

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 20-IS**  
**INFORMATION STATEMENT PURSUANT TO SECTION 20**  
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Company as specified in its charter: **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
3. Country of Incorporation: **Philippines**
4. SEC Identification Number: **A200207283**
5. BIR Tax Identification Code: **006-036-274**
6. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga Lanang, Davao City 8000**
7. Company's telephone number, including area code: **(082) 235-8888**
8. Date, time and place of the meeting of security holders:  

**March 15, 2017, 2:00 p.m.**  
**Phoenix Petroleum Corporate Headquarters**  
**Stella Hizon Reyes Rd. Bo. Pampanga,**  
**Lanang, Davao City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **February 22, 2017**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

<u>Number of Shares</u>	<u>Title of Each Class</u>
1,367,620,932 (net of Treasury Shares)	Common Shares, Php1.00 par value
25,000,000	Preferred Shares, Php 1.00 par value

11. Are any or all of Company's securities listed on a Stock Exchange?

Yes   X   No           

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders**

- (a)     Date                 :     **March 15, 2017**  
          Time                :     **2:00 p.m.**  
          Place              :     **Phoenix Petroleum Corporate Headquarters**  
                                  **Stella Hizon Reyes Rd.**  
                                  **Davao City**
- Mailing             **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**  
          Address:           **Office of the Corporate Secretary**  
                                  **Phoenix Petroleum Corporate Headquarters**  
                                  **Stella Hizon Reyes Road, Bo. Pampanga**  
                                  **Lanang, Davao City 8000**
- (b)     Approximate date on which the Information Statement is first to be sent or  
          given to security holders: **February 22, 2017**

**Item 2. Dissenter's Right of Appraisal**

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and in case of merger or consolidation. Such appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon that such shares are dissenting shares. His failure to

do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

**THERE ARE NO MATTERS THAT WILL BE PRESENTED FOR SHAREHOLDERS' APPROVAL DURING THE ANNUAL MEETING THAT MAY OCCASION THE EXERCISE OF THE RIGHT OF APPRAISAL.**

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Meeting, other than election to office.
- (b) No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) Voting Securities

As of **31 January 2017**, the total number of shares outstanding and entitled to vote on all corporate matters to be acted upon during the Annual Meeting are 1,367,620,932 common shares (net of treasury shares).

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Meeting is **February 20, 2017**.

(c) Voting Rights and Trust

In the matters to be voted upon in the Annual Meeting, stockholders of record as of **February 20, 2017** shall be entitled to one vote per share in person or by proxy. If he will vote thru a proxy, the By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Meeting.

The validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Meeting.

With respect to the election of the members of the Board of Directors, cumulative voting is allowed. A stockholder may vote such number of shares for as many persons as there are directors to be elected; or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

(d) Security Ownership of Certain Record and Beneficial Owners and Management as of **January 31, 2017**.

(1) Security Ownership of Certain Record and Beneficial Owners

As of **January 31, 2017**, the following are the owners of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

<b>Title of Class of Securities</b>	<b>Name/Address of Record Owners and Relationship with Phoenix</b>	<b>Name of Beneficial Owners/Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Ownership</b>
Common	Phoenix Petroleum Holdings, Inc. Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City  Majority Shareholder	Record Owner is the direct beneficial owner	Filipino	588,945,630	41.22%
Common	Udenna Management & Resources Corp. Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Shareholder	Record Owner is the direct beneficial owner	Filipino	260,421,743	18.22%
Common	Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Shareholder	Record Owner is the direct beneficial owner	Filipino	127,568,767	8.92%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is the indirect beneficial owner	Filipino	302,219,340	21.11%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is the indirect beneficial owner	Filipino	132,496,312	9.27%

As of **January 31, 2017**, there are no beneficial owners under the PCD Nominee Corp. of the Company's common stock in excess of five percent (5%) of the total outstanding shares.

There are NO voting trust agreement entered into by the Company or any of the major stockholders of the Company.

However, the persons are authorized for purposes of this annual meeting to vote for and in behalf of the following stockholders are as follows:

<b>Name of Stockholders</b>	<b>Representative</b>
1. Phoenix Petroleum Holdings, Inc.	Domingo T. Uy
2. Udenna Corporation	Cherylyn C. Uy
3. Udenna Management & Resources Corp.	Igna S. Braga IV
4. PCD Nominees/ Trading Participants	<i>Ultimate Beneficial Owners representing the trading participants shall be made available after lapse of the Record Date and only after submission of their respective proxy forms for validation</i>

(e) Security Ownership of Management

As of **January 31, 2017**, the security ownership of Management is as follows:

**Common**

<b>Title of Class of Securities</b>	<b>Name/Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>% of Ownership</b>
<b>Directors:</b>				
Common	Dennis A. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	3,991,811  direct beneficial owner	Filipino	0.28%
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	1,592,746  direct beneficial owner	Filipino	0.12%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City	103,316  direct beneficial owner	Filipino	0.01%
Common	J.V. Emmanuel A. De Dios	1,300,819	Filipino	0.09%

	95 A. Melchor St., Loyola Heights, Quezon City	direct beneficial owner		
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 7 <sup>th</sup> 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 %
Common	Carolina Inez Angela S. Reyes 135 F. Manalo St., Brgy. Kabayanan, San Juan	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	0.01%
Common	Gigi Q. Fuensalida 155 Brillantes St. 5th Avenue, Caloocan City	70,980 direct beneficial owner	Filipino	0.01%
Common	Reynaldo A. Phala Block 5 Lot 20 Pioneers Village	24,830 direct beneficial owner	Filipino	0.00%

**Preferred**

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			% of Ownership
		Number of Shares			
Directors:		PNX3A	PNX3B	Total	% to total I/O shares
Preferred	<b>Domingo T. Uy*</b> Ph2 Blk 07 Insular Village Phase II, Lanang, Davao City	-	10,000  direct beneficial owner	10,000	0.05%
Preferred	<b>Romeo B. De Guzman*</b> Hillsborough, Alabang Village, Muntinlupa City Bacaca, Davao City	25,000  Indirect beneficial owner thru Spouse	-	25,000	0.13%
Preferred	<b>Consuelo Ynares Santiago</b> Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	-	10,000  direct beneficial owner	10,000	0.05%
Preferred	<b>Joseph John L. Ong*</b> 80 Pola Bay, Southbay Gardens, Paranaque City	-	30,000  direct beneficial owner	30,000	0.15%

\*named directors are likewise officers of the Company or Corporation per By-Laws

The other executive officers of the Company, Alan Raymond T. Zorrilla – VP for External Affairs, Business Development and Security, Ericson Inocencio-AVP for Sales-Mega Manila, Joselito De Jesus- Deputy Chief Operating Officer-Sales-Upcountry, William M. Azarcon – Vice President for Depot and retail Engineering, Ma. Rita A. Ros – Asst. Vice President for Supply, Richard Tiansay-AVP for Sales-Visayas, Ericson Inocencio-AVP for Sales-North Mindanao, Norman T. Navarro-AVP for Sales So. Mindanao, Roy Jimenez-AVP for Sales-North Mindanao, Celina I. Matias-AVP for Brand and Marketing, Celeste Marie G. Ong-AVP for Human Resources, Alfredo Rogelio E. Reyes-AVP for Information Technology and Joven Jesus G. Mugar-AVP for Lubes Sales & Distribution, do not own common shares in the Company.



The numbers of aggregate shares for all directors and executive officers is NINE MILLION THREE HUNDRED THIRTY ONE THREE HUNDRED FORTY (9,331,340) for common shares and Seventy Five Thousand (75,000 ) for preferred shares.

Other than those mentioned above, 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.

**Item 5. Directors and Executive Officers**

(a) The incumbent members of the Board of Directors and the executive officers of the Company are as follows:

Office	Name	Age	Citizenship
<b>Directors</b>			
Chairman	Domingo T. Uy	69	Filipino
Director/President and Chief Executive Officer	Dennis A. Uy	43	Filipino
Director/Chief Operating Officer	Romeo B. De Guzman	67	Filipino
Corporate Secretary/Asst. Vice President for Corporate Legal	Socorro T. Ermac Cabreros	52	Filipino
Director/Chief Finance Officer	Joseph John L. Ong	57	Filipino
Director	Cherylyn C. Uy	36	Filipino
Director	J.V. Emmanuel A. de Dios	51	Filipino
Director	Paul G. Dominguez	66	Filipino
Director	Carolina Inez Angela S. Reyes	55	Filipino
Independent Director	Consuelo Ynares Santiago	76	Filipino
Independent Director	Monico V. Jacob	71	Filipino
<b>Other Executive Officers</b>			
Treasurer/Vice President for Finance	Chryss Alfonsus V. Damuy	43	Filipino
Vice President for Corporate Affairs, Business Development and Security	Alan Raymond T. Zorrilla	47	Filipino
Vice President for Depot and Retail Engineering	William M. Azarcon	70	Filipino
Asst. Vice President for Sales-South Mindanao	Norman T. Navarro	50	Filipino
Asst. Vice President for Sales-Visayas	Richard C. Tiansay	53	Filipino
Assistant Vice President for Sales-Mega Manila	Ericson S. Inocencio	42	Filipino
Assistant Vice President for	Joselito G. De Jesus	61	Filipino

Sales-Luzon Up-Country			
Assistant Vice President for Lubes Sales and Distribution	Joven Jesus G. Muiar	46	Filipino
Asst. Vice President for Non Fuel Related Business	Roy O. Jimenez	54	Filipino
Asst. Vice President for Supply	Ma. Rita A. Ros	57	Filipino
Asst. Vice President for Technical Service and Quality Product Assurance Department	Ignacio B. Romero	72	Filipino
Asst. Vice President for Treasury	Reynaldo A. Phala	50	Filipino
Asst. Vice President for Brand and Marketing	Celina I. Matias	52	Filipino
Asst. Vice President for Customer Service Unit and Corporate Communications	Debbie A. Uy-Rodolfo	37	Filipino

Asst. Vice President for Human Resources	Celeste Marie G. Ong	49	Filipino
Asst. Vice President for Information Technology	Alfredo E. Reyes	54	Filipino
Asst. Corporate Secretary	Gigi Q. Fuensalida	40	Filipino

***Since the last annual meeting of 2016, NO officer or director has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.***

### **Directors**

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, 69 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, 43 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 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, 67 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, 52 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 Phoenix Petroleum Holdings, Inc. 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 was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002.

**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 currently the CEO of GE Philippines. Prior to that Atty. de Dios 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. He also currently sits as a Trustee of the Meralco Power Academy. 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**

Mr. Joseph John L. Ong, Filipino, 57 years old, is the Chief Finance Officer of the Company. He is also a member of the Board of Directors of South Pacific, Inc., an affiliate of the Company. Prior to his employment in the Company, he spent almost 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 12 years with Ginebra San Miguel, Inc., then known as La Tondeña Distillers, Inc., the country's second largest beverage company at the time and a listed subsidiary of San Miguel Corporation. He was its Vice President for 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 and 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 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.

**Carolina Inez Angela S. Reyes**

**Director**

Carolina Inez Angela S. Reyes, Filipino, 55 years old, is the Co-Chief Executive Officer/Owner of Reyes Barbecue. She retired from Jollibee in

2007 to take over management of Reyes Barbecue. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation and she was responsible for the formulation and execution of the strategic marketing plan of the company. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From 1994 to 1999, she held the following positions in La Tondena Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President, and Area Sales Director. Ms. Reyes took her Masters in Business Administration from De La Salle University Graduate School of Business and graduated from the University of the Philippines(Diliman) with a degree in A.B. Economics.

**Consuelo Yñares-Santiago**  
**Independent Director**

Ms. Consuelo Ynares-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, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp. and Top Frontier Investment Holdings, Inc. She is the 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 being admitted to the bar, she started her career as a Legal Officer of the 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, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and she also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and 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, 71 years old, has been Independent Director of the Company since March 7, 2008. He is currently the Vice Chairman and Chief Executive Officer of the STI Education STI Education Services Group, Inc. and President of and Chief Executive Officer of STI Education System Holdings, Inc. and STI West Negros University. He likewise sits as an independent director of Jollibee Foods, Inc., Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc, an HMO and IAcademy.

**Period of Directorship in the Company**

<b><u>Name</u></b>	<b><u>Period of Service</u></b>	<b><u>Term of Office</u></b>
Dennis A. Uy	since incorporation to present	1 year
Domingo T. Uy	since incorporation to present	1 year
Socorro T. Ermac-Cabreros	2006 to present (except 2009, 2010)	1 year
Romeo B. De Guzman	since 2009 to present	1 year
J.V. Emmanuel De Dios	2007 to present	1 year
Cherylyn C. Uy	2004 to 2006, 2013 to present	1 year
Paul G. Dominguez	2013 to present	1 year
Joseph John L. Ong	2013 to present	1 year
Monico V. Jacob	2008 to present	1 year
Consuelo Ynares Santiago	2013 to present	1 year
Carolina Inez A. S. Reyes	2016 to present	1 year

**Directorships in Other Reporting Companies**

The following are directorships held by the directors and executive officers in other reporting companies during the last five (5) years:

<b>Name of Director</b>	<b>Name of Reporting Company</b>	<b>Position Held</b>
Consuelo Ynares Santiago	Anchor Insurance Brokerage Corp. SMC Global Power Holdings, Inc. South Luzon Tollway Corp. Top Frontier Investment Holdings, Inc.	Independent Director
Monico V. Jacob	Jollibee Foods Corporation Lopez Holdings, Inc.	Independent Director

	Rockwell Land Corporation STI Educations Systems Holdings, Inc. Asian Terminals, Inc. 2GO Shipping	
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### Certificate of Qualification of the Independent Directors

The Company will submit an updated Certificate of Qualification of all independent directors pursuant to the October 20, 2006 notice of the Commission on or before the Company's distribution of the Definitive Information Statement to the security holders on February 22, 2017.

### Certificates of Attendance of Directors for 2016 and Compliance with the Provisions of the Manual of Corporate Governance

Copies of the Corporate Secretary's Sworn Certifications on the attendance of Directors for the year 2016 and compliance with the Provisions of the Manual of Corporate Governance are attached hereto as **Annexes "C" and "D"**, respectively.

### Executive Officers

The following is a list of other executive officers and their business experiences during the past five (5) years:

**Alan Raymond T. Zorrilla**, Filipino, 47 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.



**Chryss Alfonsus V. Damuy**, Filipino, 43 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.

**William M. Azarcon**, Filipino, 70 years old, is currently the Vice President for Depot and Retail Engineering. 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.

**Richard C. Tiansay**, Filipino, 53 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, 50 years old, is presently the Asst. Vice President for Sales – South 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.

**Roy O. Jimenez**, Filipino, 54 years of age is currently the Asst. Vice-President for Sales-North Mindanao. Prior to joining the Company he was connected with Chevron Phil. Inc for almost 30 years and handled various National and District Managerial positions, as well as supervisory positions for various trades such as Retail, Commercial/Industrial, Marketing Support, Liquefied Petroleum Gas and Lubricants. He also handled regional position as a

Programs Manager and have been the team lead for Philippines in various Chevron Regional projects. He was assigned as a District Manager covering various areas like North Metro Manila/North Luzon, Visayas and Mindanao. He is a licensed Mechanical Engineer and graduated in University of Santo Tomas. He has MBA units in De La Salle University and attended various Leadership and Management programs in Asian Institute of Management, as well as in-house training programs of Chevron in Asia Pacific and South Africa.

**Joselito G. de Jesus**, Filipino, 61 years old, is the Deputy Chief Operating Officer and currently Business Unit Head for Sales-Luzon Up-Country. 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, 42 years old, is the Asst. Vice President for Sales – Mega Manila. 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.

**Joven Jesus G. Muiar**, Filipino, 46 years of age, is the Assistant Vice President for Lubricant Sales and Distribution. He joined Phoenix last May 4, 2015. He brought with Him twelve and a half years of pure lubricant

experience from a major petroleum company holding various positions in sales, business development and marketing handling both B2C and B2B. Within those years, he had 2 years assignment in the Asia Pacific Region doing Channel Development Specialist work.

**Ignacio B. Romero**, Filipino, 72 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, 57 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, 52 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 on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and McCann Erickson and had worked with local Ad Agency as partner. She handled over 25 local and global brands across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & Public Relations in Assumption College.

**Debbie A. Uy-Rodolfo**, Filipino, 37 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.

**Reynaldo A. Phala** Filipino, 50 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, 49 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, 40 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, 54 years old, is currently the Asst. Vice President for - Information Technology 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.

#### Period of Service in the Company

##### **Name**

##### **Period of Service**

Joseph John L. Ong	November 3, 2010 to present
Socorro Ermac Cabrerros	July 2, 2006 to present
Chryss Alfonsus V. Damuy	January 13, 2008 to present
Reynaldo A. Phala	October 16, 2008 to present
Alan Raymond T. Zorrilla	April 1, 2009 to present
William M. Azarcon	June 1, 2009 to present
Joselito G. De Jesus	March 15, 2011 to present
Edwin M. Jose	March 1, 2013 to present
Richard C. Tiansay	March 1, 2013 to present
Eric S. Inocencio	February 15, 2014 to present
Norman T. Navarro	December 10, 2012 to present
Roy O. Jimenez	May 11, 2015 to present
Joven Jesus Muijar	May 4, 2015 to present
Ma. Rita A. Ros	November 1, 2013 to present
Ignacio B. Romero	2013 to present to present
Celeste Marie G. Ong	July 2, 2012 to present
Debbie A. Uy-Rodolfo	February 1, 2008 to present
Celina I. Matias	July 2, 2012 to present
Gigi Q. Fuensalida	2008 to present
Alfredo E. Reyes	April 6, 2011 to present

#### Nominations of Directors and Independent Directors for the term 2017-2018

The following are the final nominees who were duly screened by the nomination committee for election to the Board of Directors for the following fiscal year 2016 at the forthcoming Annual Meeting:

1. Domingo T. Uy
2. Dennis A. Uy
3. Romeo B. De Guzman
4. J.V. Emmanuel A. de Dios
5. Socorro Ermac Cabrerros
6. Joseph John L. Ong
7. Monico V. Jacob (Independent Director)
8. Consuelo Ynares-Santiago (Independent Director)
9. Paul Dominguez
10. Cherylyn C. Uy
11. Carolina Inez Angela S. Reyes

Retired Supreme Court Justice Consuelo Ynares-Santiago was nominated as Independent Director by Atty. J.V. Emmanuel A. de Dios. On the other hand, Mr. Monico Jacob was nominated by Ms. Cherylyn C. Uy. Atty. de Dios and Ms. Cherylyn C. Uy or any of the nominated directors is not related to either Retired Justice Santiago or Mr. Jacob by consanguinity or affinity and has no

professional or business dealings with them. Retired Justice Santiago and Mr. Jacob are neither officers nor substantial stockholders of the Company. They possess the qualifications and none of the disqualifications of independent directors. Retired Justice Santiago and Mr. Jacob hold only one (1) share each in the Company. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

The members of the Nomination Committee are: Consuelo Ynares-Santiago as Chairman, and the following as members: Atty. J.V. Emmanuel A. de Dios, and Cherylyn C. Uy.

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code ("SRC") and the Company's amended By-laws and Manual of Corporate Governance. Amendments to the By-laws of the Company incorporating the provisions of SRC Rule 38 were approved by the SEC on February 19, 2007.

*(For the individual write-ups of the nominees, please refer to item 5 of this Information.)*

(b) 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.

(c) 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.

(d) 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 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 October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

**As of January 25, 2017, the Court of Appeals has DENIED the Petitioner's Motion for Reconsideration and upheld the decision the Court on October 12, 2016.**

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and

take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company.

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.

**There are no other pending legal cases as far as records of the Company is concerned.**

(e) Certain Relationships and Related Transactions

The Group's related parties include the ultimate parent company, parent company, subsidiaries, stockholders, the Group's key management and others as described below.

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 affiliate, 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. The following are the transactions with related parties:

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:

2013	2014	2015	2016	<b>TOTAL</b>
56,934,318.17	65,545,819.59	70,723,717.38	75,198,160.90	268,402,016.04

b.) ***Contract of Affreightment***

The Company entered into a Contract of Affreightment with CSC, an affiliate 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 balance of the receivable for the disposition of CSC and PPIPC which are due and demandable in 2017 are also part of this account. It also includes a reclassification from Advances to Subsidiary to Due from a Related Party after the disposition of PPIPC.

The breakdown of due from related parties as of December 31, 2015 and 2016 is as follows:

	2015	2016
<b>PPHI</b>		
Balance at beginning of year		
Additions	-	
Collections		
	-	
<b>Balance at end of year</b>		

**UMRC**

Balance at beginning of year

Additions

Collections

Balance at year-end

-

**UDEVCO**

Additions

50,000,000

Collections

**Balance at end of year**

-

**50,000,000****PPIPC**

Additions

942,812,571

Collections

**Balance at end of year**

-

**942,812,571****CSC Group Inc.**

Additions

500,000,000

Collections

**Balance at end of year**

-

**500,000,000****PPFI**

Balance beginning of the year

17,204,725

12,260,843

Additions

1,020,486

Collections

(4,943,882)

(25,000)

**Balance at end of year****12,260,843****13,256,329**

<b>TOTAL</b>		
Balance beginning of the year	17,204,725	12,260,843
Additions		1,494,782,082
Collections	(4,943,882)	(25,000)
<b>Balance at end of year</b>	<b>12,260,843</b>	<b>1,506,997,925</b>

The Group's advances to related parties are presented as Due from Related Parties in the consolidated balance sheet.

### **23.3 Key Management Compensations.**

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

	<b>2015</b>	<b>2016</b>
Salaries	57,193,300	59,049,145
Honoraria and Allowances		
13th Month and Bonuses	6,044,344	6,962,236
SSS, PHIC, HDMF and Others	434,788	403,043
	<b>63,672,432</b>	<b>65,499,388</b>

### **Item 6. Compensation of Directors and Executive Officers**

The Company's executives are regular employees and are paid a compensation package of twelve (12)-months pay. They also receive performance bonuses similarly to those of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the Company 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 members of the Board of Directors are elected for a period of one (1) year.

The aggregate compensation paid or incurred during the last three (3) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are as follows:

***Summary of Compensation Table***

<b>Projected Compensation of Executive Officers and Directors (in thousand Pesos)</b>				
		<b>Year ended December 31, 2017</b>		
<b>Name</b>	<b>Principal Position</b>	<b>Salaries (in ₱)</b>	<b>Bonuses / 13<sup>th</sup> Month / Other Income (in ₱)</b>	<b>Total (in ₱)</b>
Dennis A. Uy	President and Chief Executive Officer	<b>26,146</b>	<b>3,618</b>	<b>29,764</b>
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		<b>35,266</b>	<b>4,061</b>	<b>39,327</b>

<b>Compensation of Executive Officers and Directors (in thousand Pesos)</b>				
		<b>Year ending December 31, 2016</b>		
<b>Name</b>	<b>Principal Position</b>	<b>Salaries (in ₱)</b>	<b>Bonuses / 13<sup>th</sup> Month / Other Income (in ₱)</b>	<b>Total (in ₱)</b>
Dennis A. Uy	President and Chief Executive Officer	<b>25,140</b>	<b>3,480</b>	<b>28,620</b>
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		<b>33,109</b>	<b>3,905</b>	<b>37,814</b>

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ending December 31, 2015		
Name	Principal Position	Salaries (in ₱)	Bonuses / 13 <sup>th</sup> Month / Other Income (in ₱)	Total (in ₱)
Dennis A. Uy	President and Chief Executive Officer	23,131	3,246	26,377
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		34,062	3,234	37,926

Generally, a typical employment contract executed between the Company and its named executive officers has the following terms:

1. Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise;
2. A probation period of six months probationary period from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular basis.
3. Salary & Benefits: specifies that the executive shall receive his monthly salary and a guaranteed 13<sup>th</sup> month pay less the necessary government deductions allowed by law such as but not limited to SSS premium, Philhealth, Pag-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his performance and the achievement of a mutually-agreed goals.
4. Exclusivity: The employment contract provides that the executive shall render exclusive service to the Company and the prohibition to work with other companies regardless of whether such work is done outside office hours, without the consent of the Company.

5. Confidentiality: The executive/employee is duty bound to keep all information, materials and records which he or she may access in the course of his/her employment with the Company are confidential in nature and he or she may not disclose or reproduce the same without the consent of the Company.
6. Professional Conduct: The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company

### **Compensation Committee**

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:

Justice (Ret) Consuelo Ynares Santiago	Chairperson
Dennis A. Uy	Member
Romeo B. de Guzman	Member
Carolina Inez Angela S. Reyes	Member

### **Employee's Stock Options Plan**

The Commission has approved the application for exemption from the registration requirement of the Securities Regulations Code of the Company for the proposed issuance of 24,493,620 common shares for the Company's Employee's Stock Options Plan (ESOP).

The ESOP Committee of the Company has already approved the ESOP internal guidelines.

On 24 January 2013, the Board of Directors of the Company approved the setting of the Initial Offering Date for the ESOP on 01 March 2013. To date, grantees of the ESOP have yet to be named by the Company.

## **Item 7. Independent Public Accountants**

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2014, 2015, and 2016. 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.

Punongbayan & Araullo will be recommended for re-appointment at the scheduled Annual Meeting.

Representatives of the firm are expected to be present at the Annual Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Punongbayan & Araullo was first appointed external auditor of the Company in 2006. The Company is compliant with SRC Rule 68, paragraph 3(b)(IV) (Rotation of External Auditors) and the two year cooling off period. The certifying partner for the examination of the Company's financial statements for the year/s 2016 is Mr. Ramil Nanola. The last of the Company's Financial Statement that Mr. Nanola certified was the Company's 2010 Financial Statement.

### **Audit Fees**

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.

#### **Audit and Related Fees**

		Amount in Thousands Php		
Particulars	Nature	2014	2015	2016
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			
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries	60		
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries	<b>2,536.95</b>		
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries	<b>3,266.38</b>	<b>3,064.46</b>	
Punongbayan and Araullo	Audit of FS for the year 2015 - Parent and Subsidiaries		<b>2,107.17</b>	<b>1,638.18</b>
Punongbayan and Araullo	Audit of FS for the year 2016 - Parent and Subsidiaries			<b>2,608.84</b>
<b>Sub-total</b>		<b>5,863.33</b>	<b>5,171.63</b>	<b>4,247.02</b>
<b>Tax Advisory Services</b>				
Sycip, Gorres and Velayo	Tax Consultancy	144.76	138.36	155.07
<b>Sub-total</b>		<b>144.76</b>	<b>138.36</b>	<b>155.07</b>
<b>All Other Fees</b>				
Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities			187.5
<b>Sub-total</b>				<b>187.5</b>
<b>GRAND TOTAL</b>		<b>6,008.09</b>	<b>5,309.99</b>	<b>4,589.59</b>



## Audit Committee and Policies

Under the Company's By-laws, the Audit Committee is responsible for, among others, the setting-up of an internal audit department and considers the appointment of an internal auditor as well as the independent external auditor, the audit fees and any question of resignation or dismissal, and the review of the quarterly, half-year and annual financial statements before their submission to the Board of Directors.

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 shall be composed of at least three (3) members of the Board, preferable 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 should be an independent director and he should 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, Paul G. Dominguez, and Domingo T. Uy as members.

The Internal Audit systems of the Company are in place since 2008 but these auditing tools are 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.

## **Item 8. Compensation Plans**

No action is to be taken by the Company with respect to any compensation plans.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There are no authorization or issuance of securities other than for exchange for outstanding securities for the registrant.

### **Item 10. Modification or Exchange of Securities**

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

### **Item 11. Financial and Other Information**

The Management Report is attached herein as **Annex B** and the Annual Audited Financial Statements for Period ended December 31, 2016 is attached herein as **Annex “B-1”**;

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No transactions to be taken by the Company with respect to any transaction involving mergers consolidations, acquisitions and similar matters.

### **Item 13. Acquisition or Disposition of Property**

No transaction to be taken by the Company with respect to the acquisition or disposition of any Property.

### **Item 14. Reclassification of Accounts**

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports and Other Proposed Action**

1. Approval of the Minutes of the Annual Stockholders' Meeting held last 18 March 2016
2. Report of the President and Chief Executive Officer
3. Approval of the 2016 Audited Financial Statements and 2016 Annual Report
4. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 February 2016 until 31 January 2017 as set forth in **Annex "A."**
5. Election of the Members of the Board of Directors
6. Election of External Auditor.

Aside from the Election of the Members of the Board of Directors, election and appointment of the External Auditor, Approval of the 2015 Financial Statements and Annual Report, and the approval Minutes of the Minutes of the previous year's Annual Stockholders' Meeting, there are no other items that was discussed and approved by the Stockholders in the 2016 Annual Stockholder's Meeting. Below was the agenda of the 2016 Annual Stockholders' Meeting held in the Company's Corporate Headquarters in Davao City.

**Friday, March 18, 2016, 2:00 PM**  
**Phoenix Petroleum Corporate Headquarters**  
**Stella Hizon Reyes Rd.**  
**Lanang, Davao City**

The agenda for the Meeting shall be, as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held last March 11, 2015
4. Report of the President and Chief Executive Officer
5. Approval of the 2015 Audited Financial Statements and 2015 Annual Report
6. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 Feb 2015 until 31 January 2016

7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

#### **Item 16. Matters Not Required to be Submitted**

There are no actions to be taken with respect to any matter, which are not required to be submitted to a vote by security holders.

#### **Item 17. Amendment of Articles of Incorporation, By-laws or Other Documents**

There are no proposed amendment to the Articles of Incorporation or By-Laws of the Corporation that will be submitted to the stockholders for approval.

#### **Item 18. Other Proposed Action**

There are no other proposed actions to be approved.

#### **Item 19. Voting Procedures**

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the Articles of Incorporation and the investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

Except in cases provided above, or where the law provides otherwise, all matters subject to vote shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Stockholders of record are entitled to one (1) vote per share. There is no manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by *viva voce*, raising of hands or by balloting.

The external auditor of the Company, Punongbayan & Araullo, will validate the votes when voting is done by secret ballot. Likewise, Punongbayan & Araullo will count the number of hands raised when voting by show of hands is done.

The following items will be included in the agenda for the meeting:

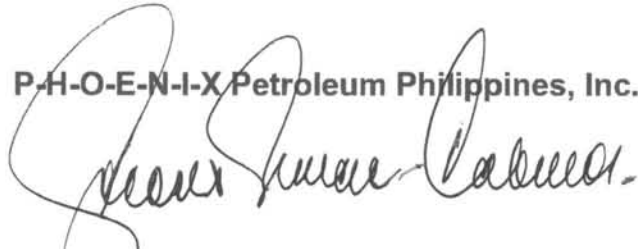
1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held last March 18, 2016
4. Report of the President and Chief Executive Officer
5. Approval of the 2016 Audited Financial Statements and 2016 Annual Report
6. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 Feb 2016 until 31 January 2017
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

## **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in Davao City on 21 February 2017.

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

A handwritten signature in black ink, appearing to read 'Socorro T. Ermac Cabreros', is written over the company name.

