14 April 2016

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange Plaza
3/F PSE Plaza
Ayala Triangle Plaza
Ayala Ave., Makati City

Dear *Ms. Encarnacion:*

We are herewith submitting our Sec Form 17-A Annual Report for period ended 31 December 2015 in accordance with the Securities Regulations Code and the Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Socorro Ermac-Cabreros

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET

A	2	0	0	2	0	7	2	8	3

S.E.C. Registration Number

		P-	H-	O-	E-	N-	I-	X		P	E	T	R	O	L	E	U	M		
			P	H	I	L	I	P	P	I	N	E	S		I	N	C.			

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

(Company's Full Name)

S	T	E	L	L	A		H	I	Z	O	N		R	E	Y	E	S		R	D
	B	O.		P	A	M	P	A	N	G	A		L	A	N	A	N	G		
					D	A	V	A	O		C	I	T	Y						

(Business Address: No. Street City / Town / Province)

Dennis A. Uy
Contact Person

(082) 233-0168
Company Telephone Number

1	2		3	1

Month / Day
Fiscal Year Ending

SEC Form 17-A
FORM TYPE

June — Last Thursday
Month / Day
Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1.	For the period ended:	31 December 2015
2.	SEC identification number:	A200207283
3.	BIR Tax Identification No.	006-036-274
4.	Exact name of issuer as specified in its charter	P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6.	Industry Classification Code:	(SEC Use Only)
7.	Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
	Postal Code:	8000
8.	Issuer's telephone number, including area code:	(082) 235-8888
9.	Former name, former address and former fiscal year, if changed since last report:	Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,428,777,232
PREFERRED	25,000,000

Amount of Debt Outstanding as of December 31, 2015:	Php 20,903,245,879.00

11.	Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
	If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange Common shares Preferred shares

12. Check whether the issuer has:

(a)	has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b)	has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

The Consolidated Financial Statements as of and for the year ended December 31, 2014 and 2015

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PART I – BUSINESS AND GENERAL INFORMATION

1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.00% 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 engaged in trading of petroleum products on wholesale and retail basis and operating of gas stations, oil depots, storage facilities and allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

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

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

The Parent Company has a total of 454 operating retail service stations, and a total of 51 service stations under construction as of December 31, 2015.

1.1 Subsidiaries, Associate and their Operations

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

Subsidiaries/ Associate	Explanatory Notes	Percentage of Ownership **2015**	2014
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%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	(c)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(d)	**100.00%**	100.00%

Chelsea Shipping Corp. (CSC)	(e)	**100.00%**	100.00%
Bunkers Manila, Inc. (BMI) *	(f)	**100.00%**	100.00%
Michael Inc. (MI)*	(g)	**100.00%**	100.00%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	(h)	**100.00%**	100.00%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)*	(i)	**100.00%**	100.00%
Fortis Tugs Corporation (FTC)*	(j)	**100.00%**	100.00%
Norse/Phil Marine Services Corp. (NPMSC)**	(k)	**-**	45.00%
South Pacific, Inc. (SPI)***	(l)	**50.00%**	-

**Wholly-owned subsidiaries of CSC*
***Associate of CSC*
**** Joint venture of PPIPC see comments above.*

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

(a) Engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the Securities and Exchange Commission (SEC) on January 31, 2007.

(b) Registered with the SEC on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI temporarily ceased its operation in 2008 and has resumed its business in October 2015.

(c) Engaged in real estate development and was registered with the SEC on March 7, 1996. 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).

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

(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.

(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. Also engaged in the trading of fuel oil.

(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.

(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.

(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.

(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, the 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. see notes above

1.2 Other Corporate Information

The registered office and principal place of business of the subsidiaries, except those presented in the below, 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	–	Puting Bato West, Calaca, Batangas see related notes above

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

PPIPC's registered office is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

Operational Highlights

Sales: Leading Independent Player in the Industry

Retail

The Company is committed to delivering consistent and reliable customer service through quality products, clean stations, and attentive forecourt service.

- Solid position as the leading independent oil player, with 454 stations nationwide: 193 in Luzon, 56 in Visayas, and 205 in Mindanao. With a market share of 4.6%, the Company strengthened its position as the number one independent and the fourth biggest player in the oil industry.

