December 31, 2014 due to higher charges made during the quarter.

Input taxes-net decreased by 4.42% in June 30, 2015 is the result of offsetting of higher output taxes this year due to input taxes on capital expenditures, and increase in paid input taxes from higher inventory levels.

Other current assets amounted to Php 1.108 billion and Php 1.147 billion as of June 30, 2015 and December 31, 2014 respectively. The increase represents prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets.

As of June 30, 2015, the Group's property and equipment, net of accumulated depreciation, increased to Php 11.257 billion compared to Php 10.869 billion as of December 31, 2014 due to investments in a new marine tanker to support domestic logistics requirements, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Mindanao, and Visayas as part of the Company's objective to further expand its retail station network.

Loans and Borrowings, both current and non-current, increased by 14% from Php 13.843 billion as of December 31, 2014 to Php15.821 billion as of June 30, 2015. The increase of Php 1.978 billion was a result of the timing of availments of working capital lines to finance inventories, accounts receivable and decline in trade payables. In addition, a Php 500 million long-term debt was availed during the year to partly finance this year's capital expenditures.

Trade and other payables decreased by 48% from Php 3.735 billion as of December 31, 2014 to Php 1.924 billion as of June 30, 2015 mainly due to lower prices and timing of booking trust receipts.

Total Stockholders' Equity increased to Php 7.399 billion as of June 30, 2015 from Php 7.050 billion as of December 31, 2014 as a result of the period net income for the three quarters less the cash dividend declared and paid during the period for both common and preferred shares.

Key Performance Indicators and Relevant Ratios

The Company's key performance indicators and relevant ratios and how they are computed are listed below:

	June 30, 2015	December 31, 2014
Current Ratio[1]	1.13 : 1	1.11 : 1
Debt to Equity-Total[2]	2.45 : 1	2.55 : 1
Return on Equity-Common[3]	5.89%*	9.01%**
Net Book Value Per Share[4]	5.05	4.93
Debt to Equity-Interest Bearing[5]	2.14 : 1	1.96 : 1
Earnings Per Share-Adjusted [6]	0. *	0.40**

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

* two (2) quarters figure

** One (1) year figure

These key indicators were chosen to provide management with a measure of the Company's financial strength (Current Ratio and Debt to Equity) and the Company's ability to maximize the value of its stockholders' investment in the Company (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Company's performance with similar companies.

The Company's debt to equity (DE) ratio for 2015 improved to 2.45 : 1 as a result of the period earnings..

The foregoing key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group's (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise these ratios are used to compare the Group's performance with its competitors and similar-sized companies.

Material Changes to the Group's Balance Sheet as of June 30, 2015 compared to December 31, 2014 (Increase/decrease of 5% or more)

48% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support day-to-day requirements.

13% decrease in Trade and other receivable

This is a result of lower prices and improved collection

22% increase in inventory
Build-up due to timing of importations and an additional product line.

32% increase in Due from related parties
Various charges and billings during the period-net.

5% increase in property, plant and equipment
Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

34% Increase in other non-current asset
Increase in deposit for capital expenditures.

48% decrease in Trade and other payables
Factor of lower prices and timing of booking to trust receipts the trade Payable to foreign suppliers for purchases of inventory

100% decline on Due to related parties
Settlement of various advances from prior years.

98% increase in Deferred Tax Assets
Deferred Tax Assets on Vessel Appraisals

7% reduction on non-current liability
Due to some retirement of cash security deposits in favor of other form of security.

Material changes to the Group's Income Statement as of June 30, 2015 compared to June 30, 2014 (Increase/decrease of 5% or more)

23% decrease in Sales for petroleum products
Principally due to 40% lower selling prices compared to 2014 in spite of the 25% increase in volume this year. However, it was partly offset by the higher service revenue

50% increase in fuel service, shipping, storage income, and other revenue
Higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, port operations and tugboat revenue.

26% decrease in cost of sales
Primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2014.

27% increase in Finance Costs (net)
Due to interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

321% decrease in other income/Costs
Due to improvement periodic inventory losses during the period plus other various costs.

7% increase in income tax
Due to the increase of income not related to its BOI registered activity.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 11, 2015 at the Marco Polo Hotel, Davao City, Philippines.

2. The Board of Directors approved the declaration of cash dividend of P 0.05 per share. As disclosed last March 04, 2015the record datewas March 08, 2015 with the payment date on April 16, 2015.

   Furthermore, it also declared an 8.25% dividend to preferred stockholders with a record date of February 24, 2015 and payment date of March 20, 2015.

3. In February 20, 2015, the Security and Exchange Commission (SEC) approved the Company's additional Php 1.5 billion short term commercial paper (STCP)

4. As of June 30, 2015, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

6. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.

7. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Parent Company.