**SOCORRO T. ERMAC CABREROS**  
Corporate Secretary

# ANNEX A

	ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS February 1, 2016 to January 31, 2017																
04 Feb 2016	<ul style="list-style-type: none"><li>To borrow from the <b><u>Bank of the Philippine Islands (BPI)</u></b>, a domestic banking corporation, hereinafter referred to as “BANK”, from time to time, such sum or sums of money as in the judgment of the officer or officers hereinafter authorized, this corporation may require; provided that the aggregate amount of such borrowing, pursuant to this resolution, shall not at any time exceed the sum of <b>PESOS: EIGHT HUNDRED FIFTEEN MILLION (Php815,000,000.00)</b> in addition to such amount as may otherwise be authorized.</li></ul>																
	<ul style="list-style-type: none"><li>To declare and approve the payment of cash dividends for the following preferred shares for the first quarter of 2016 as follows: <b><u>2nd Tranche:</u></b> <table><tr><td>Shares</td><td>Record Date</td><td>Payment Date</td><td>Interest Rate Per Annum</td></tr><tr><td>PNXP</td><td>February 23, 2016</td><td>March 21, 2016</td><td>8.25%</td></tr></table> <b><u>3<sup>rd</sup> Tranche:</u></b> <table><tr><td>PNX3A</td><td>February 22, 2016</td><td>March 18, 2016</td><td>7.4278%</td></tr><tr><td>PNX3B</td><td>February 22, 2016</td><td>March 18, 2016</td><td>8.1078%</td></tr></table> RESOLVED FURTHER, that the aforementioned cash dividends for the Company’s 2<sup>nd</sup> Tranche Preferred shares shall be payable on March 21, 2016 and for the 3<sup>rd</sup> Tranche on March 18, 2016.</li></ul>	Shares	Record Date	Payment Date	Interest Rate Per Annum	PNXP	February 23, 2016	March 21, 2016	8.25%	PNX3A	February 22, 2016	March 18, 2016	7.4278%	PNX3B	February 22, 2016	March 18, 2016	8.1078%
Shares	Record Date	Payment Date	Interest Rate Per Annum														
PNXP	February 23, 2016	March 21, 2016	8.25%														
PNX3A	February 22, 2016	March 18, 2016	7.4278%														
PNX3B	February 22, 2016	March 18, 2016	8.1078%														
	<ul style="list-style-type: none"><li>To apply for and avail/use any of the products and services of Philippine National Bank including but not limited to, deposit accounts, electronic internet banking facilities, cash management services and other similar transactions/services for the corporation’s use and operation.</li></ul>																
05 Feb 2016	<ul style="list-style-type: none"><li>To purchase a portion of Lot 763-A registered under the name of BENJAMIN Y. YOUNG, JR. and covered under TCT No. 107-2016000185 situated in Lahug (now Kasambagan), Cebu City consisting of Four Thousand Two Hundred Sixty Four (4,264) square meters, more or less.</li></ul>																
	<ul style="list-style-type: none"><li>To execute a PROMISSORY NOTE in relation to the purchase of a portion of Lot 763-A registered under the name of BENJAMIN Y. YOUNG, JR. and covered under TCT No. 107-2016000185 situated in Lahug (now Kasambagan), Cebu City consisting of Four Thousand Two Hundred Sixty Four (4,264) square meters, more or less.</li></ul>																
	<ul style="list-style-type: none"><li>To negotiate and obtain with LAND BANK OF THE PHILIPPINES (LBP) for a renewal of its DP/DA/OA/LC/TR Line in the amount of ONE BILLION PESOS (P1,000,000,000.00 billion). <b>RESOLVED FURTHER</b>, that the corporation is authorized to negotiate for the renewal without change of its DBPL in the amount of FIFTY MILLION PESOS (P50,000,000.00) and the renewal of Standby LC in the principal amount of US\$ 7.50 Million (or P330 Million based on its peso equivalent of US\$1=P44.00), wherein the Standby LC shall also be usable as DP/DA/OA/LC/TR Line up to a maximum amount of P300 Million, as the need arises.</li></ul>																
11 Feb 2016	<ul style="list-style-type: none"><li>To approve cash dividends at the rate of Php0. 08 per share to all its Common Share Stockholders of records as of 05 April 2016. <b>RESOLVED FURTHER</b>, that the aforementioned cash dividends for the Company’s Common Shares shall be payable on April 29, 2016.</li></ul>																
15 Feb 2016	<ul style="list-style-type: none"><li>To prosecute and file a Complaint against SPOUSES MICHELLE CONCEPCION T. OROPEZA, JOHN S. OROPEZA AND DAVAO CUSTOMS GRAFIX ADVERTISING</li></ul>																

	<p>INC. Represented by: JOHN S. OROPEZA located in the City of Davao for BREACH OF CONTRACT, RESCISSION OF CONTRACT, INJUNCTION, DAMAGES, ATTORNEY'S FEES AND COSTS OF LITIGATION WITH PRAYERS FOR THE ISSUANCE OF WRITS OF PRELIMINARY MANDATORY INJUNCTION, AND PRELIMINARY PROHIBITORY INJUNCTION and to file and prosecute such other action/s, including civil and administrative, before any court, tribunal or agency, intertwined, interconnected or interrelated with said complaint.</p>								
04 Mar 2016	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following Banco De Oro Unibank, Inc. branches viz: <table> <tr> <td><b><u>Branch</u></b></td><td><b><u>Account No.</u></b></td></tr> <tr> <td>BDO-Davao-Lizada Branch</td><td>S/A No. 3750053637 / CA No. 003758004859</td></tr> <tr> <td>BDO-Davao-Lizada Branch</td><td>S/A No. 3750043412 / CA No. 003758005553</td></tr> <tr> <td>BDO-Cebu-Insular Life Business Ctr</td><td>S/A No. 2510047538/ CA No. 002518003348</td></tr> </table> <p><b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and credited to the Company's BDO Lizada S/A No. 3750052748</p> </li> </ul>	<b><u>Branch</u></b>	<b><u>Account No.</u></b>	BDO-Davao-Lizada Branch	S/A No. 3750053637 / CA No. 003758004859	BDO-Davao-Lizada Branch	S/A No. 3750043412 / CA No. 003758005553	BDO-Cebu-Insular Life Business Ctr	S/A No. 2510047538/ CA No. 002518003348
<b><u>Branch</u></b>	<b><u>Account No.</u></b>								
BDO-Davao-Lizada Branch	S/A No. 3750053637 / CA No. 003758004859								
BDO-Davao-Lizada Branch	S/A No. 3750043412 / CA No. 003758005553								
BDO-Cebu-Insular Life Business Ctr	S/A No. 2510047538/ CA No. 002518003348								
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with DBP- DAVAO BRANCH, viz: <table> <tr> <td><b><u>Branch</u></b></td><td><b><u>Account No.</u></b></td></tr> <tr> <td>DBP- Davao</td><td>S/A No. 0915-010246-03/CA No. 20412-000097-5</td></tr> </table> <p><b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and credited to the Company's DBP- DAVAO BRANCH S/A No. 0915-010246-030</p> </li> </ul>	<b><u>Branch</u></b>	<b><u>Account No.</u></b>	DBP- Davao	S/A No. 0915-010246-03/CA No. 20412-000097-5				
<b><u>Branch</u></b>	<b><u>Account No.</u></b>								
DBP- Davao	S/A No. 0915-010246-03/CA No. 20412-000097-5								
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following UNITED COCONUT PLANTERS BANK branches viz: <table> <tr> <td><b><u>Branch</u></b></td><td><b><u>Account No.</u></b></td></tr> <tr> <td>UCPB-Cagayan de Oro-Osmena Branch</td><td>S/A No. 104120005907/CA No. 20412-000097-5</td></tr> <tr> <td>UCPB-Gen. Santos - Pioneer Branch</td><td>S/A No. 104070011103 / CA No. 20407-000158-8</td></tr> </table> <p><b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and credited to the Company's UCPB- DAVAO -SAN PEDRO BRANCH S/A No. 410-123883-3</p> </li> </ul>	<b><u>Branch</u></b>	<b><u>Account No.</u></b>	UCPB-Cagayan de Oro-Osmena Branch	S/A No. 104120005907/CA No. 20412-000097-5	UCPB-Gen. Santos - Pioneer Branch	S/A No. 104070011103 / CA No. 20407-000158-8		
<b><u>Branch</u></b>	<b><u>Account No.</u></b>								
UCPB-Cagayan de Oro-Osmena Branch	S/A No. 104120005907/CA No. 20412-000097-5								
UCPB-Gen. Santos - Pioneer Branch	S/A No. 104070011103 / CA No. 20407-000158-8								
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following HONGKONG AND SHANGHAI BANKING CORPORATION branches viz: <table> <tr> <td><b><u>Branch</u></b></td><td><b><u>Account No.</u></b></td></tr> <tr> <td>HSBC -Davao Branch</td><td>Account No. 022-012694-041</td></tr> </table> <p><b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and balances, if any, to be credited to the Company's HSBC- DAVAO S/A No. 022-012694-040.</p> </li> </ul>	<b><u>Branch</u></b>	<b><u>Account No.</u></b>	HSBC -Davao Branch	Account No. 022-012694-041				
<b><u>Branch</u></b>	<b><u>Account No.</u></b>								
HSBC -Davao Branch	Account No. 022-012694-041								
	<ul style="list-style-type: none"> <li>To participate in the bidding of <b>SUPPLY AND DELIVERY OF OIL-BASED FUEL TO SPUG POWER PLANTS AND BARGES for the Calendar Year 2016 (Diesel Oil of Kabugao DP and Lot 4-Quezon)</b>, that if awarded the tender shall enter into a contract with the <b>National Power Corporation</b>; and in connection therewith hereby appoint <b>JOSELITO G. DE JESUS</b>, acting as duly authorized and designated representatives of <b>Phoenix</b> are granted full power and authority to do, execute and perform any and all acts necessary and/or to represent <b>Phoenix</b> in the bidding as fully and effectively as the <b>Phoenix</b> might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof.</li> </ul>								
	<ul style="list-style-type: none"> <li>To transact and re apply with the (1) PHILIPPINE AIRLINES (PAL) and (2) CEBU PACIFIC AIR (CEBPAC) credit lines/corporate accounts for E-Ticket purchases and enter into any agreements and such other pertinent contracts and documents in connection with the said applications.</li> </ul>								



	<ul style="list-style-type: none"> <li>To negotiate, conclude and enter into contracts in connection with the sales and operations of the Corporation, which includes, but not limited to Contract of Lease and/or Sublease for the operation of gasoline stations or other businesses and other lease arrangement, Memorandum of Agreements, Dealership Agreements or Retail Outlet Agreements for the operation of Phoenix service stations, Owner-Contractor Agreements for the construction of stations or other building or structures, Distributor Agreement for lubricant or products or other petroleum products, supply agreements, retail sales and commercial sales transactions, including any bidding transactions, and other legal and related transactions relative to the operation of the Corporation in the Luzon Island group.</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with PHILIPPINE BUSINESS BANK:  <u>Branch</u> <u>Account No.</u>  PBB – Davao- Bajada Branch S/A No. 313-01-000053-8 / CA No. 313-00-000108-0</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with PHILIPPINE BANK OF COMMUNICATIONS:  <u>Branch</u> <u>Account No.</u>  PBCOM – Davao- Bajada Branch S/A No. 281-10-000935-7/CA No. 281-10-000935-7</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with CTBC BANK (Philippines) CORPORATION:  <u>Branch</u> <u>Account No.</u>  Chinatrust – Monteverde C/A &amp; S/A 30101600168-0</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following ROBINSONS BANK CORPORATION:  <u>Branch</u> <u>Account No.</u>  Robinsons Bank – Davao-St. Ana Branch S/A No. 402-23-000142-4 / C/A No. 402-23-000142-4</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with RIZAL COMMENRCIAL BANKING CORPORATION:  <u>Branch</u> <u>Account No.</u>  RCBC – Davao- C.M. RECTO Branch S/A No. 1-522-61881-7/ CA No. 0-522-81190-4</li> </ul>
<b>04 April 2016</b>	<ul style="list-style-type: none"> <li>To transact business with the Land Transportation Office (LTO), Department of Transportation and Communications (DOTC) relative to its (1) application of accreditation as Importer for Direct Use and (2) application for registration and/or renewal of the company's vehicles as well as submission of documentary requirements as necessary.</li> </ul>
	<ul style="list-style-type: none"> <li>To participate in the bidding of Supply and Delivery of: (1) Industrial Fuel Oil; (2) Industrial Diesel Oil with <b>Power Sector Assets and Liabilities Management</b> ('PSALM Corporation') for <b>Malaya Thermal Power Plant</b>; and (3) Industrial Diesel Oil with PSALM for <b>Ilijan Natural Gas Power Plant</b>, all for Calendar Year 2016, and that if awarded the tender, shall enter in a contract with PSALM Corporation; and in connection therewith hereby appoints its <b>Assistant Vice President for Sales-Luzon Up-Country, JOSELITO G. DE JESUS</b>, acting as duly authorized and designated representatives of the Corporation, are granted full power and authority to do, execute and perform any and all acts necessary and/or to represent the Corporation in the bidding as fully and effectively as the said Corporation might do.</li> </ul>
	<ul style="list-style-type: none"> <li>To file civil or criminal case against <b>MICHELLE CONCEPCION T. OROPEZA, JOHN S. OROPEZA AND CUSTOMS GRAPHICS</b>- Represented by: <b>JOHN S. OROPEZA</b> located in the City of Davao and to file and prosecute such other action/s, including civil and administrative, before any court, tribunal or agency, intertwined, interconnected or interrelated with said complaint.</li> </ul>

	<ul style="list-style-type: none"><li>To execute an Undertaking and commit to remove any structure constructed on the Property or revise any plan that will hinder and interfere in the expansion or development of the Cebu Ports Authority in Tayud, Consolacion at the proper time and if called for.</li></ul>																				
	<ul style="list-style-type: none"><li>To transact business with the Philippine Ports Authority (PPA) relative to its application of Permit to Operate as transport service at the Port of Davao as well as submission of documentary requirements as necessary</li></ul>																				
04 May 2016	<ul style="list-style-type: none"><li>To negotiate and contract for the renewal of the <b>Omnibus Financial Assistance</b> with the <b>Development Bank of the Philippines (DBP)</b> for <b>TWO BILLION PESOS (Php2,000,000,000.00)</b> available via: (1) Letter of Credit (LC)/Trust Receipt (TR) Line; (2) Revolving Promissory Note Line; and (3) Domestic Bills Purchase Line.</li></ul>																				
	<ul style="list-style-type: none"><li>To file its application with the Citra Metro Manila Tollways Corporation for the issuance of AutoSweep RFID sticker for the service vehicles of the Corporation.</li></ul>																				
	<ul style="list-style-type: none"><li>To approve the payment of cash dividends for the following preferred shares for the second quarter of 2016 as follows:  <div><div><b><u>2<sup>nd</sup> Tranche:</u></b></div><table><tr><td>Shares</td><td>Record Date</td><td>Payment Date</td><td>Interest Rate Per Annum</td></tr><tr><td colspan="4">-----</td></tr><tr><td>PNXP</td><td>May 26, 2016</td><td>June 20, 2016</td><td>8.25%</td></tr></table><div><b><u>3<sup>rd</sup> Tranche:</u></b></div><table><tr><td>PNX3A</td><td>May 25, 2016</td><td>June 18, 2016</td><td>7.4278%</td></tr><tr><td>PNX3B</td><td>May 25, 2016</td><td>June 18, 2016</td><td>8.1078%</td></tr></table><p><b>RESOLVED FURTHER</b>, that the aforementioned cash dividends for the Company’s 2<sup>nd</sup> Tranche Preferred shares shall be payable on June 20, 2016 and for the 3<sup>rd</sup> Tranche on June18, 2016.</p></div></li></ul>	Shares	Record Date	Payment Date	Interest Rate Per Annum	-----				PNXP	May 26, 2016	June 20, 2016	8.25%	PNX3A	May 25, 2016	June 18, 2016	7.4278%	PNX3B	May 25, 2016	June 18, 2016	8.1078%
Shares	Record Date	Payment Date	Interest Rate Per Annum																		
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PNX3A	May 25, 2016	June 18, 2016	7.4278%																		
PNX3B	May 25, 2016	June 18, 2016	8.1078%																		
05 May 2016	<ul style="list-style-type: none"><li>To deposit funds with MAYBANK GROUP (the “Bank”); apply for, negotiate and obtain loans and other forms of accommodation including the renewal, extension, and/or increase thereof of credit facilities/accommodation and/or grant of additional facilities in the form of Temporary Excess or Temporary Facility in such amount(s) and under such terms and conditions as may be mutually agreed upon, and to secure and guarantee the payment of the aforesaid loans or credit facilities/accommodation by means of mortgage, pledge, assignment, or any other form of encumbrance upon any and all properties or assets of the corporate of whatever kind or nature, real or personal, as may be sufficient, necessary, or required for the purpose; and enter into derivatives transactions including, but not limited to, financial and investment products, funding mechanisms, foreign exchange transactions, forward contracts, interest rate swaps, cross-currency swaps, or any combination of these transactions (the “Transactions”).</li></ul>																				
	<ul style="list-style-type: none"><li>To open and maintain Deposit Accounts and/or Trust Accounts (the “Deposit Account/s”) with <b>PHILIPPINE BUSINESS BANK, INC.</b>, hereinafter referred to as the “<b>BANK</b>” , Head Office, or any other branch of the <b>BANK</b>.</li></ul>																				

	<ul style="list-style-type: none"> <li>To negotiate and obtain with <b>PHILIPPINE VETERANS BANK (PVB)</b> for Credit Facility Limit of <b>PESOS: EIGHT HUNDRED FIFTY MILLION (Php850,000,000.00)</b> pursuant to PVB's letter-offer dated May 17, 2016, viz:</li> </ul> <table> <tr> <th><b>Individual Facility</b></th><th><b>Individual Facility Limit Pesos</b></th></tr> <tr> <td>(a) Revolving Promissory Note Line (RPNL)</td><td>675,000,000</td></tr> <tr> <td>(b) Pre-Settlement Risk Line (PSRL)</td><td>25,000,000</td></tr> <tr> <td>(c) Settlement Risk Line (SRL)</td><td>150,000,00</td></tr> </table>	<b>Individual Facility</b>	<b>Individual Facility Limit Pesos</b>	(a) Revolving Promissory Note Line (RPNL)	675,000,000	(b) Pre-Settlement Risk Line (PSRL)	25,000,000	(c) Settlement Risk Line (SRL)	150,000,00
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(b) Pre-Settlement Risk Line (PSRL)	25,000,000								
(c) Settlement Risk Line (SRL)	150,000,00								
	<ul style="list-style-type: none"> <li>To open and maintain deposit account(s) and to avail of any related services, and/or to open and maintain placement(s) and/or to invest in government securities and other similar instruments, and/or to enter into trust and/or investment management agency transactions/arrangements and/or open and maintain trust/investment management account(s) with <b>Australia and New Zealand Banking Group Limited, Manila Branch ("ANZ")</b>, under such terms and conditions, as may be mutually agreed upon, where its cash funds, any credit remittances or checks issued in its favor, with or without endorsement, may be deposited or invested.</li> </ul> <p><b>'RESOLVED FURTHER</b>, as it is hereby resolved, that the Corporation specially authorizes and empowers to apply for, negotiate, and obtain loans from <b>Australia and New Zealand Banking Group Limited, Manila Branch ("ANZ")</b> under reasonable terms and conditions the availment of the following Credit Facility:</p> <ol style="list-style-type: none"> <li>Trade Finance Facility ("Trade Facility") in an amount equal to <b><u>US\$15,000,000.00</u></b>;</li> <li>Domestic Bills Purchase ("DBP Facility") in an amount equal to <b><u>Php50,000,000.00</u></b></li> </ol> <p>including the renewal, extension, increase and/or restructuring thereof and/or of its existing credit facilities in such amount(s) and under such terms and conditions as may be mutually agreed upon, and to secure and guarantee the payment of the aforesaid loans or credit facilities by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Corporation of whatever kind or nature, real or personal, as may be sufficient, necessary or required for the purpose.</p>								
	<ul style="list-style-type: none"> <li>To apply for the retirement of PFL Management, Inc. (the "Station") business permit with the local government for the said Station, as well as other relevant consents required by the appropriate government agencies and/or duly constituted authorities from the Corporation, which may be required or necessary in order for the Corporation to retire its existing business permit in the above-mentioned Station.</li> </ul>								
<b>11 May 2016</b>	<ul style="list-style-type: none"> <li>To open an account with AP SECURITIES, INCORPORATED under the name of <b>PHOENIX PETROLEUM PHILIPPINES, INC.</b> and to transact any shares of stocks that are listed in the Philippine Stock Exchange, Inc. and to sign, execute and deliver any and all documents pertaining thereto.</li> </ul>								
	<ul style="list-style-type: none"> <li>To open an account with <b>Intra-Invest Securities, Inc.</b> under the name of <b>PHOENIX PETROLEUM PHILIPPINES, INC.</b> and to transact any shares of stocks that are listed in the Philippine Stock Exchange, Inc. and to sign, execute and deliver any and all documents pertaining thereto.</li> </ul>								
	<ul style="list-style-type: none"> <li>To open an account with <b>Salisbury BKT Securities Corp.</b> under the name of <b>PHOENIX PETROLEUM PHILIPPINES, INC.</b> and to transact any shares of stocks that are listed in the Philippine Stock Exchange, Inc. and to sign,</li> </ul>								

	execute and deliver any and all documents pertaining thereto.
	<ul style="list-style-type: none"> <li>To open an account with <b>Maybank ATR Kim Eng Securities, Inc.</b> under the name of <b>PHOENIX PETROLEUM PHILIPPINES, INC.</b> and to transact any shares of stocks that are listed in the Philippine Stock Exchange, Inc. and to sign, execute and deliver any and all documents pertaining thereto.</li> </ul>
<b>02 June 2016</b>	<ul style="list-style-type: none"> <li>To participate in the bidding of <b>SUPPLY AND DELIVERY OF Engine Lubricating Oil (ELO) to National Power Corporation (NPC) SPUG POWER PLANTS AND BARGES for the Calendar Year 2016</b> (Re-bidding for Lot 2A - Quezon, Lot 5 - Daraga A, Polilio DP and Lot 20 - Daraga B), that if awarded the tender shall enter into a contract with the NPC.</li> </ul>
	<ul style="list-style-type: none"> <li>To respond to, continue or commence any civil and/or criminal action in order to protect and advance the assets, rights and interests of the Corporation.</li> </ul>
<b>03 June 2016</b>	<ul style="list-style-type: none"> <li>To negotiate, conclude and enter into contracts such as Technical and Consultancy Service Contract with P-F-L Petroleum Management, Inc. and other legal transactions to be entered into pertaining to the company's operation of its fuel retail stations for Luzon, Visayas and Mindanao, under such terms and conditions which may be in the best interest of the Corporation.</li> </ul>
	<ul style="list-style-type: none"> <li>To claim and received from Banco De Oro Unibank (BDO) C. M. Recto Branch, Davao City all collateral documents of the following fully paid service vehicle of the company, i.e., original copies of the Official Receipts (ORs) and Certificates of Registration (CRs), and other documents relative to the said transaction, viz: <div style="margin-left: 40px;"> Model/Make/Series/Type : 2015 Toyota Fortuner  Plate No. : AAG 4832  Engine No. : 2KDS544104  Chassis No. : MHFZR69G403130933  Color : Silky Gold Metallic  Fuel Type : Diesel/AT </div> </li> </ul>
<b>04 July 2016</b>	<ul style="list-style-type: none"> <li>To appoint MR. BEETHOVEN N. SUR to represent for the Phoenix Petroleum Philippines, Inc. shares in the Annual Stockholders' Meeting on July 17, 2016</li> </ul>
	<ul style="list-style-type: none"> <li>To appoint MARY JEAN P. ALFONSO to represent for the Phoenix Petroleum Philippines, Inc. for a conference with the Phividec Industrial Authority or its Administrator at Tagaloan, Misamis Oriental relative to the status of judicial titling cases for the purchased lots covering an area of 58,984 sq. m. under TD No. L-012023.</li> </ul>
	<ul style="list-style-type: none"> <li>To file its Answer/Explanation, Position Paper, motions, and/or such other pleadings as the Corporation's legal counsel may deem appropriate in the case entitled 'John Ross B. Garcia versus Phoenix Petroleum Philippines, Inc., Respondent' that is pending before the Department of Labor and Employment ('DOLE'), National Labor Relations Commission, NCR Arbitration Branch, Single-Entry Approach (SENA) docketed as NLRC-NCR-06-09613-2016 ('Subject Case'), and to file such action/s before any court, tribunal or agency, intertwined, interconnected or interrelated with the Subject Case.  <b>RESOLVED FURTHER</b>, That the Corporation's Corporate Legal Counsel, ATTY. ROSALIO D. ROQUE II, be as he is hereby authorized to represent the Corporation, to sign and execute, for and in behalf of the Corporation, the verification and certification on non-forum-shopping appended to the Answer/Explanation, Position Paper, or other pleadings to be filed before the DOLE with respect to the Subject Case or before any court, tribunal or government agency, initiatory, appellate and special civil actions, in behalf of the Corporation.</li> </ul>

	<ul style="list-style-type: none"> <li>To negotiate, conclude and enter into contracts in connection with the sales and operations of the Corporation, which includes, but not limited to Contract of Lease and/or Sublease for the operation of gasoline stations or other businesses and other lease arrangement, Memorandum of Agreements, Dealership Agreements or Retail Outlet Agreements for the operation of Phoenix service stations, Owner-Contractor Agreements for the construction of stations or other building or structures, Distributor Agreement for lubricant or products or other petroleum products, supply agreements, retail sales and commercial sales transactions, including any bidding transactions, and other legal and related transactions relative to the operation of the Corporation in the Luzon Island group.</li> </ul>
	<ul style="list-style-type: none"> <li>To negotiate, conclude and enter into contracts such as, Contract of Lease and/or Sublease for Locators in its Retail Stations, Memorandum of Agreements and Promo Deals and other legal transactions to be entered into pertaining to the company's Non-Fuel Related Business (NFRB) transactions for Luzon, Visayas and Mindanao, under such terms and conditions which may be in the best interest of the Corporation.</li> </ul>
05 Aug 2016	<ul style="list-style-type: none"> <li>To apply, transact, process and enter into a Special Use Agreement for Protected Area (SAPA) with the Department of Natural Resources (DENR) and apply for other necessary permits such as Clearance to Develop SAPA, permit to construct Pier Facility, Permit to Operate Pier Facility and Registration of Pier Facility with the Philippine Ports Authority and any necessary permits with the local agencies/entities relative to its facility development in a parcel of land situated in Tambler, Gen. Santos City, Philippines consisting of Forty Thousand (40,000) square meters, more or less and registered under TCT No. T-12855 (Lot 1-A, Psd-11-003122)</li> </ul>
	<ul style="list-style-type: none"> <li>To apply for and obtain with the Bank the following accommodation/s: <ul style="list-style-type: none"> <li>a. DOMESTIC BILLS PURCHASE (DBP)/ DOMESTIC BILLS PURCHASE-MANAGER'S CHECK (DBP-MC) LINE in the aggregate principal amount of <b>TWENTY FIVE MILLION PESOS (P25,000,000.00)</b>, Philippine Currency;</li> <li>b. OMNIBUS LINE at an increased aggregate principal amount from FOUR HUNDRED MILLION PESOS (P400,000,000.00), to <b>ONE BILLION (P 1,000,000,000.00)</b> Philippine Currency,</li> <li>c. PROMISSORY NOTE (PN) LINE sublimit at an increased amount from ONE HUNDRED FIFTY MILLION PESOS (P150,000,000.00) to <b>FIVE HUNDRED MILLION PESOS (P500,000,000.00)</b>.</li> </ul> <p>as well as the temporary excesses or permanent increases thereon as may be approved by the said Bank from time to time, under such terms and conditions as the Bank may require.</p> </li> </ul>
	<ul style="list-style-type: none"> <li>To enter, negotiate and transact with ALSONS PROPERTIES CORPORATION and its authorized representatives for the purchase of a parcel of land consisting of approximately 851 square meters, more or less situated in Barangay Cabantian, Buhangin District, Davao City and registered under TCT No. 146-2016008498 for purposes of establishing a gasoline service station and other business related activities of the Corporation under reasonable terms and conditions.</li> </ul> <p><b>RESOLVED, FURTHER,</b> to authorize and empower the Corporation to lease any or all portions of land owned by ALSONS PROPERTIES CORPORATION adjacent to the land subject of sale.</p>
	<ul style="list-style-type: none"> <li>To process, transact and facilitate with the Davao Light and Power Company (DLPC) and Davao City Water District (DCWD) for the transactions pertaining to its service stations in Phoenix Ponciano, Acacia, Guerrero, Boulevard and</li> </ul>

	Cabaguio, all located in Davao City.																																			
	<ul style="list-style-type: none"><li>To approve the payment of cash dividends for the following preferred shares for the third quarter of 2016 as follows:  <b><u>2nd Tranche:</u></b>  <table><tr><td>Shares</td><td>Record Date</td><td>Payment Date</td><td>Interest Rate Per Annum</td></tr><tr><td colspan="4">-----</td></tr><tr><td>PNXP</td><td>August 24, 2016</td><td>September 20, 2016</td><td>8.25%</td></tr></table> <b><u>3<sup>rd</sup> Tranche:</u></b>  <table><tr><td>PNX3A</td><td>August 24, 2016</td><td>September 19, 2016</td><td>7.4278%</td></tr><tr><td>PNX3B</td><td>August 24, 2016</td><td>September 19, 2016</td><td>8.1078%</td></tr></table> <b>RESOLVED FURTHER</b>, that the aforementioned cash dividends for the Company's 2<sup>nd</sup> Tranche Preferred shares shall be payable on September 20, 2016 and for the 3<sup>rd</sup> Tranche on September 16, 2016</li></ul>	Shares	Record Date	Payment Date	Interest Rate Per Annum	-----				PNXP	August 24, 2016	September 20, 2016	8.25%	PNX3A	August 24, 2016	September 19, 2016	7.4278%	PNX3B	August 24, 2016	September 19, 2016	8.1078%															
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	<ul style="list-style-type: none"><li>To apply for and obtain with the BDO UNIBANK, INC. the following accommodation/s: <table><tr><th>Facility No.</th><th>Facilities*</th><th>Currency</th><th>Sub-limit</th><th>Aggregate Principal Amount</th></tr><tr><td>1</td><td>Omnibus Line</td><td>PhP</td><td></td><td>2,000,000,000</td></tr><tr><td>1-1</td><td>Domestic Letter of Credit / Trust Receipt Line</td><td>PhP</td><td>270,000,000</td><td></td></tr><tr><td>1-2</td><td>Import Letter of Credit / Trust Receipt Line</td><td>PhP</td><td>2,000,000,000</td><td></td></tr><tr><td>1-3</td><td>Credit Line</td><td>PhP</td><td>1,000,000,000</td><td></td></tr><tr><td>1-4</td><td>Standby Letter of Credit</td><td>PhP</td><td>55,000,000</td><td></td></tr><tr><td>2</td><td>Domestic Bills Purchased Line</td><td>PhP</td><td></td><td>150,000,000</td></tr></table><p style="text-align: center;">*with existing Term Loan</p> as well as the temporary excesses or permanent increases thereon as may be approved by the said Bank from time to time, under such terms and conditions as the Bank may require.</li></ul>	Facility No.	Facilities*	Currency	Sub-limit	Aggregate Principal Amount	1	Omnibus Line	PhP		2,000,000,000	1-1	Domestic Letter of Credit / Trust Receipt Line	PhP	270,000,000		1-2	Import Letter of Credit / Trust Receipt Line	PhP	2,000,000,000		1-3	Credit Line	PhP	1,000,000,000		1-4	Standby Letter of Credit	PhP	55,000,000		2	Domestic Bills Purchased Line	PhP		150,000,000
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	<ul style="list-style-type: none"><li>To enter, negotiate and transact with ALSONS PROPERTIES CORPORATION and its authorized representatives for the purchase of a portion of land consisting of approximately 851 square meters, more or less situated in Barangay Cabantian, Buhangin District, Davao City and registered under TCT No. 107-2016000185 for purposes of establishing a gasoline service station and other business related activities of the Corporation under reasonable terms and conditions. <b>RESOLVED, FURTHER</b>, to authorize and empower the Corporation to lease any or all portions of land owned by ALSONS PROPERTIES CORPORATION adjacent to the land subject of sale or lease the remaining portion of TCT No. 107-2016000185 as described in the preceding paragraph of this Resolution.</li></ul>																																			
	<ul style="list-style-type: none"><li>To process, transact and facilitate the installation of connection with the Cotabato Light and Power Company (CLPC) for the corporation's Staging Area at the Cotabato Airport in Awang, Datu Udin Sinsuat, Maguindanao.</li></ul>																																			
	<ul style="list-style-type: none"><li>To apply, process, transact and facilitate application for Permit to Construct with the Philippine Ports Authority (PPA) Davao Regional Office relative to its Repair and Improvement of the corporation's Terminal Berthing Facility at Bo. Pampanga, Davao City.</li></ul>																																			
	<ul style="list-style-type: none"><li>To apply and submit all pertinent documents with the Bureau of Customs, Port of Subic relative to its prior and post arrival of importations including but not limited to Single Administrative Document and Request for Permit to Discharge.</li></ul>																																			

	<ul style="list-style-type: none"> <li>To authorize and designate any of the Corporation's Officers, <b>DENNIS A. UY or JOSEPH JOHN L. ONG</b>, to open an account with <b>F. YAP SECURITIES, INC.</b> under the name of <b>PHOENIX PETROLEUM PHILIPPINES, INC.</b> and to transact any shares of stocks that are listed in the Philippine Stock Exchange, Inc. and to sign, execute and deliver any and all documents pertaining thereto.</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with BANK OF THE PHILIPPINE ISLANDS (BPI), viz:  <u>Branch</u> <u>Account No.</u>  BPI- Lanang Branch S/A No. 002091-0220-55  <b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and credited to the Company's BPI –Lanang Account number S/A No. 002091-0216-79.</li> </ul>
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following Bando De Oro Unibank, Inc. Bacolod Mandalagan Branch viz:  <u>Branch</u> <u>Account No.</u>  BDO-Bacolod Mandalagan Branch S/A No. 004520089282 / CA  No.004528000336  <b>RESOLVED</b>, as it is hereby resolved, that the said account be now closed and credited to the Company's BDO Lizada S/A No. 3750052748.</li> </ul>
	<ul style="list-style-type: none"> <li>To negotiate, transact and deal for the purchase of a 4,230 sq. m. parcel of land covered by TCT No. T-146-2015007005 situated in the Barrio of Lanang, Davao City, with the registered owner, UDENNA CORPORATION.  <b>RESOLVED</b>, as it is hereby resolved, to sign, execute and deliver an ABSOLUTE DEED OF SALE or any addendum thereto, for the implementation of the foregoing authority.</li> </ul>
	<ul style="list-style-type: none"> <li>To negotiate, transact and deal for the purchase of 4,000 sq. m. Parcel of land covered by TCT No. T-147-2014005254 situated in Mabuhay Road, National Highway, Gen. Santos City with the registered owner, UDENNA DEVELOPMENT (UDEVCO) CORPORATION.  <b>RESOLVED</b>, as it is hereby resolved, to sign, execute and deliver an ABSOLUTE DEED OF SALE, or any addendum thereto, for the implementation of the foregoing authority.</li> </ul>
	<ul style="list-style-type: none"> <li>To negotiate, conclude and enter into contracts such as, Contract of Lease and/or sublease, Memorandum of Agreements, dealership, retail outlet contract, Owner-Contractor Agreements and other retail sales transactions, including any bidding transactions to be entered into and other legal transactions relative to the operation of the Corporation in Visayas for the period covering August to September 2016 under such terms and conditions which may be in the best interest of the Corporation.</li> </ul>
	<ul style="list-style-type: none"> <li>To respond to, continue or commence any civil and/or criminal action in order to protect and advance the assets, rights and interests of the Corporation.  <b>RESOLVED FURTHER</b>, that the Board of Directors designate and appoint, as it hereby designates and appoints, the Corporation's Corporate Secretary and Asst. Vice President for Corporate Legal, SOCORRO ERMAC CABREROS, to represent and sign for and in behalf of the Corporation and to commence and respond to any action necessary for the protection of its rights with regards to NPS Docket No. XI-02-INV-16-F-1688 entitled "Michelle C. Oropeza vs. Phoenix Petroleum Philippines, Inc., et al" before the Office of the Prosecutor of Davao City.</li> </ul>
<b>02 Sep 2016</b>	<ul style="list-style-type: none"> <li>To sell, transfer, cede, convey or otherwise dispose of all of its shareholdings in CHELSEA SHIPPING CORPORATION (CSC) to Chelsea Shipping Group Corp. under fair and reasonable terms and conditions consistent with the recommendations or results of the Fairness Valuation Opinion.</li> </ul>
	<ul style="list-style-type: none"> <li>To sell, transfer, cede, convey or otherwise dispose of all of its shareholdings in PHOENIX PETROTERMINALS &amp; INDUSTRIAL PARK CORP. to Udena Development (UDEVCO) Corporation under fair and reasonable terms and</li> </ul>