- By the end of 2015, the Company's fuel products were Euro-4 standard, compliant to the government's mandate of low sulfur fuels to reduce emission from cars.

- The Company also started refurbishing stations in key locations, and will continue to do so in the next years as the Company upgrades and standardizes the look of its stations.

- A major project launched was the 10-Point Forecourt Service Steps to standardize the service the Company's retail stations provide to motorists across its stations nationwide. This is also a program to professionalize the services provided by its forecourt crew.

- In 2015, the Company carried out three national promos: purchase of limited edition Pacquiao shirts leading up to the Manny Pacquiao-Floyd Mayweather fight; free box of paracetamol from The Generics Pharmacy for a minimum fuel purchase; and purchase of limited edition NBA Jersey Drawstring Bags. The Company also held various local promotions in several stations to engage with loyal motorists.

- Phoenix stations are envisioned to be one-stop destinations for conveniences aside from fuel and lubricants. It continues to build partnerships with established and new brands of restaurants, fast food outlets, convenience stores, and other services. These include McDonald's, Jollibee, Shakey's, Pizza Hut, Lido Cosina Tsina, Mini-Stop, 7-Eleven, Family Mart, and many homegrown enterprises.

- The Company also started a partnership with Don Bosco Technical Institute (DBTI) where it hired and assigned their on-the-job trainees to four Phoenix stations for five months. This helps provide the Company's dealers with capable and skilled servicemen to operate their service bays and provide another service to drivers. The Company also helps DBTI in their advocacy to train and provide work for these youth.

- In recognition of the Company's retail business growth, Phoenix Petroleum was awarded the "Outstanding Filipino Franchise in Retail – Large Store" in the 2015 Franchise Excellence Awards (FEA). FEA is the most distinguished award in the franchising sector, given to businesses that epitomize excellence in business growth and ethical practices. It is organized by the Philippine Franchise Association and the Department of Trade and Industry in cooperation with the Philippine Retailers Association and the Philippine Chamber of Commerce and Industry. The Company was recognized for being a successful and fast-growing homegrown company in an industry dominated by majors, serving as an inspiration that provincial brands can be national players.

Commercial

Phoenix fuels vital industries such as power, construction, transport, mining, fishing, and manufacturing. The Company continues to be aggressive in acquiring new accounts and retaining existing clients through focused account management and customized service.

- With commercial and industrial clients, the Company started serving blended fuel oils to serve the power generation industry, marine, and other fuel oil users. To support the growing reach to fuel oil users, the Company is expanding its storage capacity and other logistics.

- 10 years of partnership with Cebu Pacific as their major supplier of Jet-A1 fuel nationwide. Cebu Pacific is the largest domestic airline operator in the country.

- Enhanced product quality assurance and setting-up of laboratories in the Company's various locations.

- Provision of technical assistance to clients through site visits and product knowledge workshops

- Building for long-term business

Lubricants

For the year 2015, the Lubricants group made several strategic moves to increase profit and distribution.

- Updated the Company’s line of lubricants and began to roll out the new products and revitalized packaging by year-end. This introduces to the market Phoenix lubricants that look modern, competitive, and consistent with industry standards.
- The Company now has three major lubricant product lines: Phoenix Accelerate Gasoline Engine Oil for speed and power, Phoenix Zoelo Heavy Duty Diesel Engine Oil for extended engine life, and Phoenix Cyclomax Motorcycle Oil for protection of engines. Other specialty products, greases, and automotive gear oils have also been enhanced in quality and packaging.
- Implemented new pricing structure across retail, commercial and high street (HS) that is market based
- Operationalized new distributor management processes from order timing, invoice crediting and credit term revision designed for distributor's growth.
- Partnered with F2 Logistics in outsourcing our warehousing & logistics and transfer of the Company’s Lube Oil Blending Plant
- - Ended the year with 17 distributors and filled up area distribution gapsThe rollout of the new and revitalized products will be completed in 2016, bringing to Phoenix motorists, business partners, and commercial and industrial clients a line of high-quality and competitively-priced Phoenix lubricants.