SIGNATURES

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

Registrant **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

By:

DENNIS A. UY
President and Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Finance Officer

ANNEX "A"

P-HO-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
June 30, 2015

			June 30, 2015	2014
A) LIQUIDITY RATIOS				
1	Current Ratio:	Current Assets / Current Liabilities	1.13	1.11
2	Quick Ratio:	Current Assets - Inventories / Current Liabities	0.83	0.88
3	Cash Ratio:	Cash and Cash Equivalents / Current Liablities	0.07	0.05
B) SOLVENCY RATIOS				
1	Solvency Ratio:	After Tax Net Profit + Depreciation / Long term liabilities + Short term Liabilities	0.05	0.07
2	Debt to Equity Ratio:	Total Liablities / Equity	2.45	2.55
C) ASSET TO EQUITY RATIO				
		Total Assets / Equity	3.45	3.55
D) INTEREST RATE COVERAGE RATIO				
		Earnings Before Interest and Taxes / Interest Expense	2.08	1.85
E) PROFITABILITY RATIOS				
1	Gross Profit Margin:	Sales - Cost of Goods Sold / Sales	0.13	0.10
2	Return on Assets:	Net Income / Total Assets	0.02	0.03
3	Return on Equity:	Net Income / Equity	0.06	0.10

ANNEX "B"

A. PHP 1.5 Billion STCP Issuance dated February 27, 2015

2i. Gross and Net Proceeds as disclosed in the Final Prospectus

USE OF PROCEEDS

The Company estimates that its net proceeds from the Offer is expected to be approximately ₱1,490,515,625.00 after deducting the applicable fees and expenses.

Expenses related to the Offer, all of which will be for the account of the Company, are broken down as follows:

Gross Proceeds from the Offer	₱ 1,500,000,000.00
Less:	
SEC Filing Fees	946,875.00
Underwriting and Selling Fees (maximum)	7,500,000.00
Philratings credit rating report fees	700,000.00
PDTC Registry fees	250,000.00
PDEx listing maintenance fees	37,500.00
Estimated Costs of Printing and Publication	50,000.00
Net Proceeds	**₱1,490,515,625.00**

2ii. Actual Gross and Net Proceeds

Expenses related to the PHP 1.5B STCP issuance, all of which was for the account of the Company are broken down as follows:

Gross Proceeds from the Offer	**₱1,499,990,000.00**
Less:	
Discount	32,274,736.11
DST	3,968,509.87
Sub-Total	**₱1,463,746,754.02**
Less:	
SEC Filing Fees	946,875.00
Underwriting and Selling Fees	4,253,727.86
Philratings Credit Report Fees	784,000.00
Legal Fees and Out-of-Pocket Expenses	800,466.00
PDTC Issuance and Maintenance Fees	315,833.33
PDEX Listing and Maintenance Fees	32,440.64
Cost of Printing and Publication	64,260.00
Net Proceeds	**₱1,456,549,151.19**

2iii. Each expenditure item where the proceeds was used

The company used the proceeds to finance the regular importation of fuels and lubricants by Phoenix.

BANK	PAYMENT DATE	TRUST RECEIPT AMOUNT
MAYBANK	27-Feb-15	₱271,589,299.92
ANZ	27-Feb-15	₱53,890,735.95
BDO	27-Feb-15	₱144,722,929.37
UNIONBANK	27-Feb-15	₱271,376,894.61
PBCOM	27-Feb-15	₱142,565,618.44
ROBINSONS	27-Feb-15	₱49,960,513.20
CTBC	27-Feb-15	₱259,850,575.76
ROBINSONS	27-Feb-15	₱225,350,211.69
DBP	27-Feb-15	₱80,693,221.06
TOTAL		**₱1,500,000,000.00**

*Excess was funded internally

2iv. Balance of the proceeds as of end of the reporting period

There is no remaining balance of the proceeds as of June 30, 2015.

B. PHP 500 Million Preferred Shares (Tranche 2) dated December 20, 2013

2i. Gross and Net Proceeds as disclosed in the Final Prospectus

There is no mention of this in the final prospectus.

2ii. Actual Gross and Net Proceeds

The second tranche of the preferred shares were initially issued under private placement but was subsequently listed with the PSE.

Gross Proceeds from the Offer	₱500,000,000.00
Less:	
Issue Management Fee and Underwriting /Selling Fees	9,821,428.57
Out of Pocket Expenses	2,948.00
SEC Registration Fee	539,087.50
PSE Listing Application Fee	11,200.00
Cost of Printing and Publication	64,260.00
Net Proceeds	**₱490,175,623.43**

2iii. Use of Proceeds

The company used the proceeds from the Offer to redeem the PHP 500 million preferred shares issued in September of 2010.

Below is the list of preferred shares stockholders with their respective stockholdings BEFORE the issuance of the second tranche of preferred shares:

Name of Subscribers	Number of Preferred Shares	Amount of Preferred Shares Subscribed	Amount Paid Up
PentaCapital Investment Corp	2,992,000	299,200,000.00	299,200,000.00
BDO Private Bank Inc . – Wealth and Advisory Trust Group	1,400,000	140,000,000.00	140,000,000.00
Pioneer Life Inc.	200,000	20,000,000.00	20,000,000.00
Union Bank TISG	100,000	10,000,000.00	10,000,000.00
Prandial Corporation	193,000	19,300,000.00	19,300,000.00
RCBC Trust and Investments Division	100,000	10,000,000.00	10,000,000.00
Asia Trust Bank-TBG	15,000	1,500,000.00	1,500,000.00
Grand Total	**5,000,000**	**500,000,000.00**	**500,000,000.00**

2iv. Balance of the proceeds as of end of the reporting period

There is no remaining balance of the proceeds as of June 30, 2015.

REGISTERED HEAD OFFICE

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
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To the Underwriters

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Makati City 1227

Nava & Associates

Nava & Associates
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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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