	conditions consistent with the recommendations or results of the Fairness Valuation Opinion.
05 Sep 2016	<ul style="list-style-type: none"> <li>To prosecute and file a Complaint against <b>MR. JOHN ROSS GARCIA and DENNIS MAGBITANG, MA. ROSARIO M. MAGBITANG and ANNA BEATRICE M. MAGBITANG</b> and to file and prosecute such other action/s, including criminal, civil and administrative, before any court, tribunal or agency, intertwined, interconnected or interrelated with said complaint.</li> </ul> <p><b>RESOLVED FURTHER</b>, That any one of the following officers of the Corporation, the Corporation's Deputy Chief Operating Officer <b>JOSELITO G. DE JESUS</b> and/or <b>ATTY. SOCORRO ERMAC CABREROS</b>, and the Lawyers of the <b>ALIKAN LAW FIRM</b>, be as they are hereby authorized and empowered to represent the Corporation, to sign and execute, for and in behalf of the Corporation, the Complaint, the verification and certification on non-forum-shopping, or other pleadings to be filed before the Prosecutor's Office or before any court, tribunal or government agency, initiatory, appellate and special civil actions, in behalf of the Corporation.</p>
	<ul style="list-style-type: none"> <li>To transact, process and claim for and in behalf of the corporation with the (1) Bureau of Internal Revenue (BIR) the Certificate of Authorizing Registration (CAR) and Tax Clearance Certificate, for the transfer of Title over TCT No. T-147-2014005254 situated in Mabuhay Road, National Highway, Gen. Santos City pursuant to a Deed of Sale executed by and between UDENNA DEVELOPMENT (UDEVCO) CORPORATION and P-h-o-e-n-i-x Petroleum Philippines, Inc.; (3) City Assessor's and/or Treasurer's Office for the property tax clearances and certificates; and (3) Office of the Registry of Deeds (ROD) for the transfer of the previous titles to the new owner's name.</li> </ul> <p><b>RESOLVED FURTHER</b>, that FARRIDA S. SIMPAL and/or JESSICA S. YTAC of the GREENFLEX CONSULTING be hereby authorized and empowered to sign, deliver, receive and receipt, for and on behalf of the Corporation, any and all contracts, documents and instruments required to carry out the foregoing resolution.</p>
	<ul style="list-style-type: none"> <li>To transact, process and claim for and in behalf of the corporation with the (1) Bureau of Internal Revenue (BIR) the Certificate of Authorizing Registration (CAR) and Tax Clearance Certificate, for the transfer of Title over TCT No. T-146-2015007005 situated in the Barrio of Lanang, Davao City pursuant to a Deed of Sale executed by and between UDENNA CORPORATION and P-h-o-e-n-i-x Petroleum Philippines, Inc.; (3) City Assessor's and/or Treasurer's Office for the property tax clearances and certificates; and (3) Office of the Registry of Deeds (ROD) for the transfer of the previous titles to the new owner's name.</li> </ul>
	<ul style="list-style-type: none"> <li>To enter, negotiate and transact with <b>ILOILO JAR CORPORATION (IJC)</b> and its authorized representatives for the mutual termination of the CONTRACT OF LEASE by and between IJC dated 09 June 2011 over the Five Thousand (5,000) square meter portion of the parcel of land located in Lapuz, Iloilo City and covered by Transfer Certificate of Title No. T-98072 issued by the Registry of Deeds of Iloilo.</li> </ul> <p><b>RESOLVED, FURTHER</b>, to authorize and empower the Corporation to execute with IJC a mutual RELEASE, WAIVER AND QUITCLAIM with respect to the Contract of Lease dated 09 June 2011.</p>
16 Sep 2016	<ul style="list-style-type: none"> <li>To open with <b>CTBC BANK (PHILIPPINES) CORP.</b> (hereafter, "Bank"), the following accounts: (1) demand deposits; (2) savings accounts; and such other types of accounts as may be necessary or desirable in the conduct of the business of the Corporation.</li> </ul> <p><b>RESOLVED, FURTHER</b>, that the Corporation is hereby authorized to open Peso and/or US Dollars and/or other foreign currencies Current/Savings Account, Special Savings, or Time Deposit with the Bank; to transact Treasury products</p>



	such as Foreign Exchange Trading, Spot Exchange, Foreign Exchange Forward, Non- deliverable Forward, and other derivative products such as swap and option, which are denominated in Peso and/or US Dollars and/or other foreign currencies; and to invest in Money Market Placements, Special Deposit Account (SDA), Government Securities and other sovereign bonds, and Corporate Bonds through the Bank.
<b>05 Oct 2016</b>	<ul style="list-style-type: none"> <li>To enter into transaction and/or avail of products of facilities of, brokered by or through the intermediation of, Australia and New Zealand Banking Group Limited, or any of its branches, affiliates and wholly/partly owned subsidiaries (hereinafter individually or collectively referred to as “ANZ” for the purpose of these resolutions), including but not limited to financial and investment products, deposit accounts (including electronic/internet banking facilities), cash management services, remittances, fund transfers, foreign exchange transactions, option contracts, Letters of Credit and trade transactions, loan transactions, funding arrangements, credit facilities without security, and similar transactions as the Corporation’s authorized signatories may deem reasonable, proper and beneficial in the interest of the Corporation.</li> </ul>
	<ul style="list-style-type: none"> <li>To enter into transaction and/or avail of products of facilities of, brokered by or through the intermediation of, Australia and New Zealand Banking Group Limited, or any of its branches, affiliates and wholly/partly owned subsidiaries (hereinafter individually or collectively referred to as “ANZ” for the purpose of these resolutions), including but not limited to financial and investment products, deposit accounts (including electronic/internet banking facilities), cash management services, remittances, fund transfers, foreign exchange transactions, option contracts, Letters of Credit and trade transactions, loan transactions, funding arrangements, discounting and credit facilities with or without security, trust and investment management accounts, execution of mortgages, pledges, assignments or hypothecation of the assets of the Corporation, and similar transactions as the Corporation’s authorized signatories may deem reasonable, proper and beneficial in the interest of the Corporation.</li> </ul>
	<ul style="list-style-type: none"> <li>To negotiate, transact and deal for the purchase of parcels of land covered by various titles situated in the Barrio of Sirawan (Binugao), Davao City with various registered owners. <b>RESOLVED</b>, as it is hereby resolved, to sign, execute and deliver an ABSOLUTE DEED OF SALE for the implementation of the foregoing authority.</li> </ul>
<b>03 Nov 2016</b>	<ul style="list-style-type: none"> <li>To negotiate and contract for the renewal of the Omnibus Financial Assistance with the Development Bank of the Philippines (DBP) for TWO BILLION PESOS (Php2,000,000,000.00) available via: (1) Letter of Credit (LC)/Trust Receipt (TR) Line; (2) Revolving Promissory Note Line; and (3) Domestic Bills Purchase Line.</li> </ul>
	<ul style="list-style-type: none"> <li>To apply for the issuance of BDO Corporate Card in the Credit Limit of up to ONE HUNDRED THOUSAND PESOS ONLY (Php100,000.00) to be issued in the name of the Corporation’s personnel, viz, GENEVIEVE O. FONTILLAS Admin. Asst. <b>RESOLVED FURTHER</b>, that the aforementioned employee is hereby authorized to sign for and in behalf of the Corporation the necessary application for issuance of BDO Corporate Card and any and all documents which may be required by BDO Unibank Inc.</li> </ul>
	<ul style="list-style-type: none"> <li>To transact, process and claim for and in behalf of the corporation the certified true copy from original its 2016 Business/Mayor’s Permit with the Business Bureau of the City of Davao in compliance with its application for accreditation with the Land Registration Office of Davao.</li> </ul>
	<ul style="list-style-type: none"> <li>To apply, transact, negotiate and process pertinent documents and permits with various government entities/offices relative to the construction of vertical tanks at the company’s Calaca Terminal Depot.</li> </ul>

	<ul style="list-style-type: none"><li>To approves the payment of cash dividends for the following preferred shares for the third quarter of 2016 as follows:  2<sup>nd</sup> Tranche:  <table><tr><th>Shares</th><th>Record Date</th><th>Payment Date</th><th>Interest Rate Per Annum</th></tr><tr><td>PNXP</td><td>November 24 , 2016</td><td>December 20, 2016</td><td>8.25%</td></tr></table> 3<sup>rd</sup> Tranche:  <table><tr><td>PNX3A</td><td>November 23, 2016</td><td>December 19, 2016</td><td>7.427 %</td></tr><tr><td>PNX3B</td><td>November 23, 2016</td><td>December 19, 2016</td><td>8.1078%</td></tr></table> <b>RESOLVED FURTHER</b>, that the aforementioned cash dividends for the Company's 2<sup>nd</sup> Tranche Preferred shares shall be payable on September 20, 2016 and for the 3<sup>rd</sup> Tranche on September 16, 2016.</li></ul>	Shares	Record Date	Payment Date	Interest Rate Per Annum	PNXP	November 24 , 2016	December 20, 2016	8.25%	PNX3A	November 23, 2016	December 19, 2016	7.427 %	PNX3B	November 23, 2016	December 19, 2016	8.1078%
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	<ul style="list-style-type: none"><li>To participate in the bidding of <b>SUPPLY AND DELIVERY OF OIL-BASED FUEL TO SPUG POWER PLANTS AND BARGES for the Calendar Year 2017</b>, that if awarded the tender shall enter into a contract with the <b>National Power Corporation</b>.</li></ul>																
	<ul style="list-style-type: none"><li>To deposit any of its funds in Asia United Bank and/or any of its branches, and said Bank is hereby authorized to pay, encash or otherwise honor and charge to this Corporation any and all checks, bills of exchange, orders or other instruments for the payment of money or withdrawal of funds, including those which may cause overdraft, when signed, made, drawn, accepted or indorsed on behalf or in the name of this Corporation.</li></ul>																
	<ul style="list-style-type: none"><li>To apply, transact, negotiate and process pertinent documents and permits with various government entities/offices relative to the construction (design, civil, electrical and mechanical) of commercial and retail operation, within the Islands of Mindanao.</li></ul>																
04 Dec 2016	<ul style="list-style-type: none"><li>To apply, transact, negotiate and process pertinent documents and permits with various government entities/offices relative to the construction (design, civil, electrical and mechanical) of commercial and retail operations, within the Islands of Visayas.</li></ul>																
05 Dec 2016	<ul style="list-style-type: none"><li>To apply, transact, process and claim electrical power connection with <b>Panay Electric Company, Inc. (PECO)</b>, and (2) other permits necessary with any private and government entities including business permit for the <b>year 2017</b> in connection with the construction and business operation of Phoenix Fuels Life Stations in the Island of Panay, Negros, Philippines. <b>RESOLVED FURTHER</b>, as it is hereby resolved to authorize <b>MARIA IZABEL M. GONZALES</b> to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government unit and other private entities in order to execute and implement the foregoing authority.</li></ul>																
	<ul style="list-style-type: none"><li>To participate in the <b>bidding of Supply and Delivery Diesel Fuel and/or Unleaded Gasoline Requirements to the CITY GOVERNMENT OF CEBU</b>; and in connection therewith hereby appoint its <b>Asst. Vice President for Sales-Visayas, RICHARD C. TIANSAY</b>, acting as the duly authorized and designated representative of the Corporation and granted full power and authority to do, execute and perform any and all acts necessary and/or to represent the Corporation in the bidding as fully and effectively as the said Corporation might do if personally present, with full power of substitution and revocation and hereby satisfying and confirming all that the said representatives shall lawfully do or cause to be done by virtue hereof.</li></ul>																

	In case of award, <b>RICHARD C. TIANSAY</b> , is hereby authorized to sign the contract in behalf of the Corporation.						
	<ul style="list-style-type: none"> <li>To purchase a parcel of land situated in Calaca, Batangas from PHOENIX PETROTERMINALS &amp; INDUSTRIAL PARK CORP. with a total area of 7,664 square meters, more or less, and covered by Transfer Certificate of Title ("TCT") No. 102907 issued by the Register of Deeds for the Municipality of Nasugbu, of the Province of Batangas (the 'Subject Property'), in such amount and under such terms and conditions as may be in the best interest of the Corporation.</li> </ul>						
	<ul style="list-style-type: none"> <li>To sell to <b>PHOENIX PETROTERMINALS &amp; INDUSTRIAL PARK CORP.</b> a parcel of land situated in Brgy. Lumbang, Calaca, Batangas with a total aggregate area of 39,420 square meters, more or less, and covered by Transfer Certificate of Title ("TCT") No. T-120858 issued by the Registry of Deeds for the Province of Batangas, Nasugbu Branch (the 'Subject Property'), in such amount and under such terms and conditions as may be in the best interest of the Corporation.</li> </ul>						
<b>03 Jan 2017</b>	<ul style="list-style-type: none"> <li>To transact business with the Philippine Ports Authority (PPA) relative to its application of Permit to Operate as transport service at the Port of Davao as well as submission of documentary requirements as necessary. <b>RESOLVED</b>, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the company's Road Transport Engineering Department Officer-in-Charge, EUGENIO NELLO Z. LIM, JR., under such terms and conditions and stipulations as the said authorized signatory may deem advisable and desirable in the best interest of the Corporation.</li> </ul>						
	<ul style="list-style-type: none"> <li>To apply, transact and process <b>business permit for the year 2017</b> and the succeeding years thereafter for its DEPOT in Cambodia St, BREDCO Port, Phoenix Petroleum Depot, Bacolod City with the local governments units and/or private entities in the said area. <b>RESOLVED FURTHER</b>, as it is hereby resolved to authorize <b>RICO T. URETA</b> to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government unit in order to execute and implement the foregoing authority.</li> </ul>						
	<ul style="list-style-type: none"> <li>To apply for concession/accreditation at the terminal of <b>Manila International Airport Authority</b> under such terms and conditions which may be in the best interest of the Corporation.</li> </ul>						
	<ul style="list-style-type: none"> <li>To participate in the bidding of Supply and Delivery of Industrial Fuel Oil with <b>Power Sector Assets and Liabilities Management</b> ('PSALM Corporation') for <b>Malaya Thermal Power Plant</b> for Calendar Year 2017, and that if awarded the tender, shall enter in a contract with PSALM Corporation.</li> </ul>						
	<ul style="list-style-type: none"> <li>To close the company's existing accounts maintained with the following WEALTH DEVELOPMENT BANK CORPORATION:  <table> <tr> <td><u>Branch</u></td><td><u>Account No.</u></td></tr> <tr> <td>Wealth Development Bank Corporation</td><td></td></tr> <tr> <td>– Market Market Branch</td><td>CA No. 008 12 000360 8</td></tr> </table> </li> </ul>	<u>Branch</u>	<u>Account No.</u>	Wealth Development Bank Corporation		– Market Market Branch	CA No. 008 12 000360 8
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	<p>Banco De Oro Unibank, Inc. – Fort Legends branch</p> <p>SA No. 568 010 082/ CA No. 568 8000588</p>								
	<ul style="list-style-type: none"> <li>To negotiate, transact and enter into contract with PHIVIDEK INDUSTRIAL AUTHORITY (“PHIVIDEK”) for the lease and/or purchase of a property with an area of about 300 hectares under reasonable terms and conditions as the proper officers would deem in the best interests of the Corporation.</li> </ul>								
	<ul style="list-style-type: none"> <li>To transact with Seaoil Philippines, Inc. for purchases of its fuels under such terms and conditions as may be deemed most advantageous to the Corporation.</li> </ul>								
	<ul style="list-style-type: none"> <li>To open and maintain deposit account(s) and to avail of any related services, and/or to open and maintain placement(s) and/or to invest in government securities and other similar instruments, and/or to enter into trust and/or investment management agency transactions/arrangements and/or open and maintain trust/investment management account(s) with CHINA BANKING CORPORATION and/or CHINA BANKING CORPORATION – TRUST GROUP, under such terms and conditions, as may be mutually agreed upon, where its cash funds, any credit remittances or checks issued in its favor, with or without endorsement, may be deposited or invested.</li> </ul>								
	<ul style="list-style-type: none"> <li>To close the company’s existing accounts maintained with the following BANCO DE ORO UNIBANK INC.</li> </ul> <table> <thead> <tr> <th><u>Branch</u></th><th><u>Account No.</u></th></tr> </thead> <tbody> <tr> <td>Banco De Oro Unibank –Lizada Branch</td><td>SA No. 10-375-006716-8</td></tr> <tr> <td>Banco De Oro Unibank –Lizada Branch</td><td>SA No. 00-375-0035657/ CA No. 3758005367</td></tr> <tr> <td>Banco De Oro Unibank - Cebu Business Park Branch</td><td>SA# 002510127388 / CA# 002518005464</td></tr> </tbody> </table>	<u>Branch</u>	<u>Account No.</u>	Banco De Oro Unibank –Lizada Branch	SA No. 10-375-006716-8	Banco De Oro Unibank –Lizada Branch	SA No. 00-375-0035657/ CA No. 3758005367	Banco De Oro Unibank - Cebu Business Park Branch	SA# 002510127388 / CA# 002518005464
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## MANAGEMENT REPORT

### I. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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.

### BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

#### 1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the “Company” or “PPPI”, interchangeably) was incorporated in the Philippines on May 8, 2002 under its original name of “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 Philippine Securities and Exchange 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.”. The Company is 41% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI) and 17.84% owned by Udenna Management & Resources Corp. (UMRC), companies organized in the Philippines.

The Company is registered with the Board of Investments (BOI) since November 16, 2005 then 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 of 1998). Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment 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 likewise 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 (Downstream Oil Industry Deregulation Act) for its storage tanks in various locations. Under these registrations, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Company’s transactions relating to the BOI registered investments entitled it to certain tax and non-tax incentives. Details of the 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 09, 2017
Cagayan de Oro City	May 10, 2012	5 Years	May 09, 2017

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

The Company's operations consist of Trading, Terminaling and Hauling Services. Under Trading, the Company offers its refined petroleum products (including Jet A1) and lubricants to retailers and commercial/industrial customers.. The retail service stations are classified as Company-Owned, Company-Dealer-Operated (CODO) or Dealer-Owned, Dealer-Operated (DODO). The company has a total of 505 operating retail service station and a total of 16 service stations under construction as of December 31, 2016.

The Company's Terminaling and Hauling Services involves the leasing of storage space in its terminal depot, 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. Since 2008, Cebu Air designated the Company as its exclusive logistics partner in all its Mindanao operations.

#### **Subsidiaries:**

At present, the Company has three (3) wholly-owned subsidiaries, namely:

- **P-h-o-e-n-i-x Global Mercantile, Inc. ("PGMI")** was incorporated 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 temporarily ceased its operation and is currently dormant.
- **PFL Petroleum Management Inc. ("PFL or PPMI")** was incorporated on January 31, 2007 and is currently engaged in the management of the three retail service stations which are being used as training sites and stations for prospective dealers.

- **Subic Petroleum Trading and Transport Phils., Inc. (SPTT)** was registered with the SEC on February 20, 2007 and is engaged in the buying and selling, supply and distribution, importation and exportation, and the 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. SPTT is duly registered with Subic Bay Metropolitan Authority ("SBMA") and was issued the Certificate of Registration and Tax Exemption on 01 June 2012, which is effective until 31 May 2013 and renewable by SPTT. It is classified as a Subic Bay Freeport Enterprise for the purpose of and with permit to operate the business of engaging in the business of importation, warehousing, transshipment, export, distribution of liquor, wines and spirits, tobacco and cigarettes and general merchandise and commodities such as but not limited to groceries, canned goods and pre-paid cards; convenience store for selling and distribution of gasoline and other petroleum products and other liberalized items.

## 2. Directors and Officers

- (a) The incumbent members of the Board of Directors and the executive officers of the Company are as follows:

Office	Name	Age	Citizenship
<b>Directors</b>			
Chairman	Domingo T. Uy	69	Filipino
Director/President and Chief Executive Officer	Dennis A. Uy	43	Filipino
Director/Chief Operating Officer	Romeo B. De Guzman	67	Filipino
Corporate Secretary/Asst. Vice President for Corporate Legal	Socorro T. Ermac Cabreros	52	Filipino
Director/Chief Finance Officer	Joseph John L. Ong	57	Filipino
Director	Cherylyn C. Uy	36	Filipino
Director	J.V. Emmanuel A. de Dios	51	Filipino
Director	Paul G. Dominguez	66	Filipino
Director	Carolina Inez Angela S. Reyes	55	Filipino
Independent Director	Consuelo Ynares Santiago	76	Filipino
Independent Director	Monico V. Jacob	71	Filipino
<b>Other Executive Officers</b>			
Treasurer/Vice President for Finance	Chryss Alfonsus V. Damuy	43	Filipino
Vice President for Corporate Affairs, Business Development and Security	Alan Raymond T. Zorrilla	47	Filipino
Vice President for Depot and	William M. Azarcon	70	Filipino

Retail Engineering			
Asst. Vice President for Sales South Mindanao	Norman T. Navarro	50	Filipino
Asst. Vice President for Sales-Visayas	Richard C. Tiansay	53	Filipino
Assistant Vice President for Sales-Mega Manila	Ericson S. Inocencio	42	Filipino
Assistant Vice President for Sales-Luzon Up-Country	Joselito G. De Jesus	61	Filipino
Assistant Vice President for Lubes Sales and Distribution	Joven Jesus G. Mugar	46	Filipino
Asst. Vice-President for Sales-North Mindanao	Roy O. Jimenez	54	Filipino
Assistant Vice President for Supply	Ma. Rita A. Ros	57	Filipino
Asst. Vice President for Technical Service and Quality Product Assurance Department	Ignacio B. Romero	72	Filipino
Asst. Vice President for Treasury	Reynaldo A. Phala	50	Filipino
Asst. Vice President for Brand and Marketing	Celina I. Matias	52	Filipino
Asst. Vice President for Customer Service Unit and Corporate Communications	Debbie A. Uy-Rodolfo	37	Filipino
Asst. Vice President for Human Resources	Celeste Marie G. Ong	49	Filipino
Asst. Vice President for Information Technology	Alfredo E. Reyes	54	Filipino
Asst. Corporate Secretary	Gigi Q. Fuensalida	40	Filipino

### **Directors**

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, 69 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, 43 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 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, 67 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, 52 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 Phoenix Petroleum Holdings, Inc. 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 was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002.

**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 currently the CEO of GE Philippines. Prior to that Atty. de Dios 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. He also currently sits as a Trustee of the Meralco Power Academy. 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**

Mr. Joseph John L. Ong, Filipino, 57 years old, is the Chief Finance Officer of the Company. He is also a member of the Board of Directors of South Pacific, Inc., an affiliate of the Company. Prior to his employment in the Company, he spent almost 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 12 years with Ginebra San Miguel, Inc., then known as La Tondeña Distillers, Inc., the country's second largest beverage company at the time and a listed subsidiary of San Miguel Corporation. He was its Vice President for 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 and 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 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.

**Carolina Inez Angela S. Reyes**  
**Director**

Carolina Inez Angela S. Reyes, 55 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of 50+ barbecue-focused restaurants founded by her husband, Francisco Reyes. Upon taking the helm of Reyes Barbecue in 2008, Reyes led the professionalization of the organization, systematized the company's processes, upgraded all facilities, and strengthened all marketing and brand initiatives that resulted to the doubling of the number of stores and the continuous growth of sales year on year. Before taking charge at Reyes Barbecue, Reyes spent twenty years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands : from 1994 to 1999, she held the following positions in La Tondena Distillers, Inc.:

Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation and was responsible for formulating and leading the execution of successful marketing initiatives that delivered on sales growth and strengthened the brand's dominance of the fast food industry. Reyes took her Masters in Business Administration from De La Salle University Graduate School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

**Consuelo Yñares-Santiago**

**Independent Director**

Ms. Consuelo Ynares-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, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp. and Top Frontier Investment Holdings, Inc. She is the 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 being admitted to the bar, she started her career as a Legal Officer of the 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, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and she also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and 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, 71 years old, has been Independent Director of the Company since March 7, 2008. He is currently the Vice Chairman and Chief Executive Officer of the STI Education STI Education Services Group, Inc.

and President of and Chief Executive Officer of STI Education System Holdings, Inc. and STI West Negros University. He likewise sits as an independent director of Jollibee Foods, Inc., Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc, an HMO and IAcademy.

#### **Directorships in Other Reporting Companies**

The following are directorships held by the directors and executive officers in other reporting companies during the last five (5) years:

<b>Name of Director</b>	<b>Name of Reporting Company</b>	<b>Position Held</b>
Consuelo Ynares Santiago	Anchor Insurance Brokerage Corp. SMC Global Power Holdings, Inc. South Luzon Tollway Corp. Top Frontier Investment Holdings, Inc.	Independent Director
Monico V. Jacob	Jollibee Foods Corporation Century Properties Lopez Holdings, Inc. 2GO Shipping	Independent Director

#### **Period of Directorship in the Company**

<b><u>Name</u></b>	<b><u>Period of Service</u></b>	<b><u>Term of Office</u></b>
Dennis A. Uy	since incorporation to present	1 year
Domingo T. Uy	since incorporation to present	1 year
Socorro T. Ermac-Cabrerros	2006 to present (except 2009, 2010)	1 year
Romeo B. De Guzman	since 2009 to present	1 year
J.V. Emmanuel De Dios	2007 to present	1 year
Cherylyn C. Uy	2004 to 2006, 2013 to present	1 year
Paul G. Dominguez	2013 to present	1 year
Joseph John L. Ong	2013 to present	1 year
Monico V. Jacob	2008 to present	1 year
Consuelo Ynares Santiago	2013 to present	1 year
Carolina Inez Angela S. Reyes	2016 to present	1 year

#### **Executive Officers**

The following is a list of other executive officers and their business experiences during the past five (5) years:

**Alan Raymond T. Zorrilla**, Filipino, 47 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.

**Chryss Alfonsus V. Damuy**, Filipino, 43 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.

**William M. Azarcon**, Filipino, 70 years old, is currently the Vice President for Depot and Retail Engineering. 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.

**Richard C. Tiansay**, Filipino, 53 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, 50 years old, is presently the Asst. Vice President for Sales – South 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, 61 years old, is the Asst. Vice-President for Sales-Luzon Up-Country. 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, 42 years old, is the Asst. Vice President for Sales – Mega Manila. 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.

**Joven Jesus G. Mugar**, Filipino, 46 years of age, is the Assistant Vice President for Lubricant Sales and Distribution. He joined Phoenix last May 4, 2015. He brought with Him twelve and a half years of pure lubricant experience from a major petroleum company holding various positions in sales, business development and marketing handling both B2C and B2B. Within those years, he had 2 years assignment in the Asia Pacific Region doing Channel Development Specialist work.

**Roy O. Jimenez**, Filipino, 54 years of age is currently the Asst. Vice-President for Sales-North Mindanao. Prior to joining the Company he was connected with Chevron Phil. Inc for almost 30 years and handled various National and District Managerial positions, as well as supervisory positions for various trades such as Retail, Commercial/Industrial, Marketing Support, Liquefied Petroleum Gas and Lubricants. He also handled regional position as a Programs Manager and have been the team lead for Philippines in various Chevron Regional projects. He was assigned as a District Manager covering various areas like North Metro Manila/North Luzon, Visayas and Mindanao. He is a licensed Mechanical Engineer and graduated in University of Santo Tomas. He has MBA units in De La Salle University and attended various Leadership and Management programs in Asian Institute of Management, as well as in-house training programs of Chevron in Asia Pacific and South Africa.

**Ignacio B. Romero**, Filipino, 72 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, 57 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, 52 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 on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and McCann Erickson and had worked with local Ad Agency as partner. She handled over 25 local and global brands across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & Public Relations in Assumption College.

**Debbie A. Uy-Rodolfo**, Filipino, 37 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.

**Reynaldo A. Phala**, Filipino, 50 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, 49 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, 40 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, 54 years old, is currently the Asst. Vice President for Information Technology of the Company. Mr. Reyes has been in the oil industry for the past 29 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.

#### Period of Service in the Company

<u>Name</u>	<u>Period of Service</u>
Joseph John L. Ong	November 3, 2010 to present
Socorro Ermac Cabrerros	July 3 2006 to present
Chryss Alfonsus V. Damuy	January 13, 2008 to present
Reynaldo A. Phala	October 16, 2008 to present
Alan Raymond T. Zorrilla	April 1, 2009 to present
William M. Azarcon	June 1, 2009 to present
Joselito G. De Jesus	March 15, 2011 to present
Richard C. Tiansay	March 1, 2013 to present
Eric S. Inocencio	February 15, 2014 to present
Norman T. Navarro	December 10, 2012 to present
Roy O. Jimenez	May 11, 2015 to present
Joven Jesus Mugar	May 4, 2015 to present

Ma. Rita A. Ros	November 1, 2013 to present
Ignacio B. Romero	2013 to present
Celeste Marie G. Ong	July 2, 2012 to present
Debbie A. Uy-Rodolfo	February 1, 2008 to present
Celina I. Matias	July 2, 2012 to present
Gigi Q. Fuensalida	2008 to present
Alfredo E. Reyes	April 6, 2011 to present

## II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### A. Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2016 vs. December 31, 2015.

#### **Revenues**

The Group generated total revenues of ₱30.577 billion in 2016, 2% higher than 2015's ₱30.054 billion, on the back of a 25% increase in sales volume and improved product mix in favor of higher margin products. This however, was tempered by the 19% decline in average fuel prices.

Sales revenues from trading and distribution of petroleum products increased by 4% from ₱28.621 billion in 2015 to ₱29.666 billion in 2016. Retail volume (station sales) increased by 12% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 33%, while aviation volume grew by 14%. Lubricants volume also grew by 18% from the prior year.

The Parent has built five hundred five (505) Phoenix retail service stations as of December 31, 2016 compared to four hundred forty-seven (454) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2017.

The Group generated revenues of ₱1.104 billion from fuel service, shipping, storage, port, real estate, and others in 2016, down from ₱1.433 billion in 2015. The 23% year-on-year decline was mainly due to the ₱456 million in sale of real estate in 2015 versus none in 2016. Moreover, results of Chelsea Shipping Corporation (CSC) and Phoenix Petroterminals and Industrial Park Corp. (PPIPC) were consolidated only from January to November.

#### **Cost and expenses**

The Group recorded cost of sales and services of ₱25.124 billion as of December 2016, a decrease of 0.1% from ₱25.269 billion in 2015. This was due to lower product costs compared to last year, reflecting lower global oil prices. Prices

continued its generally downward movement from the second quarter of 2015 until first quarter of 2016, which only then, started to recover.

Selling and administrative expenses increased by 23%, driven by higher depreciation for completed expansions, as well as increases in rent expense, salaries and wages, taxes and licenses, and professional fees in relation to the expansion program of the Group.

### ***Net Income***

The Group's net income for 2016 grew to ₱1.092 billion from ₱905.868 million in 2015. Growth was driven primarily by higher sales volume, higher efficiencies in trading and supply management, and higher service revenues.

The Parent was 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, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

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 entitled 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 to the Davao Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities.

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. This expired on November 25, 2015.

The Parent Company also obtained new approvals with 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, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. 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.

### ***Financial Condition***

*(As of December 31, 2016 versus December 31, 2015)*

Total resources of the Group as of December 31, 2016 stood at ₱26.538 billion, lower by 14% compared to the ₱30.926 billion as of December 31, 2015. This is mainly due to the sale of the subsidiaries, resulting in the deconsolidation of the carrying values of CSC and PPIPC.

Cash and cash equivalents this year increased by 43% from ₱1.632 billion in December 31, 2015 to ₱2.339 billion due to the net proceeds from sale of the subsidiaries and increased collections towards year-end net of payment of outstanding interest-bearing debt.

Trade and other receivables decreased by 19% from ₱10.810 billion as of December 31, 2015 to ₱8.789 billion as of December 31, 2016, due to the intensified collection of credit sales and other receivables and the deconsolidation of related receivables from the sale of the subsidiaries.

Inventories increased by 14% to ₱2.999 billion as of December 30, 2016 from ₱2.638 billion as of December 31, 2015, driven by the timing of arrival of importations. The Group 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 actual arrival dates of the fuel tankers.

Due from related parties increased to ₱1.507 billion as of December 2016 from ₱12.260 million as of December 2015, arising from the receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC and from Chelsea Shipping Group Corp. amounting to ₱500 million for the sale of CSC. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

As of December 31, 2016, the Group's property and equipment, net of accumulated depreciation, decreased to ₱9.002 billion compared to ₱12.823 billion as of December 31, 2015 due to the sale of the subsidiaries that resulted in the deconsolidation of the related assets of CSC and PPIPC.

Loans and Borrowings, both current and non-current, decreased by 22% from ₱16.983 billion as of December 31, 2015 to ₱13.184 billion as of December 31, 2016. The decrease of ₱3.799 billion was from the settlement of loans, which include the payments of interest-bearing debt from the proceeds of the sale of subsidiaries. Also contributing to the decline was the decrease in trade payables and the deconsolidation of the related loans and borrowings of CSC and PPIPC following the sale.

Trade and other payables decreased by 2% from ₱3.578 billion as of December 31, 2015 to ₱3.333 billion as of December 31, 2016 due to longer supplier credit term.

Total Stockholders' Equity decreased to ₱9.762 billion as of December 31, 2016 from ₱10.023 billion as of December 31, 2015, resulting from the earnings generated in

2016 net of cash dividend declared and paid during the period for both common shares and preferred shares. The deconsolidation of CSC and PPIPC also contributed to the decrease.

### ***Key Performance Indicators and Relevant Ratios***

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

	December 31, 2016	December 31, 2015
Current Ratio <sup>1</sup>	1.17:1	1.14:1
Debt to Equity Ratio <sup>2</sup>	1.72:1	2.09:1
Return on Equity- Common <sup>3</sup>	11%	11%
Net Book Value per Share <sup>4</sup>	6.81:1	6.89:1
Debt to Equity Interest-Bearing <sup>5</sup>	1.35:1	1.69:1
Earnings per Share <sup>6</sup>	0.64	0.60

***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 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 (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Group's performance with similar companies.

The Group's debt to equity (DE) ratio for 2016 is lower at 1.72: 1 due to the sale of the subsidiaries resulting in the deconsolidation of the related accounts of CSC and PPIPC.

***Material Changes to the Group's Balance Sheet as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)***

**43% increase in Cash and Cash Equivalents**

A result of the net proceeds from the sale of the subsidiaries, as well as the timing of collections and disbursements during the period offset by proceeds used to pay out interest-bearing debt. Minimum levels of cash are also maintained to support maturing obligations.

**14% increase in inventory**

Due to the timing of arrival of importations, additional product lines, and the prices of petroleum.

**19% decrease in trade and other receivables**

Due to improved collection efforts and higher customer management efficiency. Also contributing to the decline was the sale of the subsidiaries, which resulted in the deconsolidation of the trade and other receivables of CSC and PPIPC.

**12,191% increase in due from a related party**

Attributable to the receivable balance from the sale of CSC to Chelsea Group Corp amounting to ₱500 million and from UDEVCO for the sale of PPIPC amounting to ₱50 million. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

**28% increase in restricted deposit**

Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

**6% decrease in net input vat**

Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

**30% decrease in property, plant and equipment**

Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

**280% increase in Intangible Assets**

Due to the acquisition of a basketball franchise as part of the Group's brand enhancement initiatives.

**100% decrease in Land Held for Future Development**

Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

**100% decrease in Investment in a joint venture**

Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

**88% decrease in Goodwill**

Due to sale of subsidiaries resulting in the deconsolidation of PPIPC and CSC.

**100% increase in Deferred Tax Assets**

Due to sale of subsidiaries resulting in the deconsolidation of related accounts of

PPIPC and CSC.

43% decrease in Other Non-Current Assets

Due to sale of subsidiaries resulting in the deconsolidation of related accounts of PPIPC and CSC.

63% decrease in Non-current Interest-bearing loans

Due to the early settlement of Long-Term Debt using the proceeds from the sale of CSC and PPIPC.

100% decrease in Non-current Trade and Other Payables

Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

100% decrease in Deferred Tax Liability

Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

5% Increase in Other Non-Current Liabilities

Increase in security deposit from new customers

23% decrease in Capital Stock

Due to treasury shares acquisition amounting to ₱330.6 million

17% increase in Other Reserves

Due to the sale of the sale and subsequent deconsolidation of PPIPC and CSC.