Marketing and Brand Activities:

ENGAGING THE DIGITAL GENERATION

The internet and social media have become this generation’s meeting places, where people express themselves and freely share their opinions. The Company’s various brand and marketing initiatives in 2015 tapped the digital space to reach the millennial generation.

Leading up to and during the much-anticipated fight between Manny Pacquiao and Floyd Mayweather, the Company encouraged conversations using the hashtag #KayMannyKami, to show solidarity to our boxing hero, win or lose. This was complemented by a national promo selling special edition Pacquiao shirts at Phoenix stations, a roving standee of Pacquiao, and special viewing parties in Davao, Cebu, Bacolod, and Metro Manila.

The Company also sponsored the successful 1st UFC Fight Night in Manila, with a Fighter Tour of Alistair Overeem and a raffle of UFC tickets and items to our retail patrons in Metro Manila. Consistent with the Company's drive to fuel dreams through sports, the Company supported two amateur fighters, Jimboy Malita and Gelli Bulaong, and documented their mixed martial arts journey in three online videos, "Chase the Dream," "Live the Dream," and "Fuel the Dream." These three videos won a Silver Anvil Award.

As the official fuel partner of the NBA, the Company supported the Jr. NBA and Jr. WNBA in Bacolod, the NBA 3X Philippines, and arranged a meet and greet with NBA star Danny Green at the Phoenix San Dionisio, Paranaque station with customers.

In December, marking the Company's 10th anniversary as a brand, a new campaign was launched, "Trip Natin 'To" to express the Company's aspiration to be part of the many journeys of Filipinos across the country.

Supply, Operations, and Logistics

The Company continues to build its supply and distribution network to ensure safe, timely, and efficient handling and delivery of our products.

- Its nine (9) terminals and depots in strategic locations enables the Company to serve its growing retail and industrial accounts across the country.

- Expansion of storage and improvement of facilities in our depots and terminals nationwide

- Completion of newest depot in Calapan, Oriental Mindoro, commissioned in March, enhances the Company's capacity to serve the south Luzon market. From Davao City and Calaca, Batangas, the Company began to deliver blended fuel oils to our industrial customers.

- Improving supply chain performance through integrated supply chain operating system, inventory control and forecasting accuracy, and distribution resource planning. Performance is measured in terms of safety in operations, on-time delivery, and total end-to-end supply chain costs.

- Safety remains a priority, which is why the Company is strengthening its safety and product handling trainings not only to its own people, but also to its business partners, haulers, and drivers. A series of Product Unloading Workshops were conducted to station dealers, commercial clients, and designated receivers with the goals of reducing errors when unloading products and to ensure safety and preparedness.

- In 2015, the Company marked a safety milestone of 1.69 million man-hours without loss time injury, an important safety achievement for the company.

- Centralization of the Scheduling unit to serve all depots and terminals, with the goal of delivering within the standard lead time. In the next year, the Company will acquire more lorries to serve our growing retail and commercial accounts.

- The Company continues to upgrade its facilities to improve safety, operational efficiency, and to meet industry standards.

Operations, Logistics and Engineering

The Company achieved and exceeded target goals in operational startup in new depots, and expanded its storage capacities in Luzon, Visayas, and Mindanao, with special attention to “Greenfields” targets for dealer and retail outlet growth. The Company additionally upgraded supportive facilities and Human Resource capabilities to keep pace with the current growth of business.

Retail Engineering continues to enhance retail station standards in cooperation with the Brand and Marketing Group.

These infrastructure and HR developments are designed to accommodate predicted growth patterns for both commercial and consumer sales and will assure that growth is not limited by logistical issues.

One example is storage capacity of 276 million liters with lined-up expansion and additions in 2016. These are spread in locations such as Calaca in Batangas, Cagayan de Oro City, Davao City, Subic in Pampanga, Zamboanga City, Cebu City, New Washington in Aklan, in Bacolod City, and the newly inaugurated storage facility in Calapan, Mindoro.

The Company completed capacity expansion for Cagayan de Oro to further support growth. Construction of Depots in General Santos City and Cebu City is expected to be completed within 2016.

Customer-specific logistical development is a core strategy of the Company. Since 2005, a customer-specific logistics development strategy has supported its role as the exclusive logistics provider of leading budget carrier, Cebu Pacific Airlines, in all its Mindanao destinations. The Company also expanded its logistics service to Cebu Pacific in areas in Visayas namely, Cebu, Kalibo, Ilo-ilo, Caticlan and Tacloban.