23% increase in Retained Earnings

Due to earnings generated in 2016 net of the dividends paid both to common and preferred shares, as well as the sale and deconsolidation of PPIPC and CSC.

***Material changes to the Group's Income Statement as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)***

23% decrease in fuel service, shipping, storage income, and other revenue

Due to the ₱456 million revenues from sale of real estate in 2015 versus none in 2016.

23% increase in selling and administrative expenses

Driven by the Group's expansion program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses, and professional fees.

5% increase in Finance Costs

Increase in the number of financing transactions.

2,649% increase in Finance Income

Due to forex gains arising from US\$-denominated revenues

21% Increase in other income

Due to growth in non-fuel related business.

207% Increase on equity share in Net Loss of a joint venture.

Attributable to the equity share of PPIPC in SPI for the eleven months ending November 30, 2016.

9% decrease in income tax

Due to increase in deferred tax assets arising from unrealized and non-taxable income.

15% decrease in re-measurement of post-employment benefit obligation

Due to the sale of CSC and PPIPC.

100% decrease on the revaluation of tankers under OCI

Due to the sale of CSC and PPIPC and their deconsolidation in December 2016.

65% decrease on the tax expense on other comprehensive income

Due to the absence of revaluation of tankers under OCI following the sale of CSC.

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.

## **B. Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2015 vs. December 31, 2014.**

### ***Revenues***

The Group generated total revenues of ₱ 30.054 billion in 2015 which is 13% lower than its 2014 level of ₱ 34.734 billion, primarily due to the huge decline in petroleum prices in 2015. However, this was minimized due to the higher fuels sales volume and the 102% recorded increase in revenues from fuels service, shipping, storage and other revenue.

Sales revenues from trading and distribution of petroleum products decreased by 16% from ₱34.026 billion in 2014 to ₱ 28.621 billion in 2015 resulting principally from a declining prices during the year. The effect, however was tempered by a 27% rise in fuel sales volume . Sales volume to retail stations increased by 30% due a wider distribution network, better station efficiency and growth in same store sales. The commercial/industrial and aviation segment grew by 26% as a result of more new accounts solicited during the year. The Parent Company had four hundred fifty-four (454) retail service stations as of December 31, 2015 compared to four hundred eighteen (418) 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 revenues of ₱ 1,434 million from its fuel services, storage, port and other income in 2015 versus ₱ 709 million in 2014, a 54% increase compared to the same period last year. This due to higher turn-over of storage services , additional revenues from third party ship charter hires and higher revenues from port operations and tug-boat services for the year.

The Group also generated ₱ 457 million revenue from sale of land in the industrial park in 2015 compared to ₱ 75 million in 2014.

### ***Cost and expenses***

The Group recorded cost of sales and services of ₱ 25.269 billion, a decline of 19% from its 2014 level of ₱ 31.144 billion primarily due to the decline in the average prices of petroleum products globally. Though fuel sales volume grew by 27%, it was insufficient to mitigate the bigger decline in global prices of petroleum products. In 2015, the average decline of Gasoil (Diesel), MOGAS (Gasoline), Kerosene (JETA1) and Fuel Oil by 43% compared to the same period of 2014.

Selling and administrative expenses increased by 25% as a result of higher variable costs and by the effect on the increase in rentals, depreciation, salaries & wages as a result of the continuous expansion of the Group's business operations.

### ***Net Income***

The Group's net income for the year 2015 was ₱ 906 million versus ₱ 616 million for 2014 or an increase of 47%. This was driven by a 27% increase in fuel sales volume combined with material contributions from subsidiaries. The company's subsidiaries -Phoenix Petroterminal and Industrial Park Corp. (PPIPC) and Chelsea Shipping Corp. (CSC) contributed a combined net income of ₱ 319 million for 2015 . PPIPC contributed ₱ 190 million in income from park operations and sale of land from its industrial park in Calaca, Batangas, while CSC contributed Php 129 million from its time chartering and tug boat operations. In 2014, PPIPC and CSC contributed a net income of ₱39 million and ₱ 95 million respectively.

Net income to sales ratio (return on sales) improved to 3% in 2015 compared to 1.88% in 2014 due to a combination of a better fuel sales mix in favour of retail, higher efficiencies and savings particularly from fuel trading and supply management operations despite dropping fuel prices and strong income from the subsidiaries.

The Parent Company was 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 received 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 certifications 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 December 31, 2015 versus December 31, 2014)*

Total resources of the Group as of December 31, 2015 stood at ₱ 30.927 billion, higher by 24% compared to the ₱ 25.000 billion as of December 31, 2014. This is mainly due to increase in Property, Plant and Equipment from the continuous expansion of retail station, storage and including shipping assets. The increase in current assets, mainly Cash and the Accounts Receivable, also contributed to the total increase in assets.

Cash and cash equivalents increased by 194% from ₱ 556 million in December 31, 2014 to ₱ 1,632 million mainly due from the proceeds of the issuance of 20 million perpetual preferred shares.

Current Assets amounted to ₱ 17,039 billion as of December 31, 2015, compared ₱ 13.484 billion as of December 31, 2014. The increase in Cash and Trade and Other Receivables contributed to the increase in Current Assets.

Trade and other receivables increased by 37%, from ₱ 7.855 billion as of December 31, 2014 to ₱ 10.810 billion as of December 31, 2015, which were mainly due from receivables from various customers and suppliers. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories declined by 8.09% at ₱ 2.638 billion as of December 31, 2015 from ₱ 2.871 billion as of December 31, 2014. Inventory volume in December 31, 2015 is

higher compared to December 31, 2014. However, the average unit cost of the 2015 year-end inventory is lower by 46% compared to 2014 end year. The Company maintains an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients.

Due to related parties in December 31, 2015 and December 31, 2014 is ₱ 12.261 million and ₱ 10.373 million respectively. The increase of ₱ 1.887 million or 18% is due to charges made during the year.

Input taxes-net increased by 28% in December 31, 2015 is the result of accumulated input taxes on capital expenditures (for its expansion projects) and input taxes on operating expenses.

Other current assets are at ₱ 639 million and ₱ 1,032 million as of December 31, 2015 and December 31, 2014 respectively. The decrease 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, 2015, the Group's property and equipment, net of accumulated depreciation, increased to ₱ 12.843 billion compared to ₱ 10.716 billion as of December 31, 2014 due to investments in additional shipping vessels, depot capacity in existing and new sites. In the first quarter, the Group took delivery of a brand new marine tanker for domestic use. 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. The Company also has ongoing storage facility expansion.

Current and non-current Loans and Borrowings, , increased by 23% from ₱ 13.842 billion as of December 31, 2014 to ₱13.843 billion as of December 31, 2015. The increase of ₱ 3.141 billion was due to borrowings to finance capital expenditures and for working capital requirements.

Trade and other payables decreased by 4%, from ₱ 3.399 billion as of December 31, 2014 to ₱ 3.260 billion as of December 31, 2015. This is mainly due to lower prices of fuels inventory.

Total Stockholders' Equity increased to ₱ 10.023 billion as of December 31, 2015 from ₱ 7.050 billion as of December 31, 2014 as a result of the ₱2 billion preferred shares issue plus the period's net income, net of 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, 2015	December 31, 2014
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Current Ratio <sup>1</sup>	1.14 : 1	1.13 : 1
Debt to Equity-Total <sup>2</sup>	2.09 : 1	2.55 : 1
Return on Equity-Common <sup>3</sup>	12.66%	9.55%
Net Book Value Per Share <sup>4</sup>	5.27	4.58
Debt to Equity-Interest Bearing <sup>5</sup>	1.69 : 1	1.96 : 1
Earnings Per Share-Adjusted <sup>6</sup>	0.60	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*

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 2015 is lower at 2.09: 1 , interest bearing DE this year improved to 1.69 : 1, compared to 1.96 : 1 in 2014 due to issuance of preferred shares and the income generated in 2015.

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, 2015 compared to December 31, 2014 (Increase/decrease of 5% or more)**

193% increase in Cash and Cash Equivalents.

This is a mainly due to the proceeds of the perpetual preferred shares issued on December 18, 2015 plus the timing of general collections and disbursements during the period. Certain minimum levels of Cash are also maintained to support maturing obligations and for day-to-day operating expenses.

37.62% increase in Trade and other receivables

Primarily due to increase in advances to suppliers as a result of various shipments in

transit, final price computations and advances to suppliers relating to various construction projects.

8% decrease in inventory.

A result of lower average price per unit by 46% in December 31, 2015 compared to December 31, 2014 despite higher inventory volume in the former. .

18% increase in Due from Related Parties.

Various charges and billings during the period-net.

28% increase on Value Added Tax-net.

Increase in Input VAT as a result accumulated Input Taxes on capital expenditures.

38% increase in other current assets.

As a result of decreased prepayments e.g. rental, insurance, etc. the creditable withholding taxes.

20% increase in property, plant and equipment.

Due to shipping vessel acquisitions, retail network expansion, storage expansions and other capital expenditures.

16% decrease in intangible assets is due to amortization of Software and software development costs for IT upgrades and expansion projects.

25% Land held for future development.

As a result of additional land acquired for expansion in the industrial park of PPIPC.

6,953% increase in Investment in an associate and a joint venture.

Is mainly due to the investment of PPIPC into South Pacific Inc.

8% increase in Other non-current assets.

Mainly driven by increase in rental deposits for the additional leased land for retail stations.

38% Increase in Interest-bearing loans and borrowings-Short Term

Due to reclassification of the current portion of long-term debts plus availments of trust receipts to finance inventory.

100% decline on Due to related parties.

Settlement of various advances from prior years.

5% decline in Trade and other payables-long term.

As a result of settlement of the Advances from Locators.

30% increase in deferred tax liability.

As a result of increase in the deferred tax liability for tanker vessel appraisal increments.

13% reduction on non-current liability.

Due to reduction of retirement fund payable and the unearned rent decrease.

**Material changes to the Group's Income Statement as of December 31, 2015 compared to December 31, 2014 (Increase/decrease of 5% or more)**

16% decrease in Sales for petroleum products.

Principally due to 43% lower average selling prices in 2015 compared to 2014 net of 27% higher petroleum sales volume in 2015.

54% increase in Fuel service, Shipping, storage income and other revenue.

Higher turn-over on service volume specifically on storage volume of the new terminal, additional revenue from time charter and tugboat revenue.

19% decrease in cost of sales.

Primarily due to decrease in average prices of petroleum products net of a 27% percent increase in fuels sales volume in 2015 versus 2014.

25% increase in Operating Expenses.

As a result of higher variable operating expenses such as rentals, depreciation, salaries & wages as a result of the continuous expansion of the Group's business operations.

22% increase in Other Income (charges) (net).

Due to net effect of higher interest from bank term loans, and Trust receipts net of interest Income and other income realized during the year.

6559% increase in income tax

Due to the increase of income not covered by its BOI incentive such as land sale, port operations and income from transactions no longer covered (expired) by BOI incentives for both fuels and shipping operations.

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.

**C. Comparable discussion on Material Changes in Results of Operations for the Year 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 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, primarily 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 Php 13.843 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.

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are computed are listed below: ow they

	December 31, 2014	December 31, 2013
Current Ratio <sup>1</sup>	1.11 : 1	1.33 : 1
Debt to Equity-Total <sup>2</sup>	2.55 : 1	2.44 : 1
Return on Equity-Common <sup>3</sup>	9.96%	12.10%
Net Book Value Per Share <sup>4</sup>	4.23	4.54
Debt to Equity-Interest Bearing <sup>5</sup>	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted <sup>6</sup>	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.

### **III. EXTERNAL AUDIT FEES**

*(please refer to page 31 of the Information Statement - form 20-IS)*

### **IV. Market price of and Dividends on required by Part V of Annex C, as amended**

#### **(1) Market Information**

The Company's common shares were listed and traded at the Philippine Stock Exchange ("PSE") starting on July 11, 2007. The high and low sale prices of each period for years 2015 and 2016 are hereunder shown:

Year **2015**

<b>Period</b>	<b>Highest Close Price</b>	<b>Lowest Close Price</b>
First Quarter	4.40	3.09
Second Quarter	4.17	3.43
Third Quarter	3.50	3.95
Fourth Quarter	3.85	3.20

Year **2016**

<b>Period</b>	<b>Highest Close Price</b>	<b>Lowest Close Price</b>
First Quarter	4.43	3.40
Second Quarter	6.29	4.20
Third Quarter	6.46	5.80
Fourth Quarter	6.00	5.55

As of December 31, 2017, the market capitalization of the Company, based on the closing price of Php 5.64, was approximately Php 7,753,408,572.48.

As of February 20, 2017 the closing price of the Company's Common Shares is 7.10 per share.

***Preferred Shares***

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

The 3rd tranche preferred shares of the Company consisting of 20,000,000 preferred shares were registered on December 3, 2015 and listed with the Exchange on December 18, 2015. The 3rd tranche were issued under the following series:

Series 3A (PNX3A) is entitled to an Optional Redemption 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 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.

The high and low sale prices for each period of PN3A and PN3B shares for the year 2016 are hereunder shown:

### PN3 A

Period	Highest Close Price	Lowest Close Price
First Quarter	106.00	103.50
Second Quarter	108.00	103.50
Third Quarter	111.00	104.00
Fourth Quarter	110.00	104.00

### PN3 B

Period	Highest Close Price	Lowest Close Price
First Quarter	110.90	106.00
Second Quarter	115.00	106.10
Third Quarter	115.00	108.30
Fourth Quarter	122.00	110.00

### (2) Holders

#### Top 20 Stockholders of Common Shares As of January 31, 2017

#	NAME OF STOCKHOLDERS	OUTSTANDING & ISSUED SHARES
1	PHOENIX PETROLEUM HOLDINGS INC.	588,945,630
2	PCD NOMINEE CORPORATION (FILIPINO)	302,219,340
3	PCD NOMINEE CORPORATION - (NON-FILIPINO)	132,496,312
4	JOSELITO R. RAMOS	4,812,600
5	DENNIS A. UY	3,991,811
6	CAROLINE G. TAOJO	2,801,500
7	UDENCO CORPORATION	1,614,787
8	DENNIS A. UY &/OR CHERYLYN C. UY	1,098,060
9	UDENCO CORPORATION	1,614,787
10	DOMINGO T. UY	645,919
11	JOSE MANUEL ROQUE QUIMSON	354,939
12	EDGARDO ALVARADO ALERTA	318,505
13	ROMEO B. MOLANO	258,262
14	ZENAIDA CHAN UY	149,058
15	REBECCA PILAR CLARIDAD CATERIO	148,453

16	SOCORRO ERMAC CABREROS	103,316
17	ROSITA G. ARTOS	82,000
18	IGNACIA S. BRAGA IV	71,019
19	CHRYSS ALFONSUS V. DAMUY	70,980
20	ROMEO B. DE GUZMAN	70,980

### ***Preferred Shares***

The holders of the preferred shares (2nd tranche) of the Company as of 31 January 2017 2016 are as follows:

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL	NATIONALITY
PCD NOMINEE CORPORATION (FILIPINO)	5,000,000	0	5,000,000	100.000	FILIPINO
GRAND TOTAL	5,000,000	0	5,000,000	100.000	

While the holders of the 3rd tranche preferred shares as of 31 January 2017 are as follows:

COMPANY NAME : PHOENIX PETROLEUM PHILS., INC. - PRF3A

Page 1

#### LIST OF TOP ALL STOCKHOLDERS As Of December 31, 2016

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL	NATIONALITY
PCD NOMINEE CORPORATION (FILIPINO)	12,465,830	0	12,465,830	99.727	FILIPINO
PCD NOMINEE CORPORATION (NON-FILIPINO)	21,670	0	21,670	0.173	OTHERS
ANTONIO T. CHUA	9,500	0	9,500	0.076	FILIPINO
TEDDY A. GAERLAN	1,000	0	1,000	0.008	FILIPINO
IRIS VERONICA GO LIM	2,000	0	2,000	0.016	FILIPINO
GRAND TOTAL	12,500,000		12,500,000	100.000	

LIST OF TOP ALL STOCKHOLDERS  
As Of December 31, 2016

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL	NATIONALITY
PCD NOMINEE CORPORATION (FILIPINO)	7,469,290	0	7,469,290	99.591	FILIPINO
PCD NOMINEE CORPORATION (NON-FILIPINO)	18,100	0	18,100	0.241	OTHERS
ANTONIO T. CHUA	5,700	0	5,700	0.076	OTHERS
KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS. INC.	6,910	0	6,910	0.092	FILIPINO
GRAND TOTAL	7,500,000		7,500,000	100.000	

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.

### (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.

### ***History of Dividend Income Payment***

#### 1. Company

##### a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
March 18, 2016	Cash Dividend of P0.08 per share	April 05, 2016	April 29, 2016	P114,302,178.56
March 4, 2015	Cash Dividend of P0.05 per share	March 18, 2015	April 16, 2015	P71,438,861.60
January 29, 2014	Cash Dividend of P0.10 per share	March 17, 2014	April 11, 2014	P142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	P329,717,232.00
	Cash Dividend of P0.10 per	April 11, 2013	May 8, 2013	P103,605,941.60



February 08, 2012	share 50% Stock Dividend	March 28, 2012	April 26, 2012	P244,936,203.00
	Cash Dividend of P0.10 per share	March 23, 2012	April 23, 2012	P48,973,955.30

b. Cash Dividend on Preferred Shares

Since the issuance of the preferred shares of the Company on September 21, 2010 (the 1<sup>st</sup> 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 P2.875 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.

Date Declared	Dividend Rate	1 <sup>st</sup> Tranche Record Date	Payment Date	Total Amount
December 5, 2013	P2.875 per share	N/A	December 20, 2013	P14,375,000.00
September 5, 2013	P2.875 per share	N/A	September 21, 2013	P14,375,000.00
June 5, 2013	P2.875 per share	N/A	June 21, 2013	P14,375,000.00
Mar 5, 2013	P2.875 per share	N/A	March 21, 2013	P14,375,000.00
December 5, 2012	P2.875 per share	N/A	December 21, 2012	P14,375,000.00
September 5, 2012	P2.875 per share	N/A	September 21, 2012	P14,375,000.00
June 4, 2012	P2.875 per share	N/A	June 21, 2012	P14,375,000.00
March 05, 2012	P2.875 per share	N/A	March 21, 2012	P14,375,000.00
December 1, 2011	P2.875 per share	N/A	December 21, 2011	P14,375,000.00
August 12, 2011	P2.875 per share	N/A	September 21, 2011	P14,375,000.00
May 12, 2011	P2.875 per share	N/A	June 21, 2011	P14,375,000.00
March 11, 2011	P2.875 per share	N/A	March 21, 2011	P14,375,000.00
September 21, 2010	P2.875 per share	N/A	December 21, 2010	P14,375,000.00

On December 20, 2013, in order to redeem the 1<sup>st</sup> tranche of preferred shares, the Company issued the 2<sup>nd</sup> 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 P2.0625 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.

2 <sup>nd</sup> Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
November 10, 2015	P2.0625 per share	November 26, 2015	December 20, 2015	P10,312,500.00
August 10, 2015	P2.0625 per share	August 25, 2015	September 21, 2015	P10,312,500.00
May 12, 2015	P2.0625 per share	May 12, 2015	June 22, 2015	P10,312,500.00
February 6, 2015	P2.0625 per share	February 24, 2015	March 20, 2015	P10,312,500.00
N/A	P2.0625 per share	N/A	December 22, 2014	P10,312,500.00
N/A	P2.0625 per share	N/A	September 22, 2014	P10,312,500.00
N/A	P2.0625 per share	N/A	June 20, 2014	P10,312,500.00
N/A	P2.0625 per share	N/A	March 20, 2014	P10,312,500.00

**(4) Recent Sale of Unregistered Securities or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction**

The Company has not sold or transferred any securities that is not registered under the Code nor did it issue any additional securities in exchange for any properties, services and other securities.

**V. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON 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 replaces 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.

Last January 30, 2008, the Company through the Corporate Secretary has submitted a document certifying the attendance of the members of the Board of Directors in all

regular meetings for the year 2007 as well as the compliance to the provisions of the Manual of Corporate Governance prescribed by the SEC as adopted by the Company.

March 03, 2009 was the submission and compliance with the Certification of the Company's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

On 05 January 2017, the Company's Corporate Secretary and Asst. Vice President for Corporate Legal issued a certificate, certifying that in the year 2016, the company has substantially complied with the provisions of its Manual of Corporate Governance and that there are no changes in the Company's Manual of Corporate Governance (please refer to Annex D).

As part of the Corporate Governance, the Group works on the early disclosures of quarterly and annual reports tot 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 submitted for board review and actions.

The Company plans on constantly improving corporate governance. The Company recognizes that corporate governance is not just a set of rules but a way of life, not just for the directors and officers of the Company but for every single employee. The Company intends to continuously re-evaluate its existing policies, implement reforms, emulate and improve on the best existing corporate practices of industry leaders in order to improve the quality of life of every employee, maximize returns to shareholders, to improve its relationship with business partners, and strengthen and widen the reach of its corporate social responsibility programs.

**VI. AS PART OF THE CORPORATE GOVERNANCE, THE COMPANY WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE CORPORATE SECRETARY OF THE COMPANY AT THE ADDRESS LISTED ON THE COVER PAGE OF THIS INFORMATION STATEMENT, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, INCLUDING THE FINANCIAL STATEMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016. HOWEVER, UPON THE DISCRETION OF THE MANAGEMENT OF THE COMPANY, A CHARGE MAY BE MADE FOR EXHIBITS REQUESTED, WHICH CHARGE SHALL BE LIMITED TO REASONABLE EXPENSES THAT MAY BE INCURRED BY THE COMPANY IN FURNISHING SUCH EXHIBITS.**

**VII. ANNUAL AUDITED FINANCIAL STATEMENT FOR PERIOD ENDED DECEMBER 31, 2016**

(Please see attached **Annex "B-1"**)

## SEC Registration Number

	A	2	0	0	2	0	7	2	8	3
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**Company Name**

[illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

[illegible]

Form Type

A	A	F	S
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Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	/	A	
---	---	---	--

## COMPANY INFORMATION

**Company's Email Address**

\_\_\_\_\_

Company's Telephone Number/s

(082) 235-8888

Mobile Number

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No. of Stockholders

61

Annual Meeting  
Month/Day

Any day in March
------------------

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

MR. CHRYSS ALFONSUS V. DAMUY

Email Address

chryss.damuy@phoenixfuels.ph

Telephone Number/s

(082) 235-8888

Mobile Number

\_\_\_\_\_

Contact Person's Address

Stella Hizon Reyes Road, Bo. Pampanga, Davao City

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2. All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

## Report of Independent Auditors

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288  
F +63 2 886 5506  
grantthornton.com.ph

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

### Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. (Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

## **Basis for Opinion**

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

## **Key Audit Matters**

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

### ***(a) Impairment of Trade and Other Receivables***

#### *Description of the Matter*

Under the PFRS, the Group is required to assess its trade and other receivables for impairment. The allowance for impairment of trade and other receivables is considered to be a matter of significance as it requires the application of judgment and estimation. The Group recognized allowance for impairment on trade and other receivables based on the management's assessment.

As of December 31, 2016, the Group had trade and other receivables amounting to P8,789.0 million, which contributed to 33% of the Group's total assets.

The disclosures of the Group on the allowance for impairment of trade and the related credit risk are included in Notes 7 and 4.2 to the consolidated financial statements, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of trade and other receivables, included, but not restricted to:

- obtaining an understanding of the processes used by the Group's management to estimate the allowance for impairment of trade and other receivables;
- performing independent assessment on the aging of the trade and other receivables;
- checking the basis used in determining the main factors in computing the impairment loss on selected trade and other receivables accounts;
- testing the subsequent collections and/or movements of the long-outstanding receivables on selected trade and other receivable accounts; and,
- assessing the reasonableness of the Group's estimates on recoveries.

***(b) Revenue Recognition***

*Description of the Matter*

Revenue is recognized to the extent that the revenue can be reliably measured and that it is probable that the future economic benefits will flow to the Group. The Group focuses on revenue as a key performance measure, which could create an incentive for revenues particularly from sale of goods to be recognized before the risks and rewards have been transferred. The accounting policies for revenues are included in Note 2 to the consolidated financial statements. We identified the valuation, occurrence, completeness and cut-off of revenue recognition as key audit matters.

*How the Matter was Addressed in the Audit*

Our audit procedures included among others, the following:

- evaluating the appropriateness of the Group's revenue recognition policies;
- performing cut-off procedures to ensure that revenue was recognized in the correct period;
- performing substantive analytical procedures and tests of details on revenues; and,
- substantiating transactions with the underlying documentation, including sales invoices, contracts and third party correspondence.

***(c) Disposal of Investments in Subsidiaries***

*Description of the Matter*

On November 24, 2016, the Parent Company sold its 100% equity ownership interest in its subsidiaries, Chelsea Shipping Corp. (CSC) and Phoenix Petroterminals & Industrial Park Corp. (PPIPC) for cash consideration amounting to P3,000.0 million to related parties under common control. The transaction resulted in the derecognition of the net assets of CSC and PPIPC in the consolidated financial statements of the Group in 2016. In addition, since the disposal of the subsidiaries is under common control, the difference between the amount of consideration and the net assets of the subsidiaries disposed of is recognized as Other Reserves under equity. We, therefore, considered the accounting treatment of the disposal of the subsidiaries in the consolidated financial statements as a key audit matter due to its size and complexity.

The Group's disclosures of the deconsolidation of the subsidiaries and policies on business combination are included in Notes 1 and 2 to the consolidated financial statements, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures included among others, the following:

- reading the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- examining the cash consideration received and verifying the net assets disposed as of the disposal date; and,
- determining the appropriate treatment of the difference between the net assets and considerations received.



### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

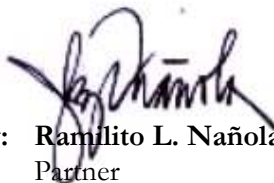
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the 2016 audit resulting in this independent auditors' report is Ramilito L. Nañola.

**PUNONGBAYAN & ARAULLO**



**By: Ramilito L. Nañola**  
Partner

CPA Reg. No. 0090741  
TIN 109-228-427  
PTR No. 5908629, January 3, 2017, Makati City  
SEC Group A Accreditation  
Partner – No. 0395-AR-3 (until May. 19, 2019)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 16, 2017

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	P 2,338,780,526	P 1,631,788,201
Trade and other receivables - net	7	8,789,006,059	10,810,058,968
Inventories	8	2,998,780,146	2,638,614,688
Land held for sale and land development costs	9	-	462,489,197
Due from related parties	27	1,506,997,926	12,260,843
Restricted deposits	10	50,925,404	70,972,207
Input value-added tax - net		731,735,790	774,235,845
Prepayments and other current assets	11	595,963,599	639,111,710
Total Current Assets		17,012,189,450	17,039,531,659
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	12	9,002,313,141	12,843,003,318
Intangible assets - net	13	275,037,490	72,384,461
Land held for future development	14	-	390,209,655
Investment in a joint venture	15	-	158,689,632
Goodwill - net	16	10,221,849	84,516,663
Deferred tax assets - net	26	46,191,775	-
Other non-current assets	17	192,084,216	338,272,674
Total Non-current Assets		9,525,848,471	13,887,076,403
<b>TOTAL ASSETS</b>		<b>P 26,538,037,921</b>	<b>P 30,926,608,062</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	18	P 11,262,858,843	P 11,740,698,156
Trade and other payables	19	3,332,936,059	3,260,472,746
Total Current Liabilities		14,595,794,902	15,001,170,902
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	18	1,921,565,000	5,243,300,684
Trade and other payables	19	-	317,810,700
Deferred tax liabilities - net	26	-	93,712,913
Other non-current liabilities	20	258,584,286	247,250,680
Total Non-current Liabilities		2,180,149,286	5,902,074,977
Total Liabilities		16,775,944,188	20,903,245,879
<b>EQUITY</b>			
Capital stock	28	1,123,097,449	1,453,777,232
Additional paid-in capital		5,320,816,182	5,320,816,182
Revaluation reserves		( 12,148,102 )	559,295,266
Other reserves		( 730,361,725 )	( 622,952,239 )
Retained earnings		4,060,689,929	3,312,425,742
Total Equity		9,762,093,733	10,023,362,183
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 26,538,037,921</b>	<b>P 30,926,608,062</b>

*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, 2016, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

	Notes	2016	2015	2014
<b>REVENUES</b>				
Sale of goods	27	P 29,471,907,077	P 28,620,971,473	P 34,025,744,606
Charter fees and other charges	2	624,704,375	562,523,731	392,681,626
Fuel service and other revenues	2	205,587,559	186,661,739	56,184,644
Rent and storage income	31	148,340,733	122,425,059	100,583,267
Port revenues	2	126,128,262	105,565,142	84,647,031
Sale of real estate	2	-	455,692,000	74,543,322
		<u>30,576,668,006</u>	<u>30,053,839,144</u>	<u>34,734,384,496</u>
<b>COST AND EXPENSES</b>				
Cost of sales and services	21	25,123,949,229	25,268,851,163	31,143,992,369
Selling and administrative expenses	22	3,339,789,045	2,724,906,711	2,177,337,743
		<u>28,463,738,274</u>	<u>27,993,757,874</u>	<u>33,321,330,112</u>
<b>OTHER CHARGES (INCOME)</b>				
Finance costs	23	1,019,277,024	968,682,307	804,137,896
Finance income	23	( 207,687,618 )	( 7,553,833 )	( 3,394,843 )
Equity share in net loss of a joint venture	15	50,068,966	16,310,368	-
Others		( 11,006,428 )	( 9,069,835 )	( 6,842,368 )
		<u>850,651,944</u>	<u>968,369,007</u>	<u>793,900,685</u>
<b>PROFIT BEFORE TAX</b>		1,262,277,788	1,091,712,263	619,153,699
<b>TAX EXPENSE</b>	26	169,802,891	185,843,550	2,790,727
<b>NET PROFIT</b>		<u>1,092,474,897</u>	<u>905,868,713</u>	<u>616,362,972</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit obligation	24	15,360,800	18,116,705	( 31,217,753 )
Revaluation of tankers	28	-	202,245,220	180,637,550
Tax expense	26	( 4,608,240 )	( 13,304,602 )	( 29,334,251 )
<b>Other Comprehensive Income - net of tax</b>		<u>10,752,560</u>	<u>207,057,323</u>	<u>120,085,546</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 1,103,227,457</u>	<u>P 1,112,926,036</u>	<u>P 736,448,518</u>
<b>Basic and Diluted Earnings per share</b>	29	<u>P 0.64</u>	<u>P 0.60</u>	<u>P 0.40</u>

*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, 2016, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

		Capital Stock											
		Preferred		Common									
		Treasury Stock -		Treasury Stock -									
		At Cost		At Cost									
Notes		Preferred Stock		Common Stock		Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity		
Balance at January 1, 2016		P 30,000,000	( P 5,000,000 )	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	( 622,952,239 )	P 3,312,425,742	P 10,023,362,183		
Deconsolidation of subsidiaries	1	-	-	-	-	-	-	( 557,352,943 )	( 107,409,486 )	( 65,599,296 )	( 730,361,725 )		
Acquisition of shares during the year	28	-	-	-	( 330,679,783 )	( 330,679,783 )	-	-	-	-	( 330,679,783 )		
Cash dividends	28	-	-	-	-	-	-	-	-	( 309,212,179 )	( 309,212,179 )		
Share-based compensation	24	-	-	-	-	-	-	-	-	5,757,780	5,757,780		
Total comprehensive income for the year		-	-	-	-	-	-	10,752,560	-	1,092,474,897	1,103,227,457		
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	( 24,842,985 )	-	24,842,985	-		
Balance at December 31, 2016		P 30,000,000	( P 5,000,000 )	P 1,428,777,232	( P 330,679,783 )	P 1,123,097,449	P 5,320,816,182	( P 12,148,102 )	( P 730,361,725 )	P 4,060,689,929	P 9,762,093,733		
Balance at January 1, 2015		P 10,000,000	( P 5,000,000 )	P 1,428,777,232	P -	P 1,433,777,232	P 3,367,916,774	P 372,138,419	( P 622,952,239 )	P 2,499,345,913	P 7,050,226,099		
Issuance of shares for the year	28	20,000,000	-	-	-	20,000,000	1,952,899,408	-	-	-	1,972,899,408		
Cash dividends	28	-	-	-	-	-	-	-	-	( 112,689,360 )	( 112,689,360 )		
Total comprehensive income for the year		-	-	-	-	-	-	207,057,323	-	905,868,713	1,112,926,036		
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	( 19,900,476 )	-	19,900,476	-		
Balance at December 31, 2015		P 30,000,000	( P 5,000,000 )	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	( P 622,952,239 )	P 3,312,425,742	P 10,023,362,183		
Balance at January 1, 2014		P 10,000,000	( P 5,000,000 )	P 1,428,777,232	P -	P 1,433,777,232	P 3,367,916,774	P 272,621,771	( P 622,952,239 )	P 2,046,541,766	P 6,497,905,304		
Cash dividends	28	-	-	-	-	-	-	-	-	( 184,127,723 )	( 184,127,723 )		
Total comprehensive income for the year		-	-	-	-	-	-	120,085,546	-	616,362,972	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 10,000,000	( P 5,000,000 )	P 1,428,777,232	P -	P 1,433,777,232	P 3,367,916,774	P 372,138,419	( P 622,952,239 )	P 2,499,345,913	P 7,050,226,099		

*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, 2016, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

	Notes	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,262,277,788	P 1,091,712,263	P 619,153,699
Adjustments for:				
Depreciation and amortization	22	1,002,088,441	821,733,247	660,281,915
Interest expense on bank loans and other borrowings	23	863,399,371	786,929,274	728,178,099
Unrealized foreign exchange currency loss (gain) - net		( 171,372,659 )	( 3,370,552 )	22,600,496
Impairment losses on trade and other receivables	23	112,986,854	79,208,744	40,077,464
Share in net loss of an indirectly-owned joint venture	15	50,068,966	16,310,368	-
Interest income	23	( 7,110,105 )	( 5,540,995 )	( 3,394,843 )
Employee share options	24	5,757,780	-	-
Loss on sale of investment in an associate		-	2,250,000	-
Loss on settlement of insurance claims	23	-	-	3,898,441
Operating profit before working capital changes		3,118,096,436	2,789,232,349	2,070,795,271
Decrease (increase) in trade and other receivables		528,697,133	( 3,030,720,014 )	( 552,746,672 )
Decrease (increase) in inventories		( 370,318,364 )	232,214,381	941,703,604
Increase in land held for sale and land development costs		22,667,290	23,496,614	17,686,663
Decrease (increase) in restricted deposits		20,046,803	( 565,464 )	25,012,903
Increase in input value-added tax		( 36,265,532 )	( 170,627,061 )	( 154,770,691 )
Decrease (increase) in prepayments and other current assets		( 637,592,575 )	393,229,544	( 566,185,587 )
Increase (decrease) in trade and other payables		( 288,096,189 )	( 334,848,958 )	2,161,394,674
Cash generated from (used in) operations		2,357,235,002	( 98,588,609 )	3,942,890,165
Cash paid for income taxes		( 4,508,301 )	( 712,198 )	( 610,696 )
Net Cash From (Used in) Operating Activities		2,352,726,701	( 99,300,807 )	3,942,279,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of subsidiaries	27	2,450,000,000	-	-
Acquisitions of property, plant and equipment	12	( 2,155,960,542 )	( 2,704,508,788 )	( 2,481,654,558 )
Advances to related parties	27	( 944,762,083 )	( 5,448,932 )	( 7,625,362 )
Acquisitions of intangible assets	13	( 203,908,603 )	( 27,672,355 )	( 82,433,776 )
Increase in land held for future development		( 151,281,172 )	( 77,592,159 )	( 14,675,215 )
Increase in other non-current assets		( 15,994,274 )	( 27,854,741 )	( 122,883,739 )
Interest received		3,777,233	3,402,894	2,750,097
Proceeds from disposal of property, plant and equipment		2,434,359	4,946,617	949,543
Collections from related parties	27	25,000	3,561,445	-
Additional investment in an indirectly-owned joint venture	15	-	( 107,250,000 )	-
Net Cash Used in Investing Activities		( 1,015,670,082 )	( 2,938,416,019 )	( 2,705,573,010 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of interest-bearing loans and borrowings		20,684,209,975	( 36,164,656,734 )	( 35,776,065,093 )
Proceeds from additional interest-bearing loans and borrowings		( 19,886,544,848 )	39,306,012,177	35,866,969,673
Interest paid		( 801,737,593 )	( 848,790,538 )	( 798,899,617 )
Acquisition of treasury shares		( 330,679,783 )	-	-
Payments of cash dividends	28	( 309,212,179 )	( 112,689,360 )	( 184,127,723 )
Increase (decrease) in other non-current liabilities		13,900,134	( 21,573,921 )	( 99,338,981 )
Proceeds from issuance of shares of stock	28	-	1,972,899,408	-
Repayments to related parties	27	-	( 17,204,725 )	( 46,956,518 )
Net Cash From (Used in) Financing Activities		( 630,064,294 )	4,113,996,307	( 1,038,418,259 )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>706,992,325</b>	<b>1,076,279,481</b>	<b>198,288,200</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,631,788,201</b>	<b>555,508,720</b>	<b>357,220,520</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 2,338,780,526</b>	<b>P 1,631,788,201</b>	<b>P 555,508,720</b>

**Supplemental Information on Non-cash Investing and Financing Activities:**

- 1) Certain hauling and heavy equipment with carrying amount of P3.1 million and P12.4 million as of December 31, 2016 and 2015, respectively, are accounted for under finance leases (see Notes 12.4 and 18.5).
- 2) The Group's tankers were revalued by an independent appraiser in each year from 2009. Revaluation reserves amounted to nil and P582.4 million as of December 31, 2016 and 2015, respectively (see Notes 12.1 and 28.5). The Group did not take up any revaluation in 2016 due to the deconsolidation.
- 3) Interest payments amounting to P61.7 million, P61.9 million and P70.7 million in 2016, 2015 and 2014, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 12.2 and 18.8).
- 4) In 2015, the Group reclassified certain amount from construction-in-progress under Property, Plant and Equipment to Drydocking cost under Other Non-Current Assets in the consolidated statements of financial position (see Notes 12 and 17).
- 5) In 2015 and 2014, the Group has formalized a joint venture agreement with certain entity. Total investment in a joint venture in 2015 amounted to P175.0 million, P67.8 million of which was advanced in 2014 and is previously recorded as part of Other Non-Current Assets in the 2014 consolidated statement of financial position (see Notes 15 and 17).
- 6) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Phoenix Petroterminals and Industrial Park, Inc. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.4). The outstanding receivable from the sale of subsidiaries amounted to P550.0 million, and is presented as part of the Due from Related Parties in 2016 consolidated statement of financial position (see Note 27.4). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.4 and 2.14).

*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, 2016, 2015 AND 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 42.85% 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 and was registered with the Philippine Securities and Exchange Commission (SEC) on May 31, 2006. PPHI's primary purpose is to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises. PPHI's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The ultimate parent is Udenna Corporation, 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 505 operating retail service stations, and a total of 15 service stations under construction as of December 31, 2016.



## 1.2 Subsidiaries, Associate, Joint Venture and their Operations

As of December 31, 2016 the Company holds ownership interests in the following entities, which are all incorporated in the Philippines:

Subsidiaries/ Associate	Explanatory Notes	Percentage of Ownership	
		2016	2015
P-F-L Petroleum Management, Inc. (PPMI)	(a)	100.00%	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	100.00%	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	100.00%	100.00%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	(d)	-	100.00%
Chelsea Shipping Corp. (CSC)	(e)	-	100.00%
Bunkers Manila, Inc. (BMI) *	(f)	-	100.00%
Michael Inc. (MI)*	(g)	-	100.00%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	(h)	-	100.00%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)*	(i)	-	100.00%
Fortis Tugs Corporation (FTC)*	(j)	-	100.00%
Norse/Phil Marine Services Corp. (NPMSC)**	(k)	-	-
South Pacific, Inc. (SPI)***	(l)	-	50.00%

\*Wholly-owned subsidiaries of CSC

\*\*Associate of CSC

\*\*\*Joint venture of PPIPC

All the subsidiaries, associate and joint venture were organized and incorporated in the Philippines.

- (a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.
- (b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI temporarily ceased its operation in 2008 and has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester.
- (c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.
- (d) Incorporated on March 7, 1996 and is engaged in real estate development and is also registered with the Housing and Land Use Regulatory Board under Executive Order No. 648 and was granted to sell parcels of land on PPIPC's project, the Phoenix Petroleum Industrial Park (the Park).

- (e) 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.
- (f) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies. BMI is a subsidiary of CSC, which was sold to Chelsea Logistics Corp. (CLC) on November 24, 2016.
- (g) Incorporated on December 26, 1957 and 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. On May 6, 2008, the SEC approved the extension of the Company's corporate life of another 50 years. MI is a subsidiary of CSC, which was sold to CLC on November 24, 2016.
- (h) 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. PNX-Chelsea is a subsidiary of CSC, which was sold to CLC on November 24, 2016.
- (i) Incorporated on March 30, 2012 and is engaged in 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. CSMMSC is a subsidiary of CSC, which was sold to CLC last November 24, 2016.
- (j) Incorporated on April 8, 2013 and 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 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. FTC is a subsidiary of CSC, which was sold to CLC on November 24, 2016.
- (k) Incorporated on January 30, 2013 and is engaged 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. In 2015, CSC disposed all of its ownership interest in the associate.
- (l) Incorporated on March 27, 2014 and is engaged in bulk or wholesale supply and distribution of liquefied petroleum gas and other petroleum products, which also includes importation, storage, and wholesale, refilling thereof and to operate and maintain storage terminals, equipment and transport facilities to be used therein. SPI is an associate of PPIPC, which was sold to Udena Development (Udevco) Corporation (UDEVCO) on November 24, 2016.

### ***1.3 Other Corporate Information***

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

SPTT	–	Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales.
CSMMSC and FTC	–	26/F, Fort Legend Towers, 3rd Ave. corner 31st Street, Bonifacio Global City, Taguig City
NPMSC	–	2/F Harbor Centre II Bldg., Railroad and Delgado Sts., South Harbor, Port Area, Manila
SPI	–	Putting Bato West, Calaca, Batangas

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 26<sup>th</sup> Floor, The Fort Legend Tower, 3<sup>rd</sup> Avenue corner 31<sup>st</sup> Street, The Fort Global City, Taguig City.

PPIPC's The registered office address of the Company is at 26th Floor, The Fort Legend Tower, 3rd Avenue Corner 31st Street, The Fort Global City, Taguig City and its principal place of business is located at Km. 117, National Highway, Calaca, Batangas.

#### ***1.4 Disposal of Investment of Shares of CSC and PPIPC***

On November 24, 2016, the Parent Company sold its entire investments in CSC to CLC for P2,000.0 million, and in PPIPC to UDEVCO for P1,000.0 million. CLC and UDEVCO are related parties under common ownership. Business combinations and disposals that are under common ownership are accounted for under the pooling-of-interest method (see Note 2.14). The account balances of CSC and PPIPC were deconsolidated in the 2016 consolidated financial statements. The difference between the considerations received and net asset values as of disposal date of CSC and PPIPC amounting to P730.4 million was recognized and presented as Other Reserves in the 2016 consolidated statement of financial position (see Note 27.11).

#### ***1.5 Approval of Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2016 (including the comparative consolidated financial statements as of and for the years ended December 31, 2015 and 2014) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 16, 2017.

## **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 (IASB), and approved by the Philippine Board of Accountancy.

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

(b) *Presentation of Consolidated Financial Statements*

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the 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 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amendments and improvements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements—Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the consolidated financial statements. Accordingly, they clarify 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 amendments clarify that an entity's share in 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. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the consolidated financial statements.
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets—Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify 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. In addition, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide 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.
- (iii) PAS 27 (Amendments), *Separate Financial Statements—Equity Method in Separate Financial Statements*. These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*.
- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures—Investment Entities—Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit 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) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:
- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify 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.
  - PAS 34 (Amendments), *Interim Financial Reporting - Disclosure of information “elsewhere in the interim financial report”*. The amendments clarify the meaning of disclosure of information “elsewhere in the interim consolidated financial report” and require the inclusion of a cross-reference from the interim consolidated financial statements to the location of this referenced information. The amendments also specify that this information must be available to users of the interim consolidated financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.
  - PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*. The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.
  - PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide 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.
  - PFRS 7 (Amendments), *Applicability of the amendments to PFRS 7 to condensed interim financial statements*. These amendments clarify that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed consolidated interim financial statements that are prepared in accordance with PAS 34 when its inclusion would be necessary in order to meet the general principles of PAS 34.

(b) *Effective in 2016 that are not Relevant to the Company*

The following new PFRS and amendment to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PFRS 11 (Amendments)	: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	: Regulatory Deferral Accounts
PAS 16 and 41 (Amendments)	: Property, Plant and Equipment, and Agriculture – Bearer Plants

(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. 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 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.
- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

- (iii) PFRS 2 (Amendments), *Share-based Payments – Classification and Measurement of Share-based Payment Transactions*. The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management is currently assessing the impact in the consolidated financial statements of the Group.
- (iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will 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.



Management is currently assessing the impact of PFRS 9 (2014) 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.

- (v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right of use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require 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 amendments have 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.

### **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, an associate and a joint venture as follows:

#### *(a) Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when 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 to the former owners of the acquiree, 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 2.14).

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 2.14 and 2.25).

If the Parent Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received and reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities. The difference between the consideration received and the net asset of the subsidiary disposed is recognized as Other Reserves as part of the equity (see Notes 2.14 and 2.25).

*(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 an 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 2.18).

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.

(c) *Investment in a Joint Venture*

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

The investment in a joint venture is subject to impairment testing (see Note 2.18). The management has assessed that no impairment loss is required to be recognized for its investment in a joint venture in 2015 and 2014.

The Parent Company holds interests in various subsidiaries, in an associate and a joint venture as presented in Notes 1.2 and 15.

## **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: 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 (excluding certain advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits (presented under Current Assets and as part of Other Non-Current Assets in the consolidated statement of financial position), 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 comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the statement of 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 (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## ***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 includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## ***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 2.20).

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 Group 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, estimated development costs 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, Plant and Equipment***

Land is stated at cost less any impairment in value. Tankers are measured at revalued amount less accumulated depreciation. All other property, plant 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 2.11).

Following initial recognition at cost, 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 or more frequently if market factors indicate a material change in fair value (see Note 5.5).

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

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

Tankers	30 years
Buildings, depot and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Vessel equipment	5 years
Gasoline station equipment	1-5 years
Hauling and heavy 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 2.16) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) 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 2.18).

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

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

## ***2.10 Intangible Assets***

Intangible assets include acquired computer software licenses and basketball franchise, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.18.

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

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

- (i) technical feasibility of completing the prospective product for internal use or sale;
- (ii) the intangible asset will generate probable economic benefits through internal use or sale;
- (iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,
- (iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

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

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

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

## ***2.11 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 Assets 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 2.18).

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.

## ***2.12 Financial Liabilities***

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), 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 2.20). 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.

Trade and other payables (excluding tax-related payables) 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 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.

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 2.16 and 31.5).

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 12 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.

### ***2.13 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.

### ***2.14 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 2.18).

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

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

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

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

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

Under the pooling-of-interest method which is applicable for the acquisition and disposal of an entity under common control, 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 (see Note 2.25).

### ***2.15 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 future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the specific recognition criteria presented below and in the next page 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 and other charges* – 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. In addition, this includes revenue arising from port and cargo handling services.

- (d) *Sale of real estate* – Revenue on sale of real estate is recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership of the land have passed to the buyer and the amount of revenue can be measured reliably. Revenue is also recognized when a downpayment of at least 25.00% has been collected.
- (e) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.16).
- (f) *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 2.20).

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 in the consolidated statement of comprehensive income with a corresponding credit to Liability for Land Development 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.

## **2.16 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 the 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 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.

***2.17 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.

***2.18 Impairment of Non-financial Assets***

The Group's property, plant and equipment, intangible assets, investment in joint venture, 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 and franchise that are tested for impairment at least annually.

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

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

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

Except for goodwill, 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 2.14), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

## **2.19 Employee Benefits**

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

### *(a) Post-employment Defined Benefit Plan*

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & 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 in the consolidated statement of comprehensive income.

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

### *(b) Post-employment Defined Contribution Plans*

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

*(c) Termination Benefits*

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

*(d) Profit-sharing and Bonus Plans*

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

*(e) Compensated Absences*

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

**2.20 Borrowing Costs**

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

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

**2.21 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 carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities 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.

## ***2.22 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.



### ***2.23 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

### ***2.24 Segment Reporting***

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 30, 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.

### ***2.25 Equity***

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

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

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 in 2016 pertain to the difference between the Parent Company's consideration received and the disposed net assets of CSC and PPIPC (see Note 1.4). Other reserves in 2015 and 2014 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 2.14).

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.

### ***2.26 Earnings per Share***

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

### ***2.27 Share-based Payments***

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

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

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

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

### ***2.28 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) Distinction between 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 acquired and 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 2.13 and disclosures on relevant contingencies are presented in Note 31.

##### *(c) Determination of Qualifying Assets on Borrowing Costs*

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its 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 2.15). Otherwise, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

(e) *Distinction between Land Held for Sale and Land Development Costs and Land Held for Future Development*

The Group determines whether a property will be classified as land held for sale and land development costs (real estate inventories) or land held for future development. In making this judgement, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) or whether it will be retained as part of the Group's strategic activities for development or sale in the medium or long-term (land held for future development).

**3.2 Key Sources of Estimation Uncertainty**

Presented below 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 and the related party, 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 Group 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 27.4. The Group has determined that no impairment loss on Due from Related Parties should be recognized in 2016, 2015 and 2014.

(b) *Determination of Net Realizable Value of Inventories*

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

(c) *Determination of 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) *Estimation of Useful Lives of Property, Plant and Equipment, Intangible Assets and Drydocking Costs*

The Group estimates the useful lives of property, plant and equipment, intangible assets and drydocking costs based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and 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, plant and equipment, intangible assets and drydocking costs are analyzed in Notes 12, 13 and 17, respectively. Based on management's assessment as of December 31, 2016 and 2015, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets 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, Plant 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 5.5.

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) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2016 and 2015 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2016 and 2015 is disclosed in Note 26.

(g) *Estimation of 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 land development is presented as liability for land development under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

(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 24 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 24.3.

(i) *Estimation of 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. 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 calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2016, 2015 and 2014.

(k) *Fair Value Measurements of Business Combinations*

On initial recognition in a business combination using the purchase method of accounting, 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 below and in the succeeding pages.

##### 4.1 Market Risk

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

##### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US\$). The liability covering the fuel importation is covered by letter of credits (LCs) 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 18). 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:

	<u>2016</u>	<u>2015</u>
Financial assets	<b>P5,678,959,607</b>	P 6,319,275,779
Financial liabilities	<b>( 350,848,259)</b>	( 1,662,588,911)
Net exposure	<b><u>P5,328,111,348</u></b>	<b><u>P 4,656,686,868</u></b>

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 99.00% confidence level.

	<u>2016</u>	<u>2015</u>
Reasonably possible change in rate	<b>12.93%</b>	10.42%
Effect in profit before tax	<b>P 688,924,797</b>	P 485,226,772
Effect in equity after tax	<b>482,247,358</b>	339,658,740

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, 2016 and 2015, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 18). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.54% and +/-0.49% in 2016 and 2015, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.32% and +/-0.36% for Philippine peso and +/-0.25% and +/-0.36% for U.S. dollar in 2016 and 2015, 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 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P45.0 million and +/-P48.1 million for the year ended December 31, 2016 and 2015, respectively, and equity after tax by +/-P31.5 million and +/-P33.7 million for the year ended December 31, 2016 and 2015, 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 follows.

	Notes	2016	2015
Cash and cash equivalents	6	<b>P 2,338,780,526</b>	P 1,631,788,201
Trade and other receivables – net*	7	<b>8,039,947,280</b>	9,848,695,600
Due from related parties	27.4	<b>1,506,997,926</b>	12,260,843
Restricted deposits	10, 17	<b>50,925,404</b>	72,249,055
Refundable rental deposits	17	<b>140,817,250</b>	138,171,724
		<b><u>P12,077,468,386</u></b>	<b><u>P11,703,165,423</u></b>

*\*excluding certain advances to suppliers 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 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 and due from related parties, 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 Risk Management Unit (formerly 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 presented below.

	<u>2016</u>	<u>2015</u>
Not more than one month	<b>P 2,337,949,143</b>	P 630,404,266
More than one month but not more than two months	<b>57,804,099</b>	432,148,035
More than two months but not more than six months	<b>83,468,815</b>	1,110,052,164
More than six months but not more than one year	<b>902,428,898</b>	4,867,632,165
More than one year	<b><u>5,249,731,017</u></b>	<u>571,431,230</u>
	<b><u>P 8,631,381,972</u></b>	<b><u>P 7,611,667,860</u></b>

In respect of due from a related party, 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, 2016, 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 10,386,388,575	P 2,826,900,125	P 2,528,962,920
Trade and other payables (excluding tax-related payables)	3,152,398,546	-	-
Security deposits	-	-	219,790,571
	<b><u>P 13,538,787,121</u></b>	<b><u>P 2,826,900,125</u></b>	<b><u>P 2,748,753,491</u></b>

This compares to the maturity of the Group's financial liabilities as of December 31, 2015 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 10,389,197,730	P 1,554,544,941	P 5,644,237,716
Trade and other payables (excluding tax-related payables)	2,046,364,032	1,134,057,399	459,904,057
Security deposits	-	-	188,023,313
	<b><u>P 12,435,561,762</u></b>	<b><u>P 2,688,602,340</u></b>	<b><u>P 6,292,165,086</u></b>

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, FAIR VALUE MEASUREMENTS AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 5.1 Carrying Amounts and Fair Values by Category

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

		2016		2015	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	6	P 2,338,780,526	P 2,338,780,526	P 1,631,788,201	P 1,631,788,201
Trade and other receivables-net*	7	8,039,947,280	8,039,947,280	9,848,695,600	9,848,695,600
Due from related parties	27.4	1,506,997,926	1,506,997,926	12,260,843	12,260,843
Restricted deposits	10, 17	50,925,404	50,925,404	72,249,055	72,249,055
Refundable rental deposits	17	<u>140,817,250</u>	<u>140,817,250</u>	<u>138,171,724</u>	<u>138,171,724</u>
		<u>P 12,077,468,386</u>	<u>P 12,077,468,386</u>	<u>P 11,703,165,423</u>	<u>P 11,703,165,423</u>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	P 13,184,423,843	P 13,184,423,843	P 16,983,998,840	P 16,983,998,840
Trade and other payables**	19	3,152,398,546	3,152,398,546	3,479,709,969	3,479,709,969
Security deposits	20	<u>219,790,571</u>	<u>219,790,571</u>	<u>188,023,313</u>	<u>188,023,313</u>
		<u>P 16,556,612,960</u>	<u>P 16,556,612,960</u>	<u>P 20,651,732,122</u>	<u>P 20,651,732,122</u>

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

\*\* Excludes tax-related payables

See Notes 2.4 and 2.12 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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

## ***5.3 Financial Instruments Measurement at Fair Value***

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2016 and 2015.

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

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

		2016			
	Notes	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
<i>Loans and receivables:</i>					
Cash and cash equivalents	6	P2,338,780,526	P -	P -	P 2,338,780,526
Trade and other receivables - net	7	-	-	8,039,947,280	8,039,947,280
Due from related parties	27.4	-	-	1,506,997,926	1,506,997,926
Restricted deposits	10, 17	50,925,404	-	-	50,925,404
Refundable rental deposits	17	-	-	140,817,250	140,817,250
		<b><u>P2,389,705,930</u></b>	<b><u>P -</u></b>	<b><u>P 9,687,762,456</u></b>	<b><u>P 12,077,468,386</u></b>
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost:</i>					
Interest-bearing loans and borrowings	18	P -	P -	P 13,184,423,843	P 13,184,423,843
Trade and other payables	19	-	-	3,152,398,546	3,152,398,546
Security deposits	20	-	-	219,790,571	219,790,571
		<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P16,556,612,960</u></b>	<b><u>P 16,556,612,960</u></b>
		2015			
	Notes	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
<i>Loans and receivables:</i>					
Cash and cash equivalents	6	P1,631,788,201	P -	P -	P 1,631,788,201
Trade and other receivables - net	7	-	-	9,848,695,600	9,848,695,600
Due from related parties	27.4	-	-	12,260,843	12,260,843
Restricted deposits	10, 17	72,249,055	-	-	72,249,055
Refundable rental deposits	17	-	-	138,171,724	138,171,724
		<b><u>P1,704,037,256</u></b>	<b><u>P -</u></b>	<b><u>P 9,999,128,167</u></b>	<b><u>P 11,703,165,423</u></b>
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost:</i>					
Interest-bearing loans and borrowings	18	P -	P -	P 16,983,998,840	P16,983,998,840
Trade and other payables	19	-	-	3,479,709,969	3,479,709,969
Security deposits	20	-	-	188,023,313	188,023,313
		<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 20,651,732,122</u></b>	<b><u>P20,651,732,122</u></b>

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

## 5.5 Fair Value 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, plant and equipment account in the 2015 consolidated statement of financial position, 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 12.1.

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 2015.

## 5.6 Offsetting of Financial Assets and Financial Liabilities

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

December 31, 2016						
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 8,098,928,922 (P 58,981,642)	P 8,039,947,280	P -	(P 219,790,571)	P 7,820,156,709	
Restricted deposits	50,925,404 -	50,925,404	( 50,925,404)	-	-	
<b>Total</b>	<b>P 8,149,854,326 (P 58,981,642)</b>	<b>P 8,090,872,684</b>	<b>(P 50,925,404)</b>	<b>(P 219,790,571)</b>	<b>P 7,820,156,709</b>	

December 31, 2015						
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 9,947,012,925 (P 98,317,325)	P 9,848,695,600	(P 33,140,506)	-	P 9,815,555,094	
Restricted deposits	72,249,055 -	72,249,055	(72,249,055)	-	-	
Total	<u>P 10,019,261,980 (P 98,317,325)</u>	<u>P 9,920,944,655</u>	<u>(P 105,389,561)</u>	<u>P -</u>	<u>P 9,815,555,094</u>	

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, 2016						
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 13,184,423,843 P -	P 13,184,423,843	(P 50,925,404)	P -	P 13,133,498,439	
Trade and other payables	3,182,159,260 ( 29,760,714)	3,152,398,546	-	-	3,152,398,546	
Security deposits	219,790,571 -	219,790,571	-	( 219,790,571)	-	
Total	<u>P 16,586,373,674 (P 29,760,714)</u>	<u>P 16,556,612,960</u>	<u>(P 50,925,404)</u>	<u>(P 219,790,571)</u>	<u>P 16,285,896,985</u>	

December 31, 2015						
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 16,983,998,840 P -	P 16,983,998,840	(P 105,389,561)	P -	P 16,878,609,279	
Trade and other payables	3,535,561,941 ( 55,851,972)	3,479,709,969	-	-	3,479,709,969	
Security deposits	230,488,666 ( 42,465,353)	188,023,313	-	-	188,023,313	
Total	<u>P 20,750,049,447 (P 98,317,325)</u>	<u>P 20,651,732,122</u>	<u>(P 105,389,561)</u>	<u>P -</u>	<u>P 20,546,342,561</u>	

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



## 6. CASH AND CASH EQUIVALENTS

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

	<u>2016</u>	<u>2015</u>
Cash in banks	<b>P 2,330,247,063</b>	P 880,016,290
Cash on hand	<b>8,458,713</b>	7,169,773
Revolving fund	<b>74,750</b>	2,603,198
Short-term placements	<u>-</u>	<u>741,998,940</u>
	<b><u>P 2,338,780,526</u></b>	<b><u>P 1,631,788,201</u></b>

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.25% to 0.80% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.90% per annum in all years presented. Interest income earned amounted to P3.9 million, P2.8 million and P2.5 million in 2016, 2015 and 2014, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2016 and 2015 exclude restricted time deposits totalling to P50.9 million and P72.2 million, respectively, which are shown as Restricted Deposits account (see Note 10) and restricted time deposits under Other Non-current Assets (see Note 17) 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 18) and certain government compliance requirement (see Note 17).

## 7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Trade receivables:			
Third parties		<b>P 2,513,174,190</b>	P 3,449,380,953
Related parties	27.1	<b><u>157,624,601</u></b>	<u>25,076,202</u>
		<b><u>2,670,798,791</u></b>	<u>3,474,457,155</u>
Advances to suppliers:			
Third parties		<b>5,571,866,972</b>	6,609,137,118
Related parties	27.2	<b><u>438,294,800</u></b>	<u>388,294,800</u>
		<b><u>6,010,161,772</u></b>	<u>6,997,431,918</u>
Installment contract receivable – net of unamortized discount	27.7	<u>-</u>	<u>330,808,244</u>
Non-trade receivables	27.8	<b><u>414,220,967</u></b>	<u>283,867,284</u>
Advances subject to liquidation		<b><u>29,633,211</u></b>	<u>11,831,212</u>
<i>(Amount carried forward)</i>		<b><u>P 9,124,814,741</u></b>	<b><u>P 11,098,395,813</u></b>

	<u>2016</u>	<u>2015</u>
<i>(Amount brought forward)</i>	<b><u>P 9,124,814,741</u></b>	<b><u>P11,098,395,813</u></b>
Other receivables	<b><u>3,240,165</u></b>	<b><u>70,151,182</u></b>
	<b><u>9,128,054,906</u></b>	<b><u>11,168,546,995</u></b>
Allowance for impairment	<b><u>( 339,048,847)</u></b>	<b><u>( 358,488,027)</u></b>
	<b><u>P 8,789,006,059</u></b>	<b><u>P10,810,058,968</u></b>

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

Installment contract receivable as of December 31, 2015 represents the Group's outstanding receivable for the sale of parcels of land to third party customers. The fair value on initial recognition of the installment contract receivable was determined by calculating the present value of the estimated future cash flows expected until maturity using the market interest rate of comparable financial instrument at the commencement of the sale. The computed day-one loss amounting to P10.2 million in 2015 is presented as part of Finance Costs (see Note 23.1) in the 2015 consolidated statement of comprehensive income. Meanwhile, amortization of installment contract receivable using effective interest method amounting P2.0 million in 2015 is presented as part of Finance Income in the 2015 consolidated statement of comprehensive income (see Note 23.2). Non-trade receivables mostly pertain to receivable from locators and accrued rent.

Certain trade receivables amounting to nil and P35.5 million as of December 31, 2016 and 2015, respectively, were used as collateral to secure the payment of the certain interest-bearing loans and borrowings [see Note 18.2(d)(i)(k)].

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, 2016 and 2015.

Impairment losses amounted to P113.0 million, P79.2 million and P40.1 million in 2016, 2015 and 2014, respectively, are presented as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.1). In 2015, certain other receivables amounting to P4.8 million was directly written-off (see Note 23.1). Recovery of bad debts in 2016 and 2015 are presented as part of Others under Other Income (Charges) in the 2016 and 2015 consolidated statement of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year		<b><u>P 358,488,027</u></b>	<b><u>P 284,391,298</u></b>
Disposals due to deconsolidation		<b><u>( 114,681,817)</u></b>	<b><u>-</u></b>
Impairment loss for the year	23.1	<b><u>112,986,854</u></b>	<b><u>74,413,265</u></b>
Written-off during the year		<b><u>( 17,669,476)</u></b>	<b><u>-</u></b>
Recovery of bad debts		<b><u>( 74,741)</u></b>	<b><u>( 316,536)</u></b>
Balance at end of year		<b><u>P 339,048,847</u></b>	<b><u>P 358,488,027</u></b>

## 8. INVENTORIES

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

	<u>2016</u>	<u>2015</u>
Fuels	<b>P2,662,777,903</b>	P2,402,143,869
Lubricants	<b>335,929,379</b>	236,404,494
Others	<b><u>72,864</u></b>	<u>66,325</u>
	<b><u>P 2,998,780,146</u></b>	<b><u>P 2,638,614,688</u></b>

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P2,223.9 million and P2,378.4 million as of December 31, 2016 and 2015, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 18.1).

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 21.1.

## 9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs pertains to cost in acquiring the parcels of land held for sale and expenditures for the development and improvement of certain parcels of land held for sale in Phases 1, 2 and 3 of the Park. This account is included in the assets of PPIPC that was deconsolidated in 2016.

## 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 18.1) amounting to P50.9 million and P71.0 million as of December 31, 2016 and 2015, respectively. As such, these are restricted as to withdrawals. The proceeds from availing of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 0.88% per annum for December 31, 2016 and 2015. Interest income earned from restricted deposits amounted to P0.7 million, P0.6 million, P0.3 million in 2016, 2015 and 2014, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

## 11. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2016 is shown below:

	<u>2016</u>	<u>2015</u>
Creditable withholding tax	<b>P 245,287,284</b>	P 349,885,803
Prepayments	<b>225,823,002</b>	195,356,449
Supplies	<b>124,853,313</b>	89,106,338
Others	<b><u>-</u></b>	<u>4,763,120</u>
	<b><u>P 595,963,599</u></b>	<b><u>P 639,111,710</u></b>

## 12. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2016 and 2015 are shown below.

	<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Tankers</u>	<u>Vessel Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2016											
Cost	P 4,634,286,358	P 294,381,659	P3,115,535,438	P 105,444,580	P 652,099,361	P 38,154,152	P 1,017,924,787	P 201,392,425	P 1,696,586,766	P 1,081,354,000	P 12,837,159,526
Accumulated depreciation and amortization	( 1,135,333,357)	( 89,335,859)	( 857,037,528)	( 84,301,661)	( 411,366,616)	( 38,154,152)	( 1,017,924,787)	( 201,392,425)	-	-	( 3,834,846,385)
Net carrying amount	<u>P 3,498,953,001</u>	<u>P 205,045,800</u>	<u>P2,258,497,910</u>	<u>P 21,142,919</u>	<u>P 240,732,745</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,696,586,766</u>	<u>P 1,081,354,000</u>	<u>P 9,002,313,141</u>
December 31, 2015											
Cost or valuation	P 4,163,838,819	P 148,718,098	P2,379,895,263	P 92,824,177	P 599,610,911	P 46,944,514	P 5,085,134,597	P 335,436,389	P 1,138,498,896	P 1,727,856,115	P 15,718,757,779
Accumulated depreciation and amortization	( 945,023,733)	( 55,127,432)	( 575,008,715)	( 74,896,989)	( 348,317,991)	( 33,254,229)	( 715,593,100)	( 128,532,272)	-	-	( 2,875,754,461)
Net carrying amount	<u>P 3,218,815,086</u>	<u>P 93,590,666</u>	<u>P1,804,886,548</u>	<u>P 17,927,188</u>	<u>P 251,292,920</u>	<u>P 13,690,285</u>	<u>P 4,369,541,497</u>	<u>P 206,904,117</u>	<u>P 1,138,498,896</u>	<u>P 1,727,856,115</u>	<u>P 12,843,003,318</u>
January 1, 2015											
Cost or valuation	P 3,824,032,006	P 97,172,129	P1,955,845,393	P 84,756,860	P 579,287,791	P 75,086,949	P 4,440,508,081	P 265,909,110	P 641,719,262	P 996,711,879	P 12,961,029,460
Accumulated depreciation and amortization	( 793,867,463)	( 47,067,751)	( 353,420,981)	( 67,337,048)	( 293,248,875)	( 66,423,159)	( 548,682,231)	( 74,518,918)	-	-	( 2,244,566,426)
Net carrying amount	<u>P 3,030,164,543</u>	<u>P 50,104,378</u>	<u>P1,602,424,412</u>	<u>P 17,419,812</u>	<u>P 286,038,916</u>	<u>P 8,663,790</u>	<u>P 3,891,825,850</u>	<u>P 191,390,192</u>	<u>P 641,719,262</u>	<u>P 996,711,879</u>	<u>P 10,716,463,034</u>

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 of property, plant and equipment is shown below.