Our Subsidiaries and Operations

The subsidiary companies and the services they provide to the Company have always been a part of its vertical strategy that has allowed it to successfully navigate the future of the deregulated downstream energy business in the Philippines. These subsidiaries and their relationships to the Company have created a symbiotic value creation and growth process for both subsidiary and parent.

Phoenix Petroterminals and Industrial Park Corp. (PPIPC)

PPIPC is the developer of Phoenix Petroterminals & Industrial Park (PPIP) located in Calaca, Batangas. The industrial park covers 94 hectares of land, spanning the three barangays Salong, Puting Bato West, and Lumbang Calzada in Calaca. It hosts the biggest depot nationwide of Phoenix Petroleum. It is also home to the steel manufacturing plant of Steel Asia Manufacturing, power plant of South Luzon Thermal Energy Corp., bulk solid warehouse of Arvin International Marketing, and the chemical storage facilities of Asian Chemicals Corporation and Philippine Prosperity Chemicals.

PPIP operates an ISPS-compliant, multi-purpose port facility capable of accommodating up to 60,000 DWT vessels with draft of 14 meters. The port caters to both domestic and international cargoes composed mainly of petroleum products, coal, salt in bulk, steel billets, industrial chemicals and molasses.

In 2015, PPIPC grew its net income to Php 190 million, a 387% jump from Php 39 million in 2014.

Gross lot sales for 2015 was recorded at Php 454 million. Two major lot sales were to South Pacific, Inc. (SPI) which bought 4.4 hectares to put up an LPG storage facility, and to McMAI which purchased 1.1 hectares to build storage tanks for its sulfuric acid importations.

Port volume of PPIP grew by 80% from 1,045,661 MT in 2014 to 1,885,242 MT in 2015 brought about by the full commercial operations of SLTEC's 2 x 135MW power plant, growth in the real estate sector for SteelAsia's steel plant, and increased volume of Phoenix Petroleum. Consequently, port revenues also grew by 85% from Php 75 million in 2014 to Php 139 million in 2015.

With the growth from existing locators and the forthcoming volumes of prospective locators, PPIP will embark on another expansion of its port facility at Phase I that will increase the pier deck by another 70 meters from the existing 192 meters, and construct additional breasting dolphins and mooring dolphins.

With this development, the port facility at Phase I will be able to handle two handy-max vessels with length over all (LOA) of 200 meter each at the same time at its outer berths. Target completion is within 18-22 months. After completion, PPIP will be able to handle and accommodate more shipments, allow faster discharging, and reduce waiting time.

PPIP is ideal to host light to heavy industries, especially those that are heavily reliant on water transport. Site visits and inquiries are welcome for companies that are looking for an ideal site for their warehouse, storage tanks and manufacturing plants. As of end 2015, about 43 hectares are still available for sale or for lease from interested locators.

Chelsea Shipping Corporation (CSC)

In September 2012, Company acquired the entire outstanding capital stock of Chelsea Shipping Corporation from Udenna Management & Resources Corp., making CSC a wholly-owned subsidiary of PPPI.

The acquisition ensures control of product supply and minimizes and eliminates potential risk of current and future supply and distribution disruptions due to scarcity of tanker vessels.

The Chelsea Shipping Group is composed of Chelsea Shipping Corporation and its subsidiaries Bunker Manila, Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs, and PNX-Chelsea Shipping.

Chelsea Shipping is one of the top five major petroleum tanker owners in the country, serving Phoenix Petroleum Philippines, Inc., Cebu Pacific Air, Petron, Seaoil, Marine Fuels, and Batangas Bay Carriers, among other companies, and sailing on local and regional seas.

In 2015, the Group posted income of Php 129 million, up 36% from Php 95 million the previous year.

In March 2015, CSC took delivery of M/T Chelsea Denise II, the 12th vessel in the Chelsea Shipping Fleet. This 94 meter LOA Tanker Vessel has a DWT of 4,000 MT.

The Chelsea Shipping Fleet currently has 12 vessels with a total capacity of 48,468 MT. These vessels are M/T Chelsea Thelma, M/T Chelsea Cherylyn, M/T Chelsea Denise, M/T Chelsea Resolute, M/T Chelsea Intrepid, M/T Chelsea Enterprise and M/T Excellence (M/T Vela) owned by Chelsea Shipping Corp. (CSC), M/T Ernesto Uno and M/T Jasaan owned by Michael,Inc.; M/T Patricia owned by Bunkers Manila, Inc., M/T Chelsea Donatela and M/T Chelsea Denise II owned by PNX-Chelsea Shipping Corp.

The Chelsea Shipping Fleet is being managed by Chelsea Ship Management & Marine Services Corp. (CSMMSC), with the exception of M/T Chelsea Cherylyn, which is under ship management of Transnational Uyeno Maritime, Inc. CSMMSC is a wholly-owned subsidiary of CSC, which was incorporated in March 30, 2012.

The entire Chelsea Fleet is classed by reputable Classification Associations:

* IACS Class Bureau Veritas -	M/T Chelsea Cherylyn, M/T Chelsea Donatela, M/T Chelsea Thelma and M/T Chelsea Denise II
* Ocean Register of Shipping -	M/T Chelsea Resolute, M/T Chelsea Denise, M/T Chelsea Excellence, M/T Chelsea Intrepid, M/T Ernesto Uno and M/T Jasaan

* Filipino Vessels Classification System Inc. - M/T Chelsea Enterprise

In line with the company's vision to upgrade its entire fleet to comply with international standards, M/T Patricia, M/T Chelsea Intrepid, M/T Chelsea Cherylyn and M/T Chelsea Thelma are SIRE-compliant. The other remaining vessels of the Fleet are presently undergoing inspection by a SIRE-accredited inspector for SIRE qualification.

Three vessels of the Chelsea Fleet – M/T Chelsea Cherylyn, M/T Chelsea Thelma and M/T Chelsea Donatela – are registered with the Board of Investments and enjoy BOI incentives including Income Tax Holiday incentive.

For its newest vessel, M/T Chelsea Denise II, an application for registration with the BOI has been filed and is pending approval.

For 2016 and onwards, CSC plans to use its larger vessels for chartering locally or regionally.

Health, Safety, Security, and Environment:
Making safety a way of life

The Company aims to build a safety-conscious culture that is deeply engrained and readily apparent in every way a Phoenix employee thinks and performs his or her job in the workplace.

It envisions to address occupational health, safety, security, and environmental management issues and concerns and effectively integrate them in the top management's day-to-day business decision-making processes and strategic planning.

The formalization of its HSE policy in 2010 signifies top management's full commitment in supporting and promoting HSE management programs and initiatives.

Its goal is to achieve a zero-accident operation. To attain this, the Company inculcates upon all its employees, *safety as a way of life*. That it is everyone's responsibility. Also, the Company provides continuing education and comprehensive training on safe work practices and operational competence. Employees are evaluated on their compliance through HSE audits and reviews.

More HSE programs and documents are underway, such as a Safety Orientation Program for New Hires, Work Permitting Program, Accident/Incident Investigation and Reporting System, Emergency Response Organization, Bulk Receiving Operations, Tank Truck Loading Operations, and Tank Truck Delivery Operations. New HSE programs will continue to be developed and written as deemed necessary. The highlights of HSE programs and activities are as follows:

- The continued process of attaining a safety culture within the company premises.
- The continuing conduct of safety orientations for new employees and those who have worked continuously for 2 years.
- Mandatory continuing safety training of forecourt personnel in service stations.
- Trainings provided to depot personnel in terms of operational knowledge in accordance with the company's ISO certified procedures, fire safety, and response team organization.
- Incident reporting made a standard program for all employees to ensure that necessary actions and interventions are taken to preclude similar incidents in the future..
- The attainment of NO LOST MAN HOURS in the workplace without injury in all depots and terminals, shipping operations and offices.
- The setting up of continuing programs such as annual safety inspections, preventive maintenance and defensive driving seminars for company drivers who operate company owned trucks as well as drivers of ex-bodega clients.
- Providing depots and terminals with the necessary safety equipment for firefighting, personal protective equipment and other HSE items (Oil Spill Booms, eyewash and shower stations, ETC) in compliance with government requirements and industry practice.
- Work permit issuance monitoring and compliance.
- Review of accreditation/updating requirements of service stations and depot contractors with the end view of aligning safety requirements and programs vis-a-vis company safety standards.
- Setting up of an HSE organization to oversee the implementation of programs in all depots and terminals and the formation of a management heath, safety, and environment committee to provide directions across the organization.
- Safety shall remain to be a factor in all business decisions and activities.
- Continuing assessments of depots and terminals on their compliance with government requirements.
- The implementation of guidelines on safety and how to improve the same in order to maintain high standards of safety awareness and HSE capabilities.