	<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Tankers</u>	<u>Vessel Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318
Disposals due to deconsolidation	( 662,970,883)	-	-	( 3,851,001)	( 105,795,073)	( 8,790,362)	( 4,067,209,810)	( 134,043,964)	-	( 69,203,987)	( 5,051,865,080)
Additions	-	-	-	17,559,953	182,364,854	-	-	-	558,087,870	1,459,609,643	2,217,622,320
Transfers	1,136,052,311	146,861,297	737,570,774	-	-	-	-	-	-	( 2,036,907,771)	( 16,423,389)
Cost of asset disposed	-	( 1,197,736)	( 1,385,484)	( 1,088,549)	( 24,080,144)	-	-	-	-	-	( 27,751,913)
Accumulated depreciation of Asset disposed	-	1,197,736	382,420	1,063,055	22,674,343	-	-	-	-	-	25,317,554
Depreciation and amortization charges for the year	( 190,309,624)	( 35,406,163)	( 282,411,233)	( 10,467,727)	( 85,722,968)	( 4,899,923)	( 302,331,687)	( 72,860,153)	-	-	( 984,409,478)
Reclassifications/adjustments	( 2,633,889)	-	( 545,115)	-	( 1,187)	-	-	-	-	-	( 3,180,191)
Balance at December 31, 2016, net of accumulated depreciation and amortization	<u>P 3,498,953,001</u>	<u>P 205,045,800</u>	<u>P 2,258,497,910</u>	<u>P 21,142,919</u>	<u>P 240,732,745</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,696,586,766</u>	<u>P 1,081,354,000</u>	<u>P 9,002,313,141</u>
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 3,030,164,543	P 50,104,378	P 1,602,424,412	P 17,419,812	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 10,716,463,034
Additions	77,564,390	51,545,969	54,283,771	8,832,106	31,682,015	9,752,759	12,499,514	43,930,765	496,779,634	1,979,499,129	2,766,370,052
Revaluation increment	-	-	-	-	-	-	202,245,220	-	-	-	202,245,220
Transfers	243,410,523	-	400,234,504	634,186	2,292,538	-	429,881,782	25,596,514	-	( 1,248,354,893)	( 146,304,846)
Cost of asset disposed	-	-	( 6,938,814)	( 1,363,818)	( 13,636,619)	( 37,895,194)	-	-	-	-	( 59,834,445)
Accumulated depreciation of asset disposed	-	-	3,768,225	1,342,216	12,683,979	37,093,408	-	-	-	-	54,887,828
Depreciation and amortization charges for the year	( 151,156,270)	( 8,059,681)	( 225,355,959)	( 8,902,157)	( 67,753,095)	( 3,924,478)	( 166,910,869)	( 54,013,354)	-	-	( 686,075,863)
Reclassifications/adjustments	<u>18,831,900</u>	<u>-</u>	<u>( 23,529,591)</u>	<u>( 35,157)</u>	<u>( 14,814)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 4,747,662)</u>
Balance at December 31, 2015, net of accumulated depreciation and amortization	<u>P 3,218,815,086</u>	<u>P 93,590,666</u>	<u>P 1,804,886,548</u>	<u>P 17,927,188</u>	<u>P 251,292,920</u>	<u>P 13,690,285</u>	<u>P 4,369,541,497</u>	<u>P 206,904,117</u>	<u>P 1,138,498,896</u>	<u>P 1,727,856,115</u>	<u>P 12,843,003,318</u>

### 12.1 Revaluation of Vessels

The vessel equipment is among the net assets of CSC which is deconsolidated in 2016 (see Note 1.4). As of 2015, the effective dates of the latest appraisal reports of the Group's tankers and tugboats are shown below:

<b>Appraised Name of Tanker</b>	<b>Effective Date</b>	<b>Values</b>
MT Chelsea Denise II	December 21, 2015	P 487,000,000
MT Fortis I	November 17, 2015	85,000,000
MT Ernesto Uno	November 10, 2015	150,000,000
MT Patricia	November 10, 2015	56,000,000
MT Chelsea Denise I	November 4, 2015	180,000,000
MT Chelsea Thelma	August 5, 2015	1,021,886,700
MT Chelsea Donatela	December 9, 2014	1,112,750,000
MT Intrepid	October 27, 2014	76,000,000
MT Resolute	September 12, 2014	215,000,000
MT Jasaan	September 8, 2014	45,000,000
MT Vela	February 10, 2014	145,000,000
MT Chelsea Cherylyn	December 29, 2014	880,000,000
MT Chelsea Enterprise	March 2, 2012	100,122,000
MT Fortis II	November 12, 2013	82,000,000

As of December 31, 2015, the MT Intrepid, MT Resolute and MT Chelsea Enterprise are under periodic drydocking.

If the tanker was carried at cost model, the cost, accumulated depreciation and net carrying amount as of December 31, 2015 are as follows:

Cost	P4,226,441,769
Accumulated depreciation	( <u>610,954,036</u> )
	<u>P3,615,487,733</u>

### 12.2 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 P61.7 million and P61.9 million as of December 31, 2016 and 2015, respectively (see Note 18.8), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 8.50% both in December 31, 2016 and 2015.

### 12.3 Collaterals

As of December 31, 2015, certain tankers owned by the Group with a carrying amount of P4,364.0 million were used as collaterals for the interest-bearing loans from various local banks [see Note 18.2 (c)(d)(e)(k) and 18.4].

Moreover, certain transportation equipment with carrying amount of nil and P5.5 million as of December 31, 2016 and 2015, respectively, was used as collateral for mortgage loans with a local bank (see Note 18.6).

#### 12.4 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to P3.1 million and P12.4 million as of December 31, 2016 and 2015, respectively (see Note 18.5).

#### 12.5 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P43.1 million and P4.3 million in 2016 and 2015, respectively. As of December 2016 and 2015, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P463.7 million and P447.9 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	2016	2015	2014
Cost of services	21.2	<b>P 402,281,752</b>	P 246,379,404	P 201,694,106
Selling and administrative expenses		<b>582,127,726</b>	439,696,459	395,421,279
	22	<b>P 984,409,478</b>	P 686,075,863	P 597,115,385

### 13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2016 and 2015 are shown below and on the next page.

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
December 31, 2016					
Cost	P 176,861,660	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated Amortization	-	( 72,935,492)	( 5,472,272)	-	( 78,407,764)
Net carrying amount	<b>P 176,861,660</b>	<b>P 93,439,088</b>	<b>P 3,803,048</b>	<b>P 933,694</b>	<b>P 275,037,490</b>
December 31, 2015					
Cost	P -	P 127,553,120	P 5,560,142	P -	P 133,113,262
Accumulated amortization	-	( 58,015,880)	( 2,712,921)	-	( 60,728,801)
Net carrying amount	<b>P -</b>	<b>P 69,537,240</b>	<b>P 2,847,221</b>	<b>P -</b>	<b>P 72,384,461</b>

	<u>Basketball Franchise</u>	<u>Computer Software Licenses</u>	<u>Software Development Costs</u>	<u>Others</u>	<u>Total</u>
January 1, 2015					
Cost	P -	P 101,189,263	P 4,251,644	P -	P 105,440,907
Accumulated amortization	-	( 17,866,178)	( 1,137,573)	-	( 19,003,751)
Net carrying amount	<u>P -</u>	<u>P 83,323,085</u>	<u>P 3,114,071</u>	<u>P -</u>	<u>P 86,437,156</u>

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2016 and 2015 are shown below.

	<u>Basketball Franchise</u>	<u>Computer Software Licenses</u>	<u>Software Development Costs</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2016, net of accumulated amortization	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461
Additions	176,861,660	22,398,071	3,715,178	933,694	203,908,603
Transfers from property, plant and equipment	-	16,423,389	-	-	16,423,389
Amortization expense for the year	-	( 14,919,612)	( 2,759,351)	-	( 17,678,963)
Balance at December 1, 2016, net of accumulated amortization	<u>P 176,861,660</u>	<u>P 93,439,088</u>	<u>P 3,803,048</u>	<u>P 933,694</u>	<u>P 275,037,490</u>
Balance at January 1, 2015, net of accumulated amortization	P -	P 83,323,085	P 3,114,071	P -	P 86,437,156
Additions	-	26,363,857	1,308,498	-	27,672,355
Amortization expense For the year	-	( 40,149,702)	( 1,575,348)	-	( 41,725,050)
Balance at December 1, 2015, net of accumulated amortization	<u>P -</u>	<u>P 69,537,240</u>	<u>P 2,847,221</u>	<u>P -</u>	<u>P 72,384,461</u>

#### 14. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents PPIPC's unsold land properties and certain land development costs (see Note 9) in Phases 2 and 3 of the Park that are intended for sale or for lease once developed as of December 31, 2015. This account was derecognized as a result of the deconsolidation of PPIPC in 2016 (see Note 1.4).



## 15. INVESTMENT IN A JOINT VENTURE

In 2015, PPIPC entered into a joint venture agreement with 168 Gas Corp. and Seaport Offshore Inc. to establish a joint venture Group that shall operate a terminal and storage facility in the Park for liquefied petroleum gas (LPG) and LPG-related products. The joint venture Group, SPI was incorporated and registered with the SEC on March 27, 2014.

Under the joint venture agreement, SPI has an authorized and outstanding capital stock of P175.0 million with par value of P1.00 per share, which was subsequently increased to P700.0 million. As of December 31, 2015, PPIPC owns 175.0 million shares, 50.00% of the outstanding capital stock, but does not have significant influence on the entity. Total investment in a joint venture as of December 31, 2015 amounted to P175.0 million, of which, P67.8 million was advanced in 2014. The equity share in the net loss of SPI amounting to P50.1 million, P16.3 million and nil in 2016, 2015 and 2014, respectively, is presented under Other Charges (Income) in the consolidated statements of comprehensive income.

Under the agreement, the joint venture has no restrictions as to transfer of funds in the form of cash dividends, or to repay loans or advances made by SPI. This account was derecognized as a result of deconsolidation of PPIPC in 2016 (see Note 1.4).

## 16. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to business synergy for economics of scale and scope. The movements of this account as of December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year – net of allowance on impairment loss	<b>P 84,516,663</b>	P 84,516,663
Disposals due to deconsolidation	<b>( 74,294,814)</b>	-
Balance at end of year	<b><u>P 10,221,849</u></b>	<b><u>P 84,516,663</u></b>

In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired, hence, full impairment loss amounting to P1.3 million was recognized. There are no impairment losses recognized in 2016, 2015 and 2014.

## 17. OTHER NON-CURRENT ASSETS

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

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Refundable rental deposits	27.3	<b>P 140,817,250</b>	P 138,171,724
Deferred minimum lease payments		<b>37,913,977</b>	37,341,915
Other prepayments		<b>7,000,000</b>	-
Restricted deposits	6	-	1,276,848
Drydocking costs – net		-	160,258,939
Others		<b><u>6,352,989</u></b>	<u>1,223,248</u>
		<b><u>P 192,084,216</u></b>	<u>P 338,272,674</u>

Presented below is a reconciliation of the carrying amount of drydocking costs at the beginning and end of 2016 and 2015.

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year		<b>P 160,258,939</b>	P 58,281,453
Disposal due to deconsolidation	1.4	<b>( 160,258,939)</b>	-
Transfer from construction in progress	12	-	146,304,846
Amortization during the year	21.2, 22	-	( 93,932,334)
Additions		<u>-</u>	<u>49,604,974</u>
Balance at end of period		<b><u>P -</u></b>	<u>P 160,258,939</u>

Amortization pertaining to drydocking costs is presented as part of Depreciation and amortization under Cost of Sales and Services in the 2015 and 2014 consolidated statements of comprehensive income (see Note 21.2).

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 P2.6 million in 2016, P2.1 million in 2015 and P0.6 million in 2014 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P2.4 million, P2.4 million and P1.1 million in 2016, 2015 and 2014, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

Restricted deposits represent deposits with a local bank as an environmental trust fund set in compliance with the requirements of the Department of Environment and Natural Resources. Such account was derecognized as a result of the deconsolidation (see Note 1.4).

Drydocking costs are being amortized over two years or until the occurrence of the next drydocking, whichever comes earlier. Such account was derecognized as a result of the deconsolidation (see Note 1.4).

## 18. INTEREST-BEARING LOANS AND BORROWINGS

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

	<u>2016</u>	<u>2015</u>
Current:		
Liabilities under LC and TR	<b>P 2,163,936,859</b>	P 5,117,764,514
Term loans	<b>7,989,944,730</b>	4,469,169,919
Liabilities under short-term commercial papers	<b>1,107,711,982</b>	1,248,738,021
Obligations under finance lease	<b>1,265,272</b>	4,480,716
Bank loans	-	898,278,303
Mortgage payable	<u>-</u>	<u>2,266,683</u>
	<b><u>P11,262,858,843</u></b>	<b><u>P 11,740,698,156</u></b>
Non-current:		
Term loans	<b>P 1,921,565,000</b>	P 5,240,331,888
Mortgage payable	-	1,781,034
Obligations under finance lease	<u>-</u>	<u>1,187,762</u>
	<b><u>P 1,921,565,000</u></b>	<b><u>P 5,243,300,684</u></b>

### *18.1 Liabilities under Letters of Credits and Trust Receipts*

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 4.04% and 3.80% per annum in 2016 and 2015, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and a surety of a stockholder (see Notes 6, 10 and 27.6).

## 18.2 Term Loans

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

	Explanatory Notes	Term	Interest Rates	Outstanding Balance	
				2016	2015
Multinational Investment Bancorporation (MIB)	(f)	2 to 3 months	3.50% - 4.25%	<b>P 1,800,000,000</b>	<b>P 1,639,959,424</b>
BDO Unibank, Inc. (BDO)					
i. Notes Facility Agreement	(b), (l), (m)	1.5 months to 5 years	4.00% - 4.25%	<b>1,500,000,000</b>	980,000,000
ii. Omnibus Loan and Security Agreement (OLSA) – MT Chelsea Donatela	(c)	5 years	5.30% one-year	-	525,256,362
iii. OLSA – MT Chelsea Thelma	(d)	7 years	LIBOR plus 3.50%	-	327,791,111
iv. OLSA – MT Chelsea Denise II	(e)	5 years	6.46%	-	288,460,000
				<b>1,500,000,000</b>	<b>2,121,507,473</b>
China Banking Corporation (CBC) and Pentacapital	(a), (l)	3 months to 7 years	3.25% - 7.75%	<b>1,445,318,730</b>	2,683,744,644
Philippine National Bank (PNB)	(n)	1 to 5 years	4.35% - 6.21%	<b>1,425,000,000</b>	-
Philippine Business Bank (PBB)	(l)	3 months to 1 year	4.00%	<b>1,000,000,000</b>	-
Robinsons Bank Corporation (RBC)	(b), (b), (l)	3 months to 5 years	3.49% - 8.08%	<b>847,500,000</b>	848,000,000
Development Bank of the Philippines (DBP)					
i. Notes Payable	(l)	1 to 4 months	4.25%	<b>600,000,000</b>	500,000,000
ii. Term Loan Agreement	(i)	2 years	5.00%	-	164,000,000
				<b>600,000,000</b>	<b>664,000,000</b>
Philippine Veterans Bank (PVB)	(l)	6 months	4.25%	<b>500,000,000</b>	-
Maybank International, Ltd.	(b), (g)	5 years	6.81% - 7.74%	<b>348,691,000</b>	880,623,600
Philippine Bank of Communication (PBCOMM)					
	(l)	3months to 1year	4.25% - 4.50%	<b>200,000,000</b>	200,000,000
United Coconut Planters Bank	(l)	9 months	4.25%	<b>200,000,000</b>	-
Maybank Philippines, Inc.	(j)	3 months to 5 years	3.50%-5.50%	<b>45,000,000</b>	105,000,000
Union Bank of the Philippines (UBP)	(l)	2 months	4.50%	-	300,000,000
Chinatrust Commercial Bank (CTBC)	(l)	1-3 months	4.50%	-	200,000,000
Asia United Bank (AUB)	(k)	5 years	7.00%	-	66,666,666
				<b>P 9,911,509,730</b>	<b>P 9,709,501,807</b>

**(a) Notes Facility Agreement with CBC and Pentacapital**

On November 8, 2012, the Parent Company entered into a notes facility agreement with CBC and Pentacapital totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.80%, which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Group for the roll-out of the retails stations, for debt financing, for capital expenditures and for other general corporate purposes.

The Parent Company has partially paid the amount of P1,050.0 million on November 21, 2016 after securing the consent of the note holders for the partial prepayment of the facility. The outstanding balance of the note facility as of December 31, 2016 is P1,450.0 million.

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 facility agreement 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 (DSCR) not to be less than 1.5:1.

The discounted balance of the principal of the note as of December 31 and amounted to P1,445.3 million and P2,683.7 million, respectively.

As of December 31, 2016 and 2015, the Parent Company has complied with its debt covenant requirements.

**(b) Notes Facility Agreement**

In 2011, the Parent Company availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO, Maybank International, Ltd. and RBC. The long-term loan amounting to P700.0 million with interest rate of 7.40% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.70% is payable on August 23, 2018.

The details of the outstanding balance is broken down as follows:

	<u>2016</u>	<u>2015</u>
RBC	<b>P 47,500,000</b>	P 48,000,000
BDO	-	480,000,000
Maybank International, Ltd.	<u>-</u>	<u>192,000,000</u>
	<b><u>P 47,500,000</u></b>	<b><u>P 720,000,000</u></b>

***(c) OLSA with BDO – MT Chelsea Donatela***

In 2013, PNX – Chelsea entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit oil tank (MT Chelsea Donatela) in the amount of US\$21.2 million (see Note 12.1). In connection with the acquisition of an oil tank vessel, PNX – Chelsea entered into an OLSA amounting to US\$14.0 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. In September 2013, BDO granted the loan and released the first tranche amounting to US\$4.0 million. The second tranche shall be availed of by PNX – Chelsea in 2014. The loan is payable for a period of five years from initial drawdown date in US\$0.6 million 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 5.30% per annum.

Related debt issuance costs amounted to P9.6 million, of which P1.6 million and P1.5 million was amortized in 2015 and 2014, respectively, using effective interest rate of 5.60%.

The loan is secured by a chattel mortgage on MT Chelsea Donatela with a net carrying amount of P1,064.0 million as of December 31, 2015 (see Note 12.3).

The OLSA requires PNX – Chelsea to maintain debt-to-equity ratio of not more than 2.0:1 and DSCR of at least 1.20, except on drydocking year where minimum DSCR shall be 1.00. As of December 31, 2015, PNX – Chelsea is in compliance with such covenant requirements.

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

***(d) OLSA with BDO – MT Chelsea Thelma***

On April 26, 2011, CSC entered into a MOA with China Shipbuilding & Exports Corporation for the acquisition of one unit of oil tank (MT Chelsea Thelma) in the amount of US\$19.8 million.

In connection with the MOA, CSC 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 in 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to quarterly repricing of interest computed at one-year LIBOR plus applicable margin of 3.50% per annum.

The loan is secured by a chattel mortgage on MT Chelsea Thelma and MT Vela with a total net carrying amount of P1,134.7 million as of December 31, 2015 (see Note 12.3). The loan is also secured by collateral on certain receivables under the CSC's Assignment of Charter Party with BDO (see Note 7).

Related debt issuance costs amounted to P8.2 million, of which P1.1 million was amortized in 2015 and 2014, respectively, using effective interest rate of 5.00%. Amortized debt issuance costs were recognized as part of Finance Costs – net in the 2015 and 2014 consolidated statements of comprehensive income (see Note 23.1). The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

OLSA requires CSC to maintain debt-to-equity ratio of not more than 1.5:1 and debt coverage ratio of at least 1.2 from 2011 to 2014 and 2.5 from 2015 to 2018. As of December 31, 2015, CSC is in compliance with its loan covenant with BDO.

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

***(e) OLSA with BDO – MT Chelsea Denise II***

On March 30, 2015, PNX – Chelsea entered into an OLSA with BDO amounting to P300.0 million in connection to finance the acquisition of MT Chelsea Denise II in 2014. The loan is subject to annual interest rate of 6.46% and is payable for a quarterly basis for five years commencing on the end of the fourth quarter of 2015.

In addition, OLSA requires PNX – Chelsea to maintain the same financial covenants as that of the OLSA with BDO covering MT Chelsea Donatela, to which PNX – Chelsea has appropriately complied with.

The loan is secured by a chattel mortgage on MT Chelsea Denise II with a net carrying amount of P288.5 million as of December 31, 2015 (see Note 12.3).

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

***(f) Medium-Term Loan with MIB***

On October 7, 2015, the Parent Company signed with MIB, in behalf of BDO Private Bank, a clean medium-term loan amounting to P500.0 million with a tenor of 548 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 4.25% and will mature on April 7, 2017.

In various dates in 2016, the Parent Company signed with MIB, in behalf of BDO Private Bank and Metropolitan Bank & Trust Corp., a clean short-term loan totaling to P1,800.0 million. The loan proceeds were used for working capital requirements. Such is subject to a fixed annual interest rate of 4.00% and will mature on various dates until April 7, 2017.

***(g) 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 4.20% per annum, or cost of funds plus a margin of 2.00% 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 nil and P264.1 million, translated into Philippine Peso using the closing rate as of December 31, 2016 and 2015, respectively.

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. As of December 31, 2016 and 2015, the loan stood at US\$7.0 million or P348.6 million and US\$9.0 million or P424.5 million, respectively, using the closing rate as of reporting period. This loan will be fully settle on January 31, 2017.

As of December 31, 2016 and 2015, the Parent Company has complied with its debt covenants.

***(h) TLA with RBC***

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2016 and 2015, the outstanding balance amounted to P447.5 million and P500.0 million, respectively.

***(i) TLA with Development Bank of the Philippines***

On October 30, 2014, CSC entered into another loan agreement with DBP amounting to P140.0 million to finance the drydocking and repairs and maintenance expenses of MT Chelsea Rolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to annual interest rate of 5.00% and is payable in eight equal quarterly installments commencing on the first quarter from the initial drawdown.

In addition, CSC obtained P160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.00% per annum and is payable in ten equal quarterly installments commencing on February 28, 2015.

The loans are secured by a chattel mortgage on MT Chelsea Cherylyn with net carrying amount of P937.2 million as of December 31, 2015 (see Note 12.3). The loans are also secured by a collateral on certain receivables of the Group and guaranteed by certain stockholders of the Group (see Notes 7 and 27.6).

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

***(j) TLA with Maybank Philippines***

On July 18, 2012, the Parent Company signed with Maybank Philippines 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 6.00% 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, 2016 and 2015 amounted to P45.0 million and P105.0 million, respectively.

As of December 31, 2016 and 2015, the Parent Company has complied with its debt covenants.

***(k) TLA with Asia United Bank***

In 2013, FTC obtained interest-bearing loans from AUB to partially finance the acquisition of tugboats amounting to P100.0 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 installments of the loan is due on November 6, 2018.

Certain trade receivables amounting to P25.2 million as of December 31, 2015 were assigned to secure the payment of these interest-bearing loans (see Note 7). Moreover, MT Fortis I and II with carrying amount of P155.9 million as of December 31, 2015, respectively, are being collateralized to secure the loans (see Note 12.3).

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

***(l) Notes Payable***

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 3.00% to 4.50% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.6).

The total outstanding balance of the various promissory notes as of December 31, 2016 and 2015 are P2,900.0 million and P3,340.0 million, respectively.

***(m) TLA with BDO***

On August 18, 2016, the Parent Company signed with BDO a five-year term loan amounting to P1,000.0 million to be used for capital expenditures and general corporate purposes. The loan was approved on a clean basis and is subject to a floating interest rate based on one year PDSTR-2 plus margin with a floor of 4.00%. Interest rate is repriceable and payable quarterly in arrears. The principal, meanwhile, is payable upon maturity.

The TLA also requires the Group 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.

Further, the Parent Company obtained a clean short-term loan from BDO on November 21, 2016 amounting to P500.0 million.

As of December 31, 2016 and 2015, the Parent Company has complied with its debt covenants.

**(n) TLA with PNB**

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2016, the outstanding principal balance amounted to P425.0 million.

In addition, the Parent Company was granted with a P1,000.0 million one-year term loan on April 6, 2017. Such loan is guaranteed by certain stockholders through a surety agreement with PNB (see Note 27.6) and is subject to 4.35% interest rate payable quarterly in arrears. The principal is payable upon maturity.

**18.3 Liabilities under Short-term Commercial Papers**

On October 23, 2014, the SEC approved the registration, licensing and issuance of STCP up to P2,000.0 million. The STCP bear annual interest rates ranging from 4.00% to 4.50%, deducted in advance from the proceeds, and matured on various dates until October 31, 2015. In 2014, the Parent Company fully issued and received the proceeds of the P2,000.0 million STCP, which were used to finance the Group's working capital requirements. This was fully settled in 2015.

In February 2015, the Parent Company issued another P2,000.0 million STCP bearing an annual interest rate ranging from 3.75% to 4.13%, deducted in advance from the proceeds, and matured last February 22, 2016. This was fully settled in 2016.

The outstanding balance of the STCP as of December 31, 2016 is P1,108.2 million. The same will be fully settled by the Group by January 4, 2017.

The Parent Company used the net proceeds to partly finance the regular importation of finished petroleum products through various banks.

**18.4 Bank Loans**

The breakdown of this account as of December 31, 2015 is as follows:

	<u>Security</u>	<u>Term</u>	<u>Interest Rates</u>		
MayBank Philippines, Inc.	Unsecured	90-120 days	5.90%	P	508,000,000
MIB	Unsecured	30 days	3.80% to 5.00%		227,314,667
PBCComm	MT Resolute, MT				
	Ernesto Uno	360 days	5.00%		99,363,636
RBC	MT Chelsea Denise I	360 days	6.30%		44,800,000
United Coconut Planters Bank	MT Chelsea Intrepid,				
	MT BMI Patricia	90 days	7.50% to 14.00%		18,800,000
				P	<u>898,278,303</u>

The bank loans were obtained to finance the drydocking of certain tankers and support CSC's working capital requirements. These loans are secured by certain tankers owned by CSC with total net carrying amount of P239.3 million as of December 31, 2015 (see Note 12.3), and by certain stockholders (see Note 27.6).

This account was derecognized in 2016 as a result of the deconsolidation (see Note 1.4).

### ***18.5 Obligations under Finance Lease***

The finance lease liability has an effective interest rate of 5.10%, which is equal to the rate implicit in the lease contract (see Note 31.5). Lease payments are made on a monthly basis.

### ***18.6 Mortgage Payable***

Mortgage loans pertain to loans obtained by the Group to finance the acquisition of certain transportation equipment. These loans bear effective interest rate ranging from 7.50% to 11.40% in 2016 and 2015 and with terms ranging from 18 months to 36 months. There are no unpaid interests as of December 31, 2016 and 2015.

These loans are secured by certain transportation equipment with carrying amount of nil and P5.5 million as of December 31, 2016 and 2015, respectively (see Note 12.3).

### ***18.7 Credit Line***

The Parent Company has an available credit line of P11,797.0 million under LC/TR as of December 31, 2016. 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) Suretyship of PPHI and pledge of its share in the Parent Company amounting to P46.9 million (at P1 par value);
- (b) Joint several signature of certain stockholders; and,
- (c) Negative pledge over the remaining shares of PPHI in Parent Company in favor of the bank amounting to P1,100.0 million.

### ***18.8 Interest Expense***

Interest expense for 2016, 2015 and 2014 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P863.4 million, P786.9 million and P728.2 million (see Note 23.1), respectively, net of the capitalized borrowing cost of P61.7 million, P61.9 million and P70.7 million as of December 31, 2016, 2015 and 2014, respectively (see Note 12.2).

## 19. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Current:			
Trade payables:			
Third parties		<b>P 2,324,782,388</b>	P 2,382,759,862
Related parties	27.2, 27.3	<b>460,662,159</b>	347,071
		<b>2,785,444,547</b>	2,383,106,933
Accrued expenses	27.3	<b>256,953,308</b>	433,657,701
Income tax payable		<b>100,283,443</b>	79,801,573
Retention payable		<b>99,701,792</b>	78,475,599
Advances from customers		<b>49,732,927</b>	14,759,998
Non-trade payables		<b>1,982,691</b>	1,491,844
Liability for land development	14	-	151,401,563
Others	31.8	<b>38,837,351</b>	117,777,535
		<b>3,332,936,059</b>	3,260,472,746
Non-current:			
Advances from locators		-	317,810,700
		<b>P 3,332,936,059</b>	<b>P 3,578,283,446</b>

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

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

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group.

Liability for land development pertains to the accrual for estimated liability to be incurred on the development of Phases 2 and 3 of the Park. Accrued estimated liability in 2015 for lots unsold amounted to P58.5 million and the estimated cost is included as part of Land Held for Future Development account in the 2015 consolidated statement of financial position (see Note 14) while the estimated liability for lots sold amounted to P92.0 million and is included as part of the Cost of Real Estate Sold in the 2015 consolidated statement of comprehensive income (see Notes 21 and 22). This account was derecognized as a result of the deconsolidation (see Note 1.4).

Advances from locators include long-term borrowings obtained from one of PPIPC's locators. Such advances bear interest at a rate of 4.00% per annum and were obtained for the construction of materials receiving facility. Interest expense amounting to nil in 2016, P33.6 million in 2015 and nil in 2014, and are presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1). This account was derecognized as a result of the deconsolidation (see Note 1.4).

## 20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Security deposits		<b>P 219,790,571</b>	P 188,023,313
Post-employment defined benefit obligation	24.3	<b>20,789,794</b>	47,820,206
Unearned rent		<b>18,003,921</b>	10,583,427
Others		<u>-</u>	<u>823,734</u>
		<b><u>P 258,584,286</u></b>	<b><u>P 247,250,680</u></b>

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 P11.7 million, P4.8 million and P1.0 million in 2016, 2015 and 2013, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P8.1 million, P5.9 million and P1.5 million as of December 31, 2016, 2015 and 2014, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

## 21. COST OF SALES AND SERVICES

This account is composed of the following as of December 31:

	<u>Notes</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cost of fuels and lubricants sold	21.1	<b>P 23,914,378,824</b>	P 23,980,285,783	P 30,469,681,329
Cost of services	21.2	<b>1,209,570,405</b>	1,125,034,323	658,586,006
Cost of real estate sold	19, 22	<u>-</u>	<u>163,531,057</u>	<u>15,725,034</u>
	22, 27.2	<b><u>P 25,123,949,229</u></b>	<b><u>P 25,268,851,163</u></b>	<b><u>P 31,143,992,369</u></b>

### 21.1 Cost of Fuels and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Note	2016	2015	2014
Inventories at beginning of year		<b>P 2,638,614,688</b>	P 2,870,829,069	P 3,812,532,673
Net purchases during the year		<u>24,274,544,282</u>	<u>23,748,071,402</u>	<u>29,527,977,725</u>
Goods available for sale		<b>26,913,158,970</b>	26,618,900,471	33,340,510,398
Inventories at end of year	8	( <u>2,998,780,146</u> )	( <u>2,638,614,688</u> )	( <u>2,870,829,069</u> )
		<b><u>P 23,914,378,824</u></b>	<b><u>P 23,980,285,783</u></b>	<b><u>P 30,469,681,329</u></b>

### 21.2 Cost of Services

Details of cost of services as of December 31 are shown below.

	Notes	2016	2015	2014
Charter hire fees		<b>P 219,480,628</b>	P 343,889,275	P 69,693,786
Depreciation and amortization	12, 17	<b>402,281,752</b>	340,311,738	251,458,416
Salaries and employee benefits		<b>223,104,624</b>	110,723,141	72,059,949
Bunkering		<b>128,272,479</b>	95,822,033	42,813,138
Port expenses		<b>69,045,193</b>	59,642,363	45,644,274
Repairs and maintenance		<b>47,398,625</b>	62,261,852	49,642,029
Insurance		<b>41,880,302</b>	38,754,243	36,861,986
Taxes and licenses		<b>18,061,125</b>	17,855,083	11,384,037
Outside services		<b>6,060,643</b>	16,253,168	1,772,671
Service fees	27.5	<b>5,228,607</b>	27,706,457	33,584,854
Security services		<b>2,650,929</b>	3,147,040	1,755,920
Fuel, gas and lubricants		<b>148,605</b>	232,507	119,716
Professional fees		-	-	38,960,794
Others		<b>45,956,893</b>	8,435,423	2,834,436
		<b><u>P 1,209,570,405</u></b>	<b><u>P 1,125,034,323</u></b>	<b><u>P 658,586,006</u></b>

## 22. COSTS AND EXPENSES BY NATURE

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

	Notes	2016	2015	2014
Cost of sales:				
Fuels		<b>P 23,682,380,582</b>	P 23,766,923,613	P 30,282,615,890
Lubricants		<b>231,998,242</b>	213,992,170	187,065,439
Depreciation and amortization	12, 13, 17	<b>1,002,088,441</b>	821,733,247	660,281,915
Rent	17, 27.3, 31.3	<b>638,617,179</b>	526,618,286	390,370,058
Freight and trucking charges		<b>594,195,277</b>	584,007,627	277,312,084
Salaries and employee benefits	24.1	<b>549,545,236</b>	407,249,233	329,362,174
Taxes and licenses		<b>336,339,378</b>	184,277,952	149,610,326
Charter hire fees		<b>152,635,025</b>	342,164,745	69,693,786
Bunkering		<b>126,954,879</b>	45,456,098	42,813,138
Rebates		<b>125,710,056</b>	125,006,776	112,198,227
Repairs and maintenance		<b>118,676,191</b>	125,914,426	117,868,813
Professional fees		<b>107,609,032</b>	39,967,826	49,116,948
Service fees		<b>88,540,285</b>	124,781,797	105,133,477
Advertising and promotions		<b>85,071,762</b>	84,319,851	123,571,860
Deficiency taxes		<b>81,276,439</b>	6,335,281	-
Insurance		<b>71,213,196</b>	83,349,159	85,836,811
Security fees		<b>69,578,620</b>	72,585,144	45,583,946
Utilities		<b>60,577,393</b>	61,064,494	51,773,260
Travel and transportation		<b>50,971,497</b>	39,522,659	40,475,571
Port expenses		<b>40,173,775</b>	44,900,055	45,644,274
Fuel, oil and lubricants		<b>27,084,236</b>	25,663,464	54,440,905
Sales incentives		<b>17,120,040</b>	5,371,974	5,491,456
Representation		<b>16,204,648</b>	9,873,984	16,729,142
Office supplies		<b>12,914,083</b>	10,843,835	10,052,801
Outside services		<b>7,753,440</b>	17,358,889	31,638,406
Cost of real estate sold	21	-	163,531,057	15,725,034
Miscellaneous	27.12	<b>168,509,342</b>	60,944,232	20,924,371
		<b><u>P 28,463,738,274</u></b>	<b><u>P 27,993,757,874</u></b>	<b><u>P 33,321,330,112</u></b>

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

	Note	2016	2015	2014
Cost of sales and services	21.2	<b>P 25,123,949,229</b>	P 25,268,851,163	P 31,143,992,369
Selling and administrative expenses		<b><u>3,339,789,045</u></b>	<u>2,724,906,711</u>	<u>2,177,337,743</u>
		<b><u>P 28,463,738,274</u></b>	<b><u>P 27,993,757,874</u></b>	<b><u>P 33,321,330,112</u></b>

## 23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

### 23.1 Finance Costs

	Notes	2016	2015	2014
Interest expense on bank loans and other borrowings	18.8	<b>P 863,399,371</b>	P 786,929,274	P 728,178,099
Impairment losses on trade and other receivables	7	<b>112,986,854</b>	79,208,744	40,077,464
Bank charges		<b>18,828,373</b>	11,184,239	9,455,061
Interest expense from security deposits	20	<b>11,680,584</b>	4,849,042	984,592
Interest expense from post-employment defined benefit obligation – net	24.3	<b>1,678,468</b>	3,665,593	2,296,995
Foreign currency exchange losses – net		-	37,827,699	19,247,244
Interest expense on advances from locators	19	-	33,555,541	-
Day-one loss on installment contract receivable	7	-	10,197,054	-
Loss on settlement of insurance claims		-	-	3,898,441
Others		<b>10,703,374</b>	1,265,121	-
		<b><u>P 1,019,277,024</u></b>	<b><u>P 968,682,307</u></b>	<b><u>P 804,137,896</u></b>



## 23.2 Finance Income

	Notes	2016	2015	2014
Foreign currency exchange gains – net		P 200,196,556	P -	P -
Interest income from cash in banks	6	3,874,299	2,826,295	2,459,049
Interest income on amortization of rental deposits	17	2,566,528	2,138,101	644,746
Interest income from restricted deposits	10	669,278	576,599	291,048
Interest income from overdue trade receivables		380,957	-	-
Interest income from amortization of instalment contract receivable	7	-	2,012,838	-
		<u>P 207,687,618</u>	<u>P 7,553,833</u>	<u>P 3,394,843</u>

## 24. EMPLOYEE BENEFITS

### 24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2016	2015	2014
Short-term benefits:				
Salaries and wages		P 434,209,853	P 341,168,526	P 283,624,069
Employee welfare and other benefits		76,840,351	25,627,077	23,142,795
13 <sup>th</sup> month pay and bonuses		23,944,763	29,114,952	11,618,034
Post-employment defined benefit	24.3	8,792,489	11,308,678	10,977,276
Employee share options	24.2	<u>5,757,780</u>	<u>-</u>	<u>-</u>
	22	<u>P 549,545,236</u>	<u>P 407,249,233</u>	<u>P 329,362,174</u>

### 24.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 5.00% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the 2016 consolidated statement of comprehensive income amounted to P5.8 million, while the corresponding credit to Retained Earnings of the same amount is presented under the Equity section of the 2016 consolidated statement of financial position. In 2015 and 2014, there are no stock options granted yet to the employees; hence, there are no share option benefits expense recognized for those years.