Enabling a strong company

Finance

Financial capability and competence has been and continues to be a core strength and differentiator in the Phoenix success story.

Fund raising and Effective Investor Relations

The Philippine debt market celebrated two landmark events on November 10, 2014: debut and maiden issuance in the organized secondary debt market of an independent oil company, Phoenix Petroleum and the first ever listing of a Short Term Commercial Paper (STCP)- as security that hasn't been offered to the public in more than a decade. The remarkable performance of the Company has extended to the investing public as reflected in the over subscription of the PNX STCPs due 2015 of almost two times (2X). The Php 2 Billion STCPs were offered by PNX to investors through its underwriters AB Capital & Investment Corporation (AB Capital) and Multinational Investment Bancorporation (MIB) from October 14 to 17, 2014 and were issued October 24, 2014. PNX uses the proceeds from the offer on its working capital requirements. This STCP is being renewed and re-issued in year 2015.

On December 18, 2015, the Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B.

The 3rd tranche of preferred shares have the same features with the 1st and 2nd 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 Company's BOD.

(c) Debt-to-equity ratio: The Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.

Throughout year, the team actively managed investor relations by participating in broker-sponsored investor forums locally and in SE Asia, as well as meeting local and foreign-based Fund Managers and Analysts on a one-on-one basis.

Major Capital Expenditures

The following major projects were completed and/or on-going as of end December 2015:

- Pier Expansion in Calaca, Batangas (2 phases)
- On-going expansion in Cagayan Storage
- Construction of Cebu and General Santos Depot
- 67 Retail Stations completed and additional 51 on-going construction of Phoenix Service Stations in various sites in the country.
- Construction of Company corporate headquarters in Davao
- Acquisition of 4,000 Metric Ton Dead Weight Marine Tanker.
- Acquisition of Land in Cebu City and General Santos City

Other Significant Operational Highlights

In an unceasing effort to improve its operations, the Company embarked on two major efficiency-enhancing programs.

Quality Management Systems

On February 1, 2008, the Company received its first accreditation from Bureau Veritas for ISO 9001: 2000 accreditation. ISO 9000 is a family of standards for quality management systems. The scope of the quality system, intended for its Davao bulk plant and aviation fuel tank truck operations, included “Receiving, Storage and Distribution of Petroleum Fuels”. In the last quarter of 2008, audit for ISO process were done and the Company was evaluated to be compliant. Subsequently, in yearly audit and re-certification, the Parent Company outstandingly and consistently pass the said accreditation.

Summary of ISO Certifications received as follows:

ISO 9001:2008

Location	Scope	Date issued/Recertification
Davao Terminal	Receiving, Storage and Distribution of Petroleum Fuels and Into Plane Refuelling Service	Feb 01, 2008/Nov. 6, 2012 (Due for recertification)
Calaca Terminal	Receiving, Storage and Distribution of Petroleum Fuels.	Jul 10, 2010 (Recertification ongoing)
Zamboanga Depot	Receiving, Storage and Distribution of Petroleum Products and Into Plane Services	Nov 10, 2011 (Due for recertification)

Misamis Oriental Depot (CDO Facility)	Receiving, Storage and Distribution of Petroleum Fuels.	April 8, 2014
Bacolod Depot	Receiving, Storage and Distribution of Petroleum Fuels.	Passed and Recommended for Certification
Dumaguit, Aklan Depot	Receiving, Storage and Distribution of Petroleum Fuels.	Ongoing ISO Certification

EXTERNAL AND CORPORATE AFFAIRS

As part of the Company's commitment to uphold best practices in corporate affairs and social responsibility, the Company through its External and Corporate Affairs Department has remained committed to maintain a good and productive relationship with its stakeholders in the communities where the Company operates.