### 24.3 Post-employment Defined Benefit Plan

#### (a) Characteristics of the Defined Benefit Plan

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

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

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2016 and 2015.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 20) in the consolidated statements of financial position, are determined as follow:

	<u>2016</u>	<u>2015</u>
Present value of obligation	<b>P 59,336,376</b>	P 74,572,352
Fair value of plan assets	<b>( 38,546,582)</b>	( 26,752,146)
	<b><u>P 20,789,794</u></b>	<b><u>P 47,820,206</u></b>

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

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	<b>P 74,572,352</b>	P 88,610,880
Effect of deconsolidation	<b>( 12,131,696)</b>	-
Current service cost	<b>8,792,489</b>	11,308,678
Interest expense	<b>3,053,348</b>	4,559,397
Remeasurements:		
Actuarial losses (gains) arising from:		
Experience adjustments	<b>( 10,503,287)</b>	25,371,878
Changes in financial assumptions	<b>( 3,020,965)</b>	( 37,016,344)
Benefits paid	<b>( 1,425,865)</b>	( 18,262,137)
Balance at end of year	<b><u>P 59,336,376</u></b>	<b><u>P 74,572,352</u></b>

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

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	<b>P 26,752,146</b>	P 12,213,907
Contributions to the plan	<b>15,863,865</b>	12,716,625
Effect of deconsolidation	<b>( 5,854,991)</b>	-
Return on plan assets (excluding amounts included in net interest)	<b>1,836,547</b>	6,472,239
Benefits paid	<b>( 1,425,865)</b>	( 5,544,429)
Interest income	<b><u>1,374,880</u></b>	<u>893,804</u>
Balance at end of year	<b><u>P 38,546,582</u></b>	<u>P 26,752,146</u>

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	<b><u>P 3,271,309</u></b>	<u>P 6,655,150</u>
Quoted equity securities:		
Holding	<b>4,994,451</b>	-
Property	<b>3,108,791</b>	-
Construction	<b>2,984,892</b>	-
Telecommunications	<b>2,298,766</b>	2,360,000
Manufacturing (Preferred)	<b><u>1,875,068</u></b>	<u>5,639,075</u>
	<b><u>15,261,968</u></b>	<u>7,999,075</u>
Unit Corporate Bonds	<b><u>8,925,579</u></b>	<u>-</u>
Unit STCP	<b><u>480,828</u></b>	<u>-</u>
Unit investment trust funds (UITF)	<b><u>10,606,898</u></b>	<u>12,097,921</u>
	<b><u>P 38,546,582</u></b>	<u>P 26,752,146</u>

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

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

	<u>Notes</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in profit or loss:</i>				
Current service cost	24.1	<b>P 8,792,489</b>	P 11,308,678	P 10,977,276
Net interest expense	23.1	<b><u>1,678,468</u></b>	<u>3,665,593</u>	<u>2,296,995</u>
		<b><u>P 10,470,957</u></b>	<u>P 14,974,271</u>	<u>P 13,274,271</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	(P 10,503,288)	P 25,371,878	P 14,461,165
Financial assumptions	( 3,020,965)	( 37,016,344)	6,981,384
Demographic assumptions	-	-	3,643,648
Return on plan assets (excluding amounts included in net interest expense)	( <u>1,836,547</u> )	( <u>6,472,239</u> )	<u>6,131,556</u>
	<u>(P 15,360,800)</u>	<u>(P 18,116,705)</u>	<u>P 31,217,753</u>

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 22).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) [see Note 23.1].

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rates	5.38%	4.89% to 5.20%	4.49% to 4.78%
Expected rate of salary increases	5.00%	5.00% to 8.00%	5.00% to 8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 26 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Risk*

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

2016			
	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
Discount rate	+/- 1.00%	(P 5,517,594)	P 6,416,720
Salary increase rate	+/- 1.00%	6,190,908	( 5,439,575)
2015			
	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
Discount rate	+/- 1.00%	(P 4,867,280)	P 12,125,333
Salary increase rate	+/- 1.00%	11,371,496	( 4,363,902)

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

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

(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, 2016 and 2015 is allocated to market gains and losses and accrued receivables.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2016, the plan is underfunded by P20.8 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P8.8 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:

	<u>2016</u>	<u>2015</u>
Within one year	<b>P 2,128,954</b>	P 13,938,126
More than one year to five years	<b>23,512,544</b>	20,579,442
More than five years to ten years	<b><u>57,097,009</u></b>	<u>58,524,556</u>
	<b><u>P 82,738,507</u></b>	<u>P 93,042,124</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 10 years.

## 25. REGISTRATION WITH THE BOARD OF INVESTMENTS

### *25.1 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 50.00% 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.

The ITH incentive for Calaca, Batangas Terminal expired last February 26, 2015.

### ***25.2 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 25.1. The ITH will expire five years from November 25, 2010.

The ITH incentive for Zamboanga Depot expired last November 25, 2015.

### ***25.3 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 filing of application for registration of new investment.

The ITH incentive for Davao Expansion expired last May 14, 2015.

#### ***25.4 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, 2017.

#### ***25.5 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 Cagayan de Oro 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, 2017.

#### ***25.6 BOI Registration for MT Chelsea Thelma and MT Chelsea Cherylyn***

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Chelsea 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 Chelsea 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.

#### ***25.7 BOI Registration for MT Chelsea Denise II and MT Chelsea Donatela***

On March 12, 2015 and September 3, 2013, the CSC had registered its activity for MT Chelsea Denise II and MT Chelsea Donatela, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as a new operator of domestic/inter-island 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 Chelsea Donatela, the related tax incentives started in January 2014. Meanwhile, the tax incentive for MT Chelsea Denise II started in November 2015. ITH incentives shall be limited only to the revenues generated by the registered project.



## 26. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00%	<b>P 195,720,139</b>	P 172,469,409	P 32,174,095
Minimum corporate income tax (MCIT) at 2.00%	<b>3,214,611</b>	6,093,000	3,998,694
Final tax at 20.00% and 7.50%	<b><u>1,928,511</u></b>	<u>712,198</u>	<u>610,696</u>
	<b>200,863,261</b>	179,274,607	36,783,485
Deferred tax expense (income) relating to origination and reversal of temporary differences	<b>( <u>31,060,370</u> )</b>	<u>6,568,943</u>	<b>( <u>33,992,758</u> )</b>
	<b><u>P 169,802,891</u></b>	<b><u>P 185,843,550</u></b>	<b><u>P 2,790,727</u></b>

*Reported in other comprehensive income:*

Deferred tax expense relating to origination and reversal of temporary differences	<b><u>P 4,608,240</u></b>	<b><u>P 13,304,602</u></b>	<b><u>P 29,334,251</u></b>
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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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax on pretax profit at 30.00%	<b>P 378,683,336</b>	P 327,513,679	P 185,746,110
Adjustment for income subjected to lower income tax rates	<b>( 982,323 )</b>	( 356,902 )	( 330,316 )
Tax effects of:			
Adjustment for income and expenses under ITH	<b>( 212,788,085 )</b>	( 158,876,440 )	( 189,717,081 )
Non-deductible expenses	<b>69,479,619</b>	14,333,891	2,554,185
Recognition of previously unrecognized deferred tax assets (DTA) on impairment losses	<b>( 69,375,158 )</b>	-	56,525
Derecognition of previously recognized DTA	<b>4,759,159</b>	65,992	2,812,324
Reversal of net operating loss carry over (NOLCO)	<b>179,839</b>	4,320,436	1,097,619
Non-taxable income	<b>( 3,205,464 )</b>	( 1,245,283 )	( 102,149 )
Reversal of MCIT	<b><u>3,051,968</u></b>	<u>88,177</u>	<u>673,510</u>
Tax expense reported in consolidated profit or loss	<b><u>P 169,802,891</u></b>	<b><u>P 185,843,550</u></b>	<b><u>P 2,790,727</u></b>

The net deferred tax assets and liabilities as of December 31, 2016 and 2015 pertain to the following:

	Consolidated Statements of			Consolidated Statements of Comprehensive Income					
	Financial Position		Effects of Deconsolidation	Profit or Loss			Other Comprehensive Income (Loss)		
	2016	2015	2016	2016	2015	2014	2016	2015	2014
Deferred tax assets:									
Impairment losses	P 101,709,658	P 13,461,170	(P 5,274,053)	P 93,522,541	P 713,140	P 1,803,568	P -	P -	P -
NOLCO	11,174,605	17,905,480	( 11,539,500)	4,808,625	( 25,034,417)	29,494,509	-	-	-
MCIT	7,658,613	14,609,080	( 5,701,761)	( 1,248,706)	5,791,267	7,824,266	-	-	-
Post-employment benefit obligation	6,236,938	19,105,222	( 7,641,643)	( 618,401)	9,514,862	2,982,720	( 4,608,240)	( 5,435,012)	9,365,325
Accrued rent	2,593,275	-	816,315	1,776,960	( 65,992)	-	-	-	-
Accrued loss on contamination	-	2,057,831	( 2,057,831)	-	-	-	-	-	-
Unamortized past service cost	-	294,650	( 294,650)	-	( 25,855)	-	-	-	-
Others	-	7,100,257	( 7,100,257)	-	( 5,410,097)	-	-	-	-
	<u>129,373,089</u>	<u>74,533,690</u>	<u>( 38,793,380)</u>	<u>98,241,019</u>	<u>( 14,517,092)</u>	<u>42,105,063</u>	<u>( 4,608,240)</u>	<u>( 5,435,012)</u>	<u>9,365,325</u>
Deferred tax liabilities:									
Unrealized foreign currency gains – net	( 83,181,314)	( 5,992,313)	( 10,008,352)	( 67,180,649)	68,738	( 16,643,856)	-	-	-
Revaluation reserves of tankers	-	( 154,672,684)	154,672,684	-	7,559,066	7,000,145	-	( 7,869,590)	( 38,699,576)
Capitalized borrowing cost	-	( 7,581,606)	7,581,606	-	320,345	320,344	-	-	-
Unamortized debt issuance cost	-	-	-	-	-	1,211,062	-	-	-
	<u>( 83,181,314)</u>	<u>( 168,246,603)</u>	<u>152,245,938</u>	<u>( 67,180,649)</u>	<u>7,948,149</u>	<u>8,112,305</u>	<u>-</u>	<u>( 7,869,590)</u>	<u>( 38,699,576)</u>
Net deferred tax asset (liabilities)	<u>P 46,191,775</u>	<u>(P 93,712,913)</u>							
Net deferred tax income (expense)				<u>P 31,060,370</u>	<u>(P 6,568,943)</u>	<u>P 33,992,758</u>	<u>(P 4,608,240)</u>	<u>(P 13,304,602)</u>	<u>(P 29,334,251)</u>

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

<u>Taxable Years</u>		<u>Original Amount</u>		<u>Tax Effect</u>	<u>Valid Until</u>
2016	P	21,773,633	P	6,532,090	2019
2015		6,271,670		1,881,501	2018
2014		<u>9,203,381</u>		<u>2,761,014</u>	2017
	P	<u>37,248,684</u>	P	<u>11,174,605</u>	

The Group is subject to the MCIT, which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's MCIT was higher than RCIT in 2015. SPTT's MCIT was higher than RCIT for the years 2016, 2015 and 2014. 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.

<u>Taxable Years</u>		<u>Normal Income Tax</u>	<u>MCIT</u>	<u>Excess of MCIT over Income Tax</u>	<u>Tax Effect</u>	<u>Valid Until</u>
2016	P	-	P 1,805,215	P 1,805,215	P 1,805,215	2019
2015		-	2,696,116	2,696,116	2,696,116	2018
2014		<u>-</u>	<u>3,157,282</u>	<u>3,157,282</u>	<u>3,157,282</u>	2017
	P	<u>-</u>	<u>P 7,658,613</u>	<u>P 7,658,613</u>	<u>P 7,658,613</u>	

In 2016, 2015 and 2014, the Group claimed itemized deductions in computing for its income tax due.

## 27. 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, 2016, 2015 and 2014 is presented in the next page.

Related Party Category*	Notes	Amount of Transactions			Outstanding Balance	
		2016	2015	2014	2016	2015
<b>Other related parties under common ownership</b>						
Sale of subsidiaries	1.4, 27.11	<b>P3,000,000,000</b>	P -	P -	<b>P 550,000,000</b>	P -
Sale of goods*	7, 27.1	<b>120,662,536</b>	22,168,571	1,473,214	<b>157,624,601</b>	25,076,202
Purchases of services*	19, 27.2	<b>72,601,698</b>	4,566,971	-	<b>457,557,815</b>	101,425
Advances to suppliers*	7, 27.2	<b>( 438,294,800)</b>	( 24,800)	10,024,800	-	10,000,000
Management fees	7, 27.8	<b>24,255,000</b>	-	-	<b>88,737,836</b>	-
Rentals	19, 27.3	<b>74,840,032</b>	73,702,144	59,019,917	<b>3,104,344</b>	245,646
Due from related parties*	27.4	-	1,887,086	7,625,362	<b>1,506,977,926</b>	12,260,843
Due to related parties	27.4	-	-	( 46,956,518)	-	-
Donations	27.12	-	100,000	200,000	-	-
<b>Udenna Corporation</b>						
Advances to suppliers	7, 27.2	<b>438,294,800</b>	378,294,800	-	<b>438,294,800</b>	378,294,800
Rentals	19, 27.3	<b>9,616,314</b>	7,654,678	7,378,335	<b>621,000</b>	6,972,043
<b>Associate</b>						
Technical ship Services	21.2, 27.5	-	-	33,584,854	-	-
<b>Joint Venture - SPI</b>						
Sale of real estate	7, 27.7	-	402,192,000	-	-	309,909,206
Port revenues	7, 27.7	-	1,473,920	-	-	595,280
<b>Key management personnel</b>						
Salaries and employee benefits	27.9	<b>66,968,009</b>	63,672,43	54,692,790	-	-

*\*As a result of the deconsolidation of PPIPC and CSC (see Note 1.4), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

## 27.1 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 2016, 2015 and 2014 based on management's assessment.

## **27.2 Purchases of Goods and Services**

The Group purchased goods and services from related parties on the basis of price lists in force with non-related parties. Total purchase of goods and services from related parties is presented as part of Cost of Sales in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. The outstanding balances are presented as part of advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of December 31, 2016 and 2015.

## **27.3 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 2016, 2015 and 2014 amounted to P9.6 million, P7.7 million and P7.4 million, respectively. The outstanding rental payable amounting to P0.6 million and P7.0 million in 2016 and 2015, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).
- b. UDEVCO – of which total rent expense in the years 2016, 2015 and 2014 amounted to P48.3 million, P57.4 million and P47.3 million, respectively. Rental deposit for the lease amounted to P7.7 million and P13.7 million as of December 31, 2016 and 2015, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).
- c. Valueleases, Inc. (VLI) – of which total rent expense in the years 2016, 2015 and 2014 amounted to P25.7 million, P16.3 million and P11.7 million, respectively. Refundable rental deposits amounted to P11.6 million and P10.0 million as of December 31, 2016 and 2015, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Notes 22 and 31.3) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

## 27.4 Due from 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, 2016 and 2015, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties (excluding advances to PPIPC) are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to PPIPC amounted to P5.0 million in 2016 and nil in both 2015 and 2014. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2016	2015
PPIPC		<b>P 942,812,571</b>	P -
CLC	27.11	<b>500,000,000</b>	-
UDEVCO	27.11	<b>50,000,000</b>	-
PhoenixPhilippines Foundation, Inc. (PPFI)		<b>13,256,329</b>	12,260,843
CSC		<b>929,026</b>	-
		<b><u>P 1,506,997,926</u></b>	<b><u>P 12,260,843</u></b>

The movement of due from related parties as of December 31 is as follows:

	Note	2016	2015
Balance at beginning of year		<b>P 12,260,843</b>	P 10,373,356
Additions	27.11	<b>1,494,762,083</b>	5,448,932
Collections		<b>( 25,000)</b>	( 3,561,445)
Balance at end of year		<b><u>P 1,506,997,926</u></b>	<b><u>P 12,260,843</u></b>

No impairment loss is recognized in 2016, 2015 and 2014 related to advances to related parties.

The Due to Related Parties account has nil amount both in 2016 and 2015. The movement of Due to Related Parties as of December 31, 2015 follows:

Balance at beginning of year	P 17,204,725
Payments	( 17,204,725)
Balance at end of year	<u>P -</u>

## 27.5 Technical Ship Services Agreement

On April 1, 2013, the Group entered into a Technical Ship Services Agreement (the Agreement) with NPMSC, an associate. Under the Agreement, NPMSC shall carry out technical services in respect of the Group's tanker vessel as agents for and on behalf of the Group. NPMSC's responsibilities include crew management, technical management, accounting services, and the arrangement for the supply of provisions.

Total technical ship services fee incurred is presented as Service fees under the Costs of Sales and Services account in the consolidated statements of comprehensive income (see Note 21.2), while the related outstanding liability which is unsecured, non-interest bearing, payable on demand and normally settled in cash, is presented as part of Trade under the Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

#### **27.6 *Loan Collateral***

- (a) Certain properties and a surety of a stockholder secured certain bank loans, notes payable and liabilities under LCs and TRs [see Notes 18.1, 18.2(i) and 18.4]. The disposition of CSC resulted to the deconsolidation of the related liabilities.
- (b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 10). Certain receivables and tankers owned by the Group and were also used as security on particular loans (see Notes 7 and 12).

#### **27.7 *Transactions with SPI***

In 2015, the Group sold real estate to SPI amounting to P402.2 million and is presented as part of the Sale of Real Estate account in the 2015 consolidated statement of comprehensive income. The related outstanding receivable amounting to P309.9 million is presented as part of Installment Contract Receivable under Trade and Other Receivables in the 2015 consolidated statement of financial position. Port revenues were also generated from SPI amounting to P1.5 million and is presented as part of Port Revenues account in the 2015 consolidated statement of comprehensive income, while the related outstanding receivable amounting to P0.6 million is presented as part of Other Receivables under Trade and Other Receivables in the 2015 consolidated statement of financial position (see Note 7).

The outstanding receivables from SPI are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015 based on management's assessment. This account was derecognized as a result of the deconsolidation (see Note 1.4).

#### **27.8 *Management Fees***

The Parent Company's non-trade receivables include receivable from PPIPC representing management fees for the services rendered by the Parent Company to PPIPC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and PPIPC, the former will manage PPIPC:

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

In return, PPIPC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from PPIPC is presented as part of Non-trade receivables under Trade and Other Receivables in the 2016 consolidated statement of financial position (see Note 7).

The management has determined that there are no impairment losses required to be recognized as of December 31, 2016.

### **27.9 Key Management Compensations**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Salaries and wages	<b>P 53,164,063</b>	P 51,522,286	P 43,955,837
13 <sup>th</sup> month pay and bonuses	<b>7,384,629</b>	6,479,132	5,567,610
Honoraria and allowances	<b>5,566,274</b>	5,362,224	4,894,118
Post-employment benefits	<u><b>403,043</b></u>	<u>308,789</u>	<u>275,225</u>
	<u><b>P 66,518,009</b></u>	<u>P 63,672,431</u>	<u>P 54,692,790</u>

### **27.10 Retirement Plan**

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2016 and 2015 is shown in Note 24.3. As of December 31, 2016 and 2015, the retirement plan has no investment in shares of stocks of the Parent Company.

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

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.2.

### **27.11 Sale of Subsidiaries**

In 2016, the Parent Company disposed its equity share in CSC to CLC, and in PPIPC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P50.0 million is still receivable from CLC and UDEVCO, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Due from related parties account in the 2016 consolidated statement of financial position (see Note 27.4).

### **27.12 Others**

The Group granted P0.1 million donations to Udenna Foundation, Inc. in 2015, while donations were granted to PPFI in 2014 amounting to P0.2 million. These are presented as part of miscellaneous under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 22).



## 28. EQUITY

### 28.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2016	2015	2014	2016	2015	2014
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>
Issued:						
Balance at beginning of year	30,000,000	10,000,000	10,000,000	P 30,000,000	P 10,000,000	P 10,000,000
Issuance during the year	-	20,000,000	-	-	20,000,000	-
Balance at end of year	30,000,000	30,000,000	10,000,000	30,000,000	30,000,000	10,000,000
Treasury shares	( 5,000,000)	( 5,000,000)	( 5,000,000)	( 5,000,000)	( 5,000,000)	( 5,000,000)
Issued and outstanding	<u>25,000,000</u>	<u>25,000,000</u>	<u>5,000,000</u>	<u>P 25,000,000</u>	<u>P 25,000,000</u>	<u>P 5,000,000</u>
Common – P1 par value						
Authorized:	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>P2,500,000,000</u>	<u>P2,500,000,000</u>	<u>P 2,500,000,000</u>
Issued:						
Balance at beginning of year	1,428,777,232	1,428,777,232	1,428,777,232	P 1,428,777,232	P1,428,777,232	P 1,428,777,232
Treasury Shares	( 54,393,300)	-	-	( 330,679,783)	-	-
Balance at end of year	<u>1,374,383,932</u>	<u>1,428,777,232</u>	<u>1,428,777,232</u>	<u>P 1,098,097,449</u>	<u>P1,428,777,232</u>	<u>P 1,428,777,232</u>
				<u>P 1,123,097,449</u>	<u>P1,433,777,232</u>	<u>P 1,433,777,232</u>

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share into P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

In 2016, the Parent Company's Board of Directors approved the buy-back share program of PNx (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

The preferred shares shall have the following features:

- (a) Non-convertible into common shares;  
  
Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;
- (b) 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,
- (c) 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.

On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3<sup>rd</sup> tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3<sup>rd</sup> tranche of preferred shares have the same features with the 1<sup>st</sup> and 2<sup>nd</sup> tranche of preferred shares except for the following:

- (a) Dividend rates: PNX3A 7.43% per annum  
PNX3B 8.11% per annum
- (b) Dividend payment dates: Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.
- (c) Debt-to-equity ratio: The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.

## 28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

As of December 31, 2015 and 2014, the number of holders of such securities is 66 and 62, respectively. The market price of the Parent Company's common shares as of December 31, 2015 and 2014 is P3.65 and P3.09, respectively. The total number of issued common shares not listed with the PSE amounted to P116.0 million shares.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1). The market price of PNX3A and PNX3B as of December 31, 2015 is P103 and P106, respectively.

## 28.3 Track Registration of Shares

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Common	<b>66</b>	66	62
Preferred			
a) First tranche	-	-	-
b) Second tranche	<b>1</b>	1	6
c) PNX 3A	<b>5</b>	2	-
d) PNX 3B	<b>4</b>	2	-

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D;  
presented below is a summary of the Parent Company's track record of registration of securities.

<u>Transaction</u>	<u>Type of Stock Common or Preferred</u>	<u>No. of Shares Registered</u>	<u>Issue/Offer Price and Par Value</u>	<u>Date of Approval</u>	<u>Issued and Outstanding</u>
Registered, not listed	Common	10,000,000	P 1 Par value	1/11/2004	2,500,000
			1 Issue price		
Registered, not listed	Common	40,000,000	1 Par value	1/12/2006	25,000,000
			1 Issue price		
Registered, not listed	Common	50,000,000	1 Par value	8/7/2006	13,500,000
			1 Issue price		
Registered, not listed	Common	300,000,000	1 Par value	12/29/2006	75,000,000
			1 Issue price		
Initial public offering	Common		1 Par value	7/11/2007	29,000,000
			9.80 Issue price		
30% stock dividends	Common		1 Par value	8/6/2008	43,000,198
40% stock dividends	Common		1 Par value	8/3/2009	73,660,476
Placement SSS	Common		1 Par value	11/13/2009	7,500,000
			5.60 Issue price		
Increase	Common	350,000,000	1	9/7/2010	
Increase	Preferred	50,000,000	1	9/7/2010	
40% stock dividends	Common		1	10/20/2010	107,664,266
30% stock dividends	Common		1	5/6/2011	113,047,475
Increase	Common	1,750,000,000	1	4/23/2012	
50% stock dividends	Common		1	4/26/2012	244,936,203
CSC Acquisitions	Common		1 Par value	9/6/2012	171,250,798
			1.01 Issue price		
Placements	Common		1 Par value	3/11/2013	130,000,000
			9.40 Issue price		
30% stock dividends	Common		1	6/10/2013	329,717,816
Payment for PPHI subscription	Common		1 Par value	10/8/2013	63,000,000
			5.10 Issue price		
Issuance	Preferred		1 Par value	9/21/2010	5,000,000
			100 Issue price		
Redeemed treasury shares	Treasury Shares		1	12/20/2013 (	5,000,000 )
Issuance	Preferred		1 Par value	12/20/2013	5,000,000
Issuance	Preferred		1 Par value	12/18/2015	20,000,000
			100 Issue price		
Redeemed treasury shares	Common		1	5/31/2016 (	500,000 )
Redeemed treasury shares	Common		1	6/13/2016 (	500,000 )
Redeemed treasury shares	Common		1	6/21/2016 (	500,000 )
Redeemed treasury shares	Common		1	6/23/2016 (	1,100,000 )
Redeemed treasury shares	Common		1	6/27/2016 (	250,000 )
Redeemed treasury shares	Common		1	6/28/2016 (	500,000 )
Redeemed treasury shares	Common		1	6/30/2016 (	900,000 )
Redeemed treasury shares	Common		1	7/1/2016 (	897,700 )
Redeemed treasury shares	Common		1	7/4/2016 (	1,900 )
Redeemed treasury shares	Common		1	7/5/2016 (	498,900 )
Redeemed treasury shares	Common		1	7/7/2016 (	228,400 )
Redeemed treasury shares	Common		1	7/8/2016 (	2,650,000 )
Redeemed treasury shares	Common		1	7/11/2016 (	4,001,700 )
Redeemed treasury shares	Common		1	7/12/2016 (	2,000,000 )
Redeemed treasury shares	Common		1	7/14/2016 (	3,000,000 )

(Amount carried forward)

2,550,000,000

P1,436,248,632

<u>Transaction</u>	<u>Type of Stock Common or Preferred</u>	<u>No. of Shares Registered</u>	<u>Issue/Offer Price and Par Value</u>	<u>Date of Approval</u>	<u>Issued and Outstanding</u>
<i>(Amount brought forward)</i>		<u>2,550,000,000</u>			<u>P1,436,248,632</u>
Redeemed treasury shares	Common		1	7/15/2016	( 3,600,700 )
Redeemed treasury shares	Common		1	7/19/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	7/22/2016	( 500,000 )
Redeemed treasury shares	Common		1	8/1/2016	( 150,000 )
Redeemed treasury shares	Common		1	8/2/2016	( 203,600 )
Redeemed treasury shares	Common		1	8/5/2016	( 500,000 )
Redeemed treasury shares	Common		1	8/11/2016	( 200,000 )
Redeemed treasury shares	Common		1	8/12/2016	( 500,000 )
Redeemed treasury shares	Common		1	8/18/2016	( 500,000 )
Redeemed treasury shares	Common		1	8/19/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	8/23/2016	( 200,000 )
Redeemed treasury shares	Common		1	8/26/2016	( 500,000 )
Redeemed treasury shares	Common		1	8/30/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	8/31/2016	( 287,300 )
Redeemed treasury shares	Common		1	9/1/2016	( 700,000 )
Redeemed treasury shares	Common		1	9/2/2016	( 760,000 )
Redeemed treasury shares	Common		1	9/6/2016	( 500,000 )
Redeemed treasury shares	Common		1	9/7/2016	( 200,000 )
Redeemed treasury shares	Common		1	9/8/2016	( 298,800 )
Redeemed treasury shares	Common		1	9/9/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	9/13/2016	( 500,000 )
Redeemed treasury shares	Common		1	9/19/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	9/20/2016	( 300,000 )
Redeemed treasury shares	Common		1	9/21/2016	( 600,000 )
Redeemed treasury shares	Common		1	9/23/2016	( 200,000 )
Redeemed treasury shares	Common		1	9/26/2016	( 100,000 )
Redeemed treasury shares	Common		1	9/27/2016	( 386,600 )
Redeemed treasury shares	Common		1	9/28/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	10/3/2016	( 1,029,000 )
Redeemed treasury shares	Common		1	10/4/2016	( 700,000 )
Redeemed treasury shares	Common		1	10/5/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	10/6/2016	( 600,000 )
Redeemed treasury shares	Common		1	10/7/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	10/10/2016	( 650,000 )
Redeemed treasury shares	Common		1	10/12/2016	( 500,000 )
Redeemed treasury shares	Common		1	10/13/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	10/17/2016	( 500,000 )
Redeemed treasury shares	Common		1	10/20/2016	( 500,000 )
Redeemed treasury shares	Common		1	10/21/2016	( 500,000 )
Redeemed treasury shares	Common		1	10/24/2016	( 500,000 )
Redeemed treasury shares	Common		1	10/26/2016	( 850,000 )
Redeemed treasury shares	Common		1	10/27/2016	( 500,000 )
Redeemed treasury shares	Common		1	11/2/2016	( 500,000 )
Redeemed treasury shares	Common		1	11/7/2016	( 300,000 )
Redeemed treasury shares	Common		1	11/9/2016	( 300,000 )
Redeemed treasury shares	Common		1	11/10/2016	( 100,000 )
Redeemed treasury shares	Common		1	11/16/2016	( 100,000 )
Redeemed treasury shares	Common		1	11/17/2016	( 300,000 )
Redeemed treasury shares	Common		1	12/8/2016	( 198,700 )
Redeemed treasury shares	Common		1	12/9/2016	( 700,000 )
<i>Amount carried forward)</i>		<u>2,550,000,000</u>			<u>P1,406,223,932</u>

<u>Transaction</u>	<u>Type of Stock Common or Preferred</u>	<u>No. of Shares Registered</u>	<u>Issue/Offer Price and Par Value</u>	<u>Date of Approval</u>	<u>Issued and Outstanding</u>
<i>(Amount brought forward)</i>		<u>2,550,000,000</u>			<u>P1,406,233,932</u>
Redeemed treasury shares	Common		1	12/19/2016	( 500,000 )
Redeemed treasury shares	Common		1	12/20/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	12/21/2016	( 1,000,000 )
Redeemed treasury shares	Common		1	12/22/2016	( 500,000 )
Redeemed treasury shares	Common		1	12/23/2016	( 3,000,000 )
Redeemed treasury shares	Common		1	12/27/2016	( 513,100 )
Redeemed treasury shares	Common		1	12/28/2016	( 336,900 )
<b>Total</b>		<u>2,550,000,000</u>			<u>P1,399,383,932</u>

#### ***28.4 Additional Paid-in Capital***

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

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 the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

#### ***28.5 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 in the next page.

	<u>Property, Plant and Equipment</u>	<u>Defined Benefit Obligation</u>	<u>Total</u>
Balance as of January 1, 2016	P 582,398,557	(P 23,103,291)	P 559,295,266
Remeasurements of defined post-employment obligation	- -	15,360,790	15,360,790
Transfers to retained earnings as an effect of the deconsolidation	( 557,555,572)	202,629	( 557,352,943)
Depreciation transfer to retained earnings – revalued tankers	( 24,842,985)	-	( 24,842,985)
Other comprehensive income (loss) before tax			
Tax expense	<u>-</u>	<u>( 4,608,240)</u>	<u>( 4,608,240)</u>
Balance as of December 31, 2016	<b><u>P -</u></b>	<b><u>(P 12,148,102)</u></b>	<b><u>P 12,148,102</u></b>
Balance as of January 1, 2015	P 407,923,403	(P 35,784,984)	P 372,138,419
Remeasurements of defined post-employment obligation	-	18,116,705	18,116,705
Gain on revaluation of tankers	202,245,220	-	202,245,220
Depreciation transfer to retained earnings – revalued tankers	( 19,900,476)	-	( 19,900,476)
Other comprehensive income (loss) before tax	182,344,744	18,116,705	200,461,449
Tax expense	( 7,869,590)	( 5,435,012)	( 13,304,602)
Other comprehensive income (loss) after tax	<u>174,475,154</u>	<u>12,681,693</u>	<u>187,156,847</u>
Balance as of December 31, 2015	<b><u>P 582,398,557</u></b>	<b><u>(P 23,103,291)</u></b>	<b><u>P 559,295,266</u></b>

## ***28.6 Retained Earnings***

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2<sup>nd</sup> and 3<sup>rd</sup> tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On March 4, 2015, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million, record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2<sup>nd</sup> tranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On January 29, 2014, the BOD approved the declaration and payment 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 2<sup>nd</sup> tranche preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

### ***28.7 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:

	<u>2016</u>	<u>2015</u>
Total liabilities	<b>P 16,775,944,188</b>	P 20,903,245,879
Total equity	<b><u>9,762,093,733</u></b>	<u>10,023,362,183</u>
Debt-to-equity ratio	<b><u>1.72 : 1.0</u></b>	<u>2.09 : 1.00</u>

The decrease of the total liabilities in 2016 is due of the disposition of the subsidiaries, CSC and PPIPC, resulting to the deconsolidation of the related assets and liabilities. The decrease in equity is the net effect deconsolidated equity and the net profit in 2016 less the cash dividend declared and paid during the period for both common and preferred shares.

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 18).

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.



## 29. EARNINGS PER SHARE

EPS were computed as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
a) Net profit pertaining to common shares	<b>P 902,592,062</b>	P 861,146,033	P 575,112,972
b) Net profit attributable to common shares and potential common shares	<b>902,592,062</b>	861,146,033	575,112,972
c) Weighted average number of outstanding common shares	<b>1,410,964,421</b>	1,428,777,232	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	<b>1,414,736,438</b>	1,428,777,232	1,428,777,232
Basic EPS (a/c)	<b><u>P 0.64</u></b>	<u>P 0.60</u>	<u>P 0.40</u>
Diluted EPS (b/d)	<b><u>P 0.64</u></b>	<u>P 0.60</u>	<u>P 0.40</u>

The potential dilutive common shares totalling 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2016. There are no potential dilutive shares as of 2015 and 2014.

## 30. SEGMENT REPORTING

### *30.1 Business Segments*

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

- (a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.
- (b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

- (c) 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.

### ***30.2 Segment Assets and Liabilities***

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

### ***30.3 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 page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2016 and 2015 and certain asset and liability information regarding industry segments as of December 31, 2016, 2015 and 2014 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>TOTAL REVENUES</b>															
Sales to external customers	P 29,468,451	P 28,723,892	P 34,103,750	P 480,057	P 180,273	P 48,566	P 628,160	P 556,576	P 410,649	P -	P 593,098	P 171,419	P 30,576,668	P 30,053,839	P 34,734,384
Intersegment sales	681,402	2,457,071	4,048,147	53,126	-	14,227	893,299	954,180	488,312	-	27,747	-	1,627,827	3,438,998	4,550,686
Total revenues	30,149,853	31,180,963	38,151,897	533,183	180,273	62,793	1,521,459	1,510,756	898,961	-	620,845	171,419	32,204,495	33,492,837	39,285,070
<b>COSTS AND OTHER</b>															
<b>OPERATING EXPENSES</b>															
Cost of sales and services excluding depreciation and amortization	27,803,118	29,289,175	35,695,544	350,437	169,360	938,107	935,922	907,624	481,417	-	259,345	82,981	29,089,477	30,625,504	37,198,049
Depreciation and amortization	576,126	364,440	345,953	45,912	113,146	30,330	380,050	317,677	230,906	-	26,470	53,093	1,002,088	821,733	660,282
	28,379,244	29,653,615	36,041,497	396,349	282,506	968,437	1,315,972	1,225,301	712,323	-	285,815	136,074	30,091,565	31,447,237	37,858,331
<b>SEGMENT OPERATING PROFIT (LOSS)</b>	P 1,770,609	P 1,527,348	P 2,110,400	P 136,834	(P 102,233)	(P 905,644)	P 205,487	P 285,455	P 186,638	P -	P 335,030	P 35,345	P 2,112,930	P 2,045,600	P 1,426,739
<b>ASSETS AND LIABILITIES</b>															
Segment assets	P 26,341,954	P 24,923,978		P 315,121	P 2,507,178		P -	P 5,529,930		P -	P 1,686,257		P 26,657,074	P 34,647,343	
Segment liabilities	16,702,349	20,362,691		195,875	-		-	3,359,457		-	808,120		16,898,224	24,530,268	

### 30.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statement (in thousands).

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Total segment revenues	<b>P 32,204,495</b>	P 33,492,837	P 39,285,070
Elimination of intersegment revenues	( <b>1,636,702</b> )	( 3,438,998 )	( 4,550,686 )
Revenues as reported in profit or loss	<b><u>P 30,567,793</u></b>	<u>P 30,053,839</u>	<u>P 34,734,384</u>
<b>Profit or loss</b>			
Segment operating profit	<b>P 2,112,930</b>	P 2,045,600	P 1,426,739
Other unallocated income	<b>11,006</b>	16,311	-
Other unallocated expense	( <b>50,069</b> )	( 9,070 )	( 6,842 )
Operating profit as reported in profit or loss	<b>2,073,867</b>	2,052,841	1,419,897
Finance costs	( <b>1,019,277</b> )	( 968,682 )	( 804,138 )
Finance income	<b><u>207,688</u></b>	<u>7,554</u>	<u>3,395</u>
Profit before tax as reported in profit or loss	<b><u>P 1,262,278</u></b>	<u>P 1,091,713</u>	<u>P 619,154</u>
<b>Assets</b>			
Segment assets	<b>P 26,610,882</b>	P 34,647,343	
Deferred tax asset – net	<b>46,192</b>	-	
Elimination of intercompany accounts	( <b>119,036</b> )	( 3,720,735 )	
Total assets reported in the consolidated statement of financial position	<b><u>P 26,538,038</u></b>	<u>P 30,926,608</u>	
<b>Liabilities</b>			
Segment liabilities	<b>P 16,898,224</b>	P 24,530,268	
Deferred tax liabilities - net	<b>-</b>	93,713	
Elimination of intercompany accounts	( <b>122,280</b> )	( 3,720,735 )	
Total liabilities as reported in the consolidated statement of financial position	<b><u>P 16,775,944</u></b>	<u>P 20,903,246</u>	

### 31. COMMITMENTS AND CONTINGENCIES

#### *31.1 Capital Commitments*

As of December 31, 2016, the Group has commitments of more than P2,800.0 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 505 operating retail service stations as of December 31, 2016. An additional of 16 retail service stations are under various stages of completion as of December 31, 2016.

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.

#### *31.2 Unused LCs*

As of December 31, 2016 and December 31, 2015, the Parent Company has unused LCs amounting to P10,660.0 million and P8,500.8 million, respectively.

#### *31.3 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:

	<u>2016</u>	<u>2015</u>
Within one year	P 477,468,634	P 457,946,272
After one year but not more than five years	1,760,293,260	1,660,099,393
More than five years	<u>1,679,047,783</u>	<u>6,607,081,229</u>
	<u>P 3,916,809,677</u>	<u>P 8,725,126,894</u>

Total rent expense for the years 2016, 2015 and 2014 amounted to P638.6 million, P526.6 million and P390.4 million, respectively (see Note 22).

#### *31.4 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:

	<u>2016</u>	<u>2015</u>
Within one year	P 87,312,939	P 121,833,813
After one year but not more than five years	192,179,372	504,705,684
More than five years	<u>27,359,104</u>	<u>37,857,953</u>
	<u>P 306,851,415</u>	<u>P 664,397,450</u>

Rent income in 2016, 2015 and 2014 amounting to P97.3 million, P94.5 million and P47.5 million, respectively, is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

### ***31.5 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:

	2016		2015	
	Future MLP	PV of NMLP	Future MLP	PV of NMLP
Within one year	P 1,291,875	P1,265,272	P 4,654,654	P 4,480,716
After one year but not more than five years	-	-	1,293,363	1,187,762
	1,291,875	1,265,272	5,948,017	5,668,478
Amounts representing finance charges	( 26,603)	-	( 279,539)	-
Present value of MLP	<u>P 1,265,272</u>	<u>P1,265,272</u>	<u>P 5,668,478</u>	<u>P 5,668,478</u>

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 18.5).

### ***31.6 Charter Agreements***

In 2015 and 2014, 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 Maritime Industry Authority.

### ***31.7 Management Agreement with Transnational Uyeno Maritime, Inc. (TUMI)***

In 2014, CSC entered into a Ship Service Agreement with TUMI, a third party, whereby TUMI shall carry out technical services with respect to MT Chelsea Cherylyn as agent for and on behalf of CSC. TUMI's responsibilities include crew management, technical management, and arrangement for the supply of provisions.

In consideration for the services rendered by TUMI, CSC shall pay an annual technical ship services fee to the former, subject to annual review on each anniversary date of the Ship Service Agreement. Fees incurred arising from these transactions amounting to P9.2 million in 2015 and nil in 2014 are presented as part of Service fees under the Costs of Sales and Services account in the consolidated statements of comprehensive income (see Note 21.2). There are no outstanding liabilities as of December 31, 2015 and 2014.

### ***31.8 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 2015 consolidated statements of financial position (see Note 19). No additional loss was recognized related to this claim in the succeeding years. This account was derecognized as a result of the deconsolidation.

### ***31.9 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. On October 24, 2016, the Group received the decision of the Court of Appeals Denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA. As of January 25, 2017, the Court of Appeals has denied the Petitioner's Motion for Reconsideration and upheld the decision the Court on October 12, 2016.

A 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<sup>th</sup>) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the Supreme Court, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the Court of Appeals. As of the moment the petition is still pending with the Supreme Court.

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2016 and 2015, 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.





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**Report of Independent  
Certified Public Accountants  
to Accompany Supplementary Information  
Required by the Securities and Exchange  
Commission Filed Separately from the  
Basic Consolidated Financial Statements**

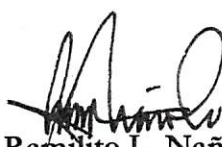
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**The Board of Directors**  
**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
Stella Hizon Reyes Road  
Barrio Pampanga, Davao City

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, 2016, on which we have rendered our report dated February 16, 2017. 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: **Ramilito L. Nañola**  
Partner

CPA Reg. No. 0090741  
TIN 109-228-427  
PTR No. 5908629, January 3, 2017, Makati City  
SEC Group A Accreditation  
Partner – No. 0395-AR-3 (until May 19, 2019)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

February 16, 2017

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
**LIST OF SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2016**

<i><u>Schedule</u></i>	<i><u>Description</u></i>	<i><u>Page</u></i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>2</u>
C	Amounts of Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>3</u>
D	Intangible Assets - Other assets	<u>4</u>
E	Long-Term Debt	<u>5</u>
F	Indebtedness to Related Parties (Long-term loans from related Companies)	<u>N/A</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>6</u>
I	Reconciliation of Retained Earnings Available for Dividend Declaration	<u>7</u>
J	Mapping of the Organization Structure	<u>8</u>
K	Schedule of Philippine Financial Reporting Standards	<u>9 - 11</u>

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
**Schedule A - Financial Assets**  
**DECEMBER 31, 2016**

<i>Description</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Loans and receivables:		
Cash and cash equivalents	P 2,338,780,526	P 2,338,780,526
Trade and other receivables - net*	8,039,947,280	8,039,947,280
Due from related parties	1,506,997,926	1,506,997,926
Restricted deposits	50,925,404	50,925,404
Refundable rental deposits	<u>140,817,250</u>	<u>140,817,250</u>
	<b><u>P 12,077,468,386</u></b>	<b><u>P 12,077,468,386</u></b>

Notes:

- 1.) Trade and other receivables excludes certain advances from suppliers and advances subject to liquidation.
- 2.) There are no other financial assets applicable to the group, except for loans and receivables.

**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, 2016**

<i>Name and Designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>			<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Non-current</i>	
P-H-O-E-N-I-XPhilippines Foundation, Inc. P	12,260,843	P 1,020,486	P 25,000	P -	P -	P -	P 13,256,329
Udenna Development Corporation	-	50,000,000	-	-	-	-	50,000,000
Chelsea Shipping Corporation	-	929,026	-	-	-	-	929,026
Phoenix Petroterminals and Industrial Park	-	942,812,571	-	-	-	-	942,812,571
Chelsea Logistics Corporation	-	500,000,000	-	-	-	-	500,000,000
	<b>P 12,260,843</b>	<b>P 1,494,762,083</b>	<b>P 25,000</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 1,506,997,926</b>

**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, 2016**

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Effects of Deconsolidation	Amounts written off	Current	Not Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc. <i>Advances to subsidiaries/ parent</i> <i>Advances to subsidiaries/ parent</i>	Philippine Global Mercantile, Inc. <i>(Advances to subsidiaries/ parent)</i> PFL Petroleum Management, Inc. <i>(Advances to subsidiaries/ parent)</i>	P 2,942,682 28,688,462	P 87,808 24,280,002	P 1,845,482 -	P - -	p - -	P 1,185,008 52,968,464	p - -	P 1,185,008 52,968,464
	Phoenix Petroterminals Industrial Park Corp. <i>(Advances to Related Parties)</i> Chelsea Shipping Corporation <i>(Advances to Related Parties)</i>	60,000,000 7,997,859	882,812,571 -	- -	( 942,812,571 ) ( 7,997,859 )	- -	- -	- -	- -
		<b>P 99,629,003</b>	<b>P 907,180,381</b>	<b>P 1,845,482</b>	<b>( P 950,810,430 )</b>	<b>p -</b>	<b>P 54,153,472</b>	<b>p -</b>	<b>P 54,153,472</b>
P-H-O-E-N-I-X Petroleum Philippines, Inc. <i>Trade and Other Receivables</i>	Philippine Global Mercantile, Inc. PFL Petroleum Management, Inc. Chelsea Shipping Corp. Phoenix Petroterminals Industrial Park Corp. Subic Petroleum Trading & Transport Phils., Inc. Bunkers Manila, Inc. Fortis Tugs Corporation PNX-Chelsea Shipping Corporation Michael Incorporated	p 676,315 68,461,820 349,217,848 63,336,728 - - 3,290,825 42,922,958 29,202,995	p 558,555 33,843,047 - - - - - - -	p - 48,107,986 - - - - - - -	P - - ( 349,217,848 ) ( 63,336,728 ) - - ( 3,290,825 ) ( 42,922,958 ) ( 29,202,995 )	P - - - - - - - - -	P 1,234,870 54,196,881 - - - - - - -	p - - - - - - - - -	P 1,234,870 54,196,881 - - - - - - -
		<b>P 557,109,489</b>	<b>P 34,401,602</b>	<b>P 48,107,986</b>	<b>( P 487,971,354 )</b>	<b>p -</b>	<b>P 55,431,751</b>	<b>p -</b>	<b>P 55,431,751</b>
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. <i>(Trade Receivables)</i> P-H-O-E-N-I-X Petroleum Philippines, Inc. <i>(Advances to Parent)</i> Chelsea Shipping Corp.	<b>P 658,875,435</b> 240,000,000 797,017	<b>P 410,311,365</b> 826,755,562 -	<b>P 399,494,217</b> 1,059,006,481 -	P - - ( 797,017 )	P - - -	P 669,692,583 7,749,081 -	P - - -	<b>P 669,692,583</b> 7,749,081 -
		<b>P 899,672,452</b>	<b>P 1,237,066,927</b>	<b>P 1,458,500,698</b>	<b>( P 797,017 )</b>	<b>p -</b>	<b>P 677,441,664</b>	<b>p -</b>	<b>P 677,441,664</b>
Phoenix Petroterminals Industrial Park Corp.	P-H-O-E-N-I-X Petroleum Philippines, Inc. Chelsea Shipping Corp. Bunkers Manila, Inc. PNX-Chelsea Shipping Corporation Fortis Tugs Corporation	p 6,681,633 4,488,487 122,444 278,764 193,237	P - - - - -	P - - - - -	( P 6,681,633 ) ( 4,488,487 ) ( 122,444 ) ( 278,764 ) ( 193,237 )	P - - - - -	P - - - - -	P - - - - -	P - - - - -
		<b>P 11,764,565</b>	<b>P -</b>	<b>P -</b>	<b>( P 11,764,565 )</b>	<b>p -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Chelsea Shipping Corp.	P-H-O-E-N-I-X Petroleum Philippines, Inc. Phoenix Petroterminals Industrial Park Corp. Subic Petroleum Trading & Transport Phils., Inc.	P 191,410,769 1,126,655 912,694	P - - -	P - - -	( P 191,410,769 ) ( 1,126,655 ) ( 912,694 )	P - - -	P - - -	P - - -	P - - -
		<b>P 193,450,118</b>	<b>P -</b>	<b>P -</b>	<b>( P 193,450,118 )</b>	<b>p -</b>	<b>p -</b>	<b>p -</b>	<b>P -</b>
Michael Incorporated	P-H-O-E-N-I-X Petroleum Philippines, Inc.	<b>P 4,630,308</b>	<b>P -</b>	<b>P -</b>	<b>( P 4,630,308 )</b>	<b>p -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Fortis Tugs Corporation	P-H-O-E-N-I-X Petroleum Philippines, Inc.	<b>P 367,600</b>	<b>P -</b>	<b>P -</b>	<b>( P 367,600 )</b>	<b>p -</b>	<b>P -</b>	<b>p -</b>	<b>P -</b>
PNX-Chelsea Shipping Corporation	P-H-O-E-N-I-X Petroleum Philippines, Inc.	<b>P 73,875,704</b>	<b>p -</b>	<b>P -</b>	<b>( P 73,875,704 )</b>	<b>p -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
PFL Petroleum Management, Inc. <i>Trade and Other Receivables</i>	P-H-O-E-N-I-X Petroleum Philippines, Inc.	<b>P 1,737,250</b>	<b>P 1,781,399</b>	<b>P 1,563,889</b>	<b>p -</b>	<b>p -</b>	<b>P 1,954,760</b>	<b>p -</b>	<b>P 1,954,760</b>

Terms and conditions:

All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
**Schedule D - Intangible Assets - Other Assets**  
**DECEMBER 31, 2016**

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deductions</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Other Non-Current assets						
Goodwill	P 84,516,663	P -	P -	P -	( P 74,294,814 )	P 10,221,849
Basketball franchise	-	176,861,660				176,861,660
Computer software licenses	69,537,240	22,398,071	14,919,612	-	16,423,389	93,439,088
Software cost	2,847,221	3,715,178	2,759,351	-	-	3,803,048
Others	-	933,694	-	-	-	933,694
<b>TOTAL</b>	<b><u>P 156,901,124</u></b>	<b><u>P 203,908,603</u></b>	<b><u>P 17,678,963</u></b>	<b><u>P -</u></b>	<b><u>( P 57,871,425 )</u></b>	<b><u>P 285,259,339</u></b>

**Explanation:**

*Charged to cost and expenses under goodwill was because of disposals due to deconsolidation;*

*Charged to cost and expenses under Computer Software Licenses was due to transfers from Property, Plant and Equipment.*

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
**Schedule E - Long-Term Debt**  
**DECEMBER 31, 2016**

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Terms</i>
<i>Installment, notes and loans payable</i>				
<i>Foreign-currency denominated</i>				
Maybank International, Ltd.	\$ 10,000,000	P 99,626,000	P 249,065,000	Interest rate of 6.81%, five-year term, due on April 30, 2020
<i>Peso-denominated</i>				
China Banking Corporation	P 2,500,000,000	P 1,445,318,730	-	Interest rate of 7.75%, five-year term, maturing on November 12, 2017
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.0179%, five year term, maturing on, August 18, 2021
Philippine National Bank	1,000,000,000	1,000,000,000	-	Interest rate of 4.35%, maturing on April 6, 2017
Philippine Business Bank	900,000,000	900,000,000	-	Interest rate of 4.00%, maturing on December 15, 2017
BDO Private Bank Inc.-Wealth	500,000,000	500,000,000	-	Interest rate of 3.00%, maturing on February 8, 2017
BDO Unibank, Inc.	500,000,000	500,000,000	-	Interest rate of 4.00%, maturing on February 17, 2017
Philippine Veterans Bank	500,000,000	500,000,000	-	Interest rate of 4.50%, maturing on April 19, 2017
United Coconut Planters Bank	500,000,000	200,000,000	-	Interest rate of 4.25%, maturing on August 9, 2017
BDO Private Bank Inc.-Wealth	300,000,000	300,000,000	-	Interest rate of 4.25%, maturing on January 4, 2017
Development Bank of the Philippines	300,000,000	300,000,000	-	Interest rate of 3.25%, maturing on January 26, 2017
Development Bank of the Philippines	300,000,000	300,000,000	-	Interest rate of 3.25%, maturing on March 9, 2017
Metropolitan Bank and Trust Company	300,000,000	300,000,000	-	Interest rate of 3.50%, maturing on January 18, 2017
Robinsons Bank Corporation	300,000,000	300,000,000	-	Interest rate of 3.875%, maturing on January 23, 2017
Metropolitan Bank and Trust Company	200,000,000	200,000,000	-	Interest rate of 3.25%, maturing on March 7, 2017
Philippine Bank of Communications	200,000,000	200,000,000	-	Interest rate of 4.39%, maturing on February 10, 2017
Philippine Business Bank	100,000,000	100,000,000	-	Interest rate of 4.00%, maturing on April 4, 2017
Robinsons Bank Corporation	100,000,000	100,000,000	-	Interest rate of 3.875%, maturing on January 19, 2017
Robinsons Bank Corporation	500,000,000	100,000,000	300,000,000	Interest rate of 5.79%, five-year term, maturing on September 12, 2020
BDO Private Bank, Inc.	500,000,000	500,000,000	-	Interest rate of 4.25%, with a tenor of 548 days, maturing on April 7, 2017
Philippine National Bank	500,000,000	100,000,000	325,000,000	Interest rate of 6.2105%, five-year term, maturing on January 2, 2021
Maybank Philippines, Inc.	300,000,000	45,000,000	-	Interest rate of 5.5%, five-year term, maturing on July 26, 2017
BPI Leasing Corporation	30,902,278	1,265,371	-	Interest rates ranging from 6.93% to 10.25% per annum with terms of 60 months.
Robinsons Bank Corporation	50,000,000	-	47,500,000	Interest rate of 7.70%, five-year term, maturing on August 23, 2018
Total Installment, notes and loans payable	P 11,380,902,278	7,891,584,101	1,672,500,000	
<b>TOTAL</b>		<b>P 7,991,210,101</b>	<b>P 1,921,565,000</b>	

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries  
Schedule H - Capital Stock  
December 31, 2016

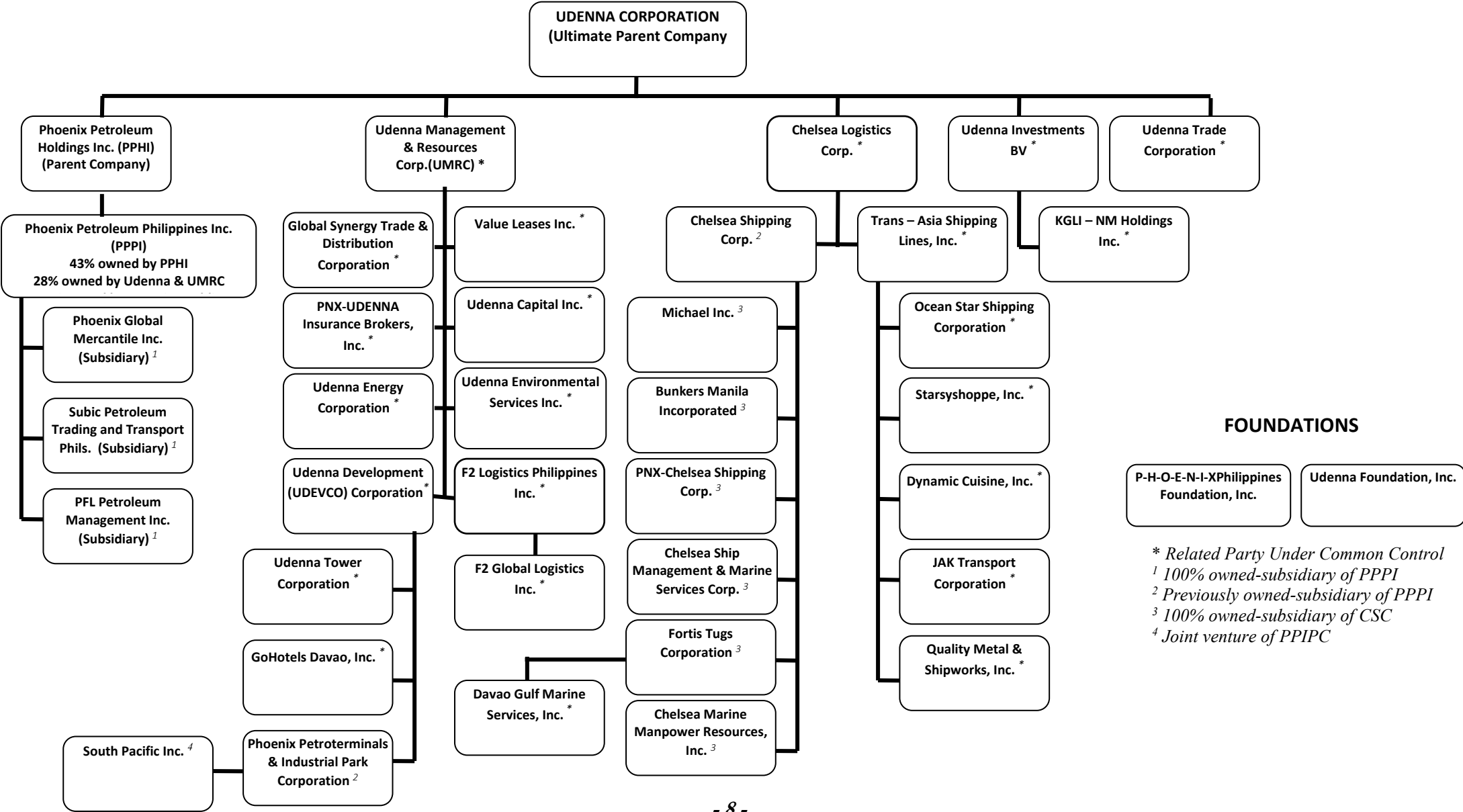
<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Preferred shares - P1 par value						
Non-voting, non-participating, non-convertible into common shares						
Issued and outstanding - 25,000,000	50,000,000	25,000,000	-	-	-	25,000,000
Common shares - P1 par value						
Issued and outstanding - 1,374,383,932	2,500,000,000	1,374,383,932	-	987,541,137	316,300	386,526,495



**P-H-O-E-N-I-X Petroleum Philippines, Inc.**  
**Stella Hizon Reyes Road, Barrio Pampanga, Davao City**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2016**

<b>UNAPPROPRIATED RETAINED EARNINGS, BEGINNING</b>		<b>P</b>	<b>2,030,144,739</b>
<b>Net Profit based on the audited Statement of Comprehensive Income</b>	<b>P</b>	<b>1,194,853,576</b>	
<b>Less: Non-actual/unrealized income net of tax</b>			
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	(	181,280,450 )	
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument	(	203,289 )	
<b>Subtotal</b>	(	181,483,739 )	
<b>Add: Non-actual losses</b>			
Other unrealized gains or adjustment to retained earnings as a result of day one loss on financial instrument		231,343	
<b>Net income actually earned during the period</b>		<u>1,013,601,180</u>	<b>1,013,601,180</b>
<b>Add/Less:</b>			
Dividend declarations during the period:			
Common shares cash dividends	(	114,302,179 )	
Preferred shares cash dividends	(	194,910,000 )	( 309,212,179 )
Treasury shares			( <u>335,679,783</u> )
<b>UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING</b>			<b><u>P 2,398,853,957</u></b>

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES  
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE  
DECEMBER 31, 2016



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

**Schedule of Philippine Financial Reporting Standards and Interpretations  
Adopted by the Securities and Exchange Commission and the  
Financial Reporting Standards Council as of December 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
<b>Practice Statement Management Commentary</b>			✓	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments 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			
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* ( <i>effective January 1, 2018</i> )		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> ( <i>effective January 1, 2018</i> )			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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* ( <i>effective when PFRS 9 is first applied</i> )			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments (2014)* ( <i>effective January 1, 2018</i> )		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> )			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
<b>PFRS 12</b>	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	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 16</b>	Leases* ( <i>effective January 1, 2019</i> )		✓	

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

**Schedule of Philippine Financial Reporting Standards and Interpretations  
Adopted by the Securities and Exchange Commission and the  
Financial Reporting Standards Council as of December 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<i><b>Philippine Accounting Standards (PAS)</b></i>				
<b>PAS 1 (Revised)</b>	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	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* ( <i>effective January 1, 2017</i> )		✓	
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events After the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* ( <i>effective January 1, 2017</i> )		✓	
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Revised)</b>	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
<b>PAS 28 (Revised)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> )		✓	
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings Per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

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

**Schedule of Philippine Financial Reporting Standards and Interpretations  
Adopted by the Securities and Exchange Commission and the  
Financial Reporting Standards Council as of December 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 39</b>	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	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<b><i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i></b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
<b>IFRIC 6</b>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes	✓		
<b>IFRIC 14</b>	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**	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners**	✓		
<b>IFRIC 18</b>	Transfers of Assets from Customers**	✓		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments**	✓		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine**			✓
<b>IFRIC 21</b>	Leases	✓		
<b><i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i></b>				
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services**	✓		
<b>SIC-32</b>	Intangible Assets - Web Site Costs**	✓		

\* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

\*\* These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**  
**Financial Soundness Indicators**  
**December 31, 2016**

		Amount		Ratio	
		2016	2015	2016	2015
A) LIQUIDITY RATIOS					
1	Current Ratio:				
	Current Assets	17,012,189,450	17,039,531,659	1.17	1.14
	Current Liabilities	14,595,794,902	15,001,170,902		
2	Quick Ratio:				
	Current Assets - Inventories	14,013,409,304	14,400,916,971	0.96	0.96
	Current Liabilities	14,595,794,902	15,001,170,902		
3	Cash Ratio:				
	Cash and Cash Equivalents	2,338,780,526	1,631,788,201	0.16	0.11
	Current Liabilities	14,595,794,902	15,001,170,902		
B) SOLVENCY RATIOS					
1	Solvency Ratio:				
	After Tax Net Profit + Depreciation	2,094,563,338	1,727,601,960	0.12	0.08
	Long term liabilities + Short term Liabilities	16,775,944,188	20,903,245,879		
2	Debt to Equity Ratio:				
	Total Liabilities	16,775,944,188	20,903,245,879	1.72	2.09
	Equity	9,762,093,733	10,023,362,183		
3	Debt Service Coverage Ratio				
	Net Operating Income	2,529,327,659	2,585,284,077	2.06	1.91
	Net Interest Expense + Long-term repayments	1,230,719,493	1,352,697,696		
C) ASSET TO EQUITY RATIO					
	Total Assets	26,538,037,921	30,926,608,062	2.72	3.09
	Equity	9,762,093,733	10,023,362,183		
D) INTEREST RATE COVERAGE RATIO					
	Earnings Before Interest and Taxes	2,125,677,159	1,878,641,537	2.46	2.39
	Interest Expense	863,399,371	786,929,274		
E) PROFITABILITY RATIOS					
1	Gross Profit Margin:				
	Sales - Cost of Goods Sold	5,452,718,777	4,789,783,460	0.18	0.16
	Sales	30,576,668,006	30,053,839,144		
2	Return on Assets:				
	Net Income	1,103,227,457	1,112,926,036	0.04	0.04
	Total Assets	26,538,037,921	30,926,608,062		
3	Return on Equity:				
	Net Income	1,103,227,457	1,112,926,036	0.11	0.11
	Equity	9,762,093,733	10,023,362,183		

*To be an indispensable partner in the journey of everyone  
whose life we touch.*

05 January 2017

**Hon. Vicente Graciano P. Felizmenio, Jr.**  
Director, Market and Securities Regulation Department  
Securities & Exchange Commission  
EDSA, Greenhills  
Mandaluyong City

**Dear Dir. Felizmenio:**

Pursuant to SEC Memorandum Circular No. 1, Series of 2014, we would like to inform the Commission of the Summary of Attendance of the Company's Directors for the term 2016-2017 as follows:

Board	Name	Date of Election	No. of Meetings Held During the Year	No. of Meetings Attended	%
Chairman	Domingo T. Uy	18 Mar 2016	4	4	100%
Member/President	Dennis A. Uy	18 Mar 2016	4	4	100%
Member/COO	Romeo B. De Guzman	18 Mar 2016	4	4	100%
Member/CFO	Joseph John L. Ong	18 Mar 2016	4	4	100%
Member	Cherylyn C. Uy	18 Mar 2016	4	4	100%
Member/Corp. Sec	Socorro Ermac Cabrereros	18 Mar 2016	4	4	100%
Member	Carolina Inez Angela S. Reyes	18 Mar 2016	4	2	50%
Member	Paul G. Dominguez	18 Mar 2016	4	4	100%
Member	J.V. Emmanuel A. De Dios	18 Mar 2016	4	4	100%
Independent Dir.	Consuelo Ynares Santiago	18 Mar 2016	4	4	100%
Independent Dir.	Monico V. Jacob	18 Mar 2016	4	3	75%

Very truly yours,

  
**SOCORRO ERMAC CABREROS**  
Corporate Secretary

Conforme: **DENNIS A. UY**  
President

**HEAD OFFICE:** Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines  
Trunkline: +63 (82) 235-0808  
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 Magukay Gasoline Station, M.C. Briones St., National Highway, Magukay, Mandaue City, Cebu 6014, Philippines  
Tel. No.: +63 (32) 236-8168 / 236-8198

Republic of the Philippines)  
City of Davao S.S.  
X----- X

ANNEX D

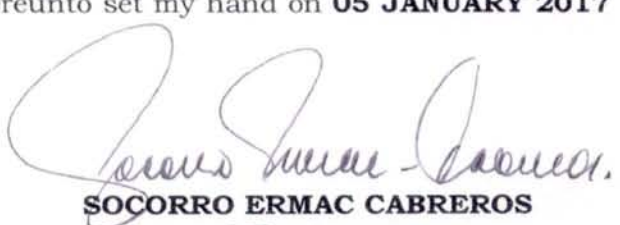
**CERTIFICATION**

I, **SOCORRO ERMAC CABREROS**, Filipino, of legal age, married and with office address at Phoenix Bulk Depot, Stella Hizon Reyes Road, Bo. Pampanga, Davao City, Philippines, after having been duly sworn to in accordance with law hereby depose and say that:

1. I am the Corporate Secretary of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**, a domestic corporation duly existing and registered under and by virtue of the laws of the Republic of the Philippines with office address at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines;
2. I hereby certify that in the year 2016, the company has substantially complied with the provisions of its Manual of Corporate Governance;
3. There are no changes in the Company's Manual of Corporate Governance;
4. This Certification is issued in compliance with the reportorial requirement of the Securities and Exchange Commission.

**IN WITNESS WHEREOF**, I have hereunto set my hand on **05 JANUARY 2017** at Davao City, Philippines.

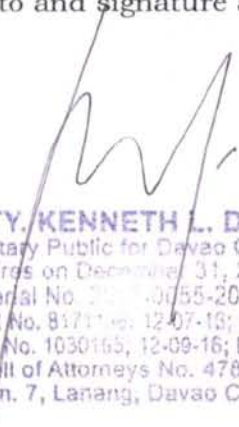
Conforme: DENNIS A. UY  
President

  
**SOCORRO ERMAC CABREROS**  
Affiant

**SUBSCRIBED AND SWORN TO** before me on **05 JANUARY 2017** in Davao City, Philippines. Affiant has confirmed her identity by presenting her competent evidence of identity which is her Driver's License with No. N17-83-002964, issued on Feb. 02, 2015 in Davao City, Philippines containing her photo and signature and that she further attests that the same is true and correct.

Doc. No. 121  
Page No. 25  
Book No. 81  
Series of 2017



  
**ATTY. KENNETH L. DABI**  
Notary Public for Davao City  
Expires on December 31, 2018  
Serial No. 25-0055-2018  
PTR No. 8171149; 12-07-13; D.C.  
IBP No. 1030165; 12-09-16; D.C.  
Roll of Attorneys No. 47866  
Km. 7, Lanang, Davao City