The Company sees to it that its various operational sites all over the country are legally compliant with all permitting and licensing requirements of the national and local government units.

The Company engages in regular consultations in communities, where it operates and where it intends to operate in the future. It discloses as part of its transparency program, information about its present activities and future plans and seeks feedback regarding its performance. It aims to contribute to the social and economic development of the areas where it operates.

The Company intends to implement a sustainable and culturally acceptable business programs in consultation with stakeholders and in cooperation with the local government units. Building literacy and women empowerment shall be key priorities of the Company in community development..

The Company continues to pursue better media relationship through business-media dialogues, meetings and media fora. The Company will continue to make announcements through press releases and printing of articles, research, annual reports.

Being a very busy and challenging year, the Company was very prominent in 2015 in public coverage as it was conspicuously present in television, radio, print, and internet where all major achievements of the Company like the disclosures, quarterly reports, annual reports, station openings and inaugurations of stations and depots, Business Partners Night and the Phoenix Open, and a host of other major activities were published in national broadsheets and local dailies.

The Company spearheaded various corporate social responsibility projects and activities aimed to help create awareness in the preservation and protection of the environment, to support and strengthen education specially the youth sector, and to provide community service.

In coordination with the Phoenix Philippines Foundation, various activities were undertaken by the Company.

Corporate Social Responsibility

The Phoenix Petroleum Philippines Foundation:

Passion to do good

Phoenix Philippines Foundation Inc. (PPFI) is committed to do good through its various programs in education, environment, health, and outreach. By working together with communities and partner organizations, the Foundation strengthens support of these advocacies and helps thousands of beneficiaries.

EDUCATION

The Foundation's major education program, Adopt-A-School, has now expanded to 18 schools in Luzon, Visayas, and Mindanao, plus three day care centers in Calaca, Batangas. Phoenix supports the monthly salaries of the teachers, which enable pre-schoolers to study for free.

The Phoenix Foundation also expanded the Phoenix Library by adding three elementary schools in Visayas, for a total of eight across the country.

The Phoenix Livelihood Program at the F. Bangoy Central Elementary School in Davao City has produced 537 scholars who graduated from courses such as Basic Welding, Computer Technology, Electrical Wiring, and Beauty and Hair Styling.

Phoenix is also an active participant in the Brigada Eskwela, the Department of Education's annual school clean-up and refurbishment program; by supporting the Brigada Eskwela in 15 adopted and partner schools.

ENVIRONMENT

Phoenix Foundation continues to expand its Adopt-A-Watershed program in six sites in Davao, Cagayan, Cebu, Bacolod, Batangas, and Butuan, as part of its commitment to plant or rehabilitate denuded areas. In each of these five-hectare watersheds, the Foundation plants seedlings such as mangrove, lauan, and fruit-bearing trees. Area partners, residents, and accredited cooperatives oversee the growth of the seedlings to ensure the upkeep of the watershed.

In the annual Plant-A-Tree activity, Phoenix and subsidiaries' employees and partner volunteers planted 20,910 trees in various areas around the country.

The Foundation also continues to actively participate in the Coastal Clean-Up in Batangas, Cebu, Davao, Aklan, Cagayan de Oro, and Bacolod.

Since 2011, Phoenix has adopted the Philippine Eagle "Phoenix" at the Philippine Eagle Foundation (PEF) in Davao City. "Phoenix" is active in breeding activities with his pair Zamboanga.

The Phoenix Petroterminals and Industrial Park also hosts the marine turtle hatchery of the Pawikan Conservation Project. In 2015, 7 adult turtles were tagged and 6 hatchlings released. Information and education campaign is being strengthened to raise awareness on the plight of these endangered marine turtles.

HEALTH

Phoenix Foundation conducted several medical and dental missions around the country, which reached 2,317 beneficiaries. In Calaca, Batangas, the barangays of Salong, Lumbang Calzada, and Putting Bato West were given medicine subsidy through the Barangay Health Center.

Also this year, various bloodletting activities in Luzon, Visayas, and Mindanao collected 1,270 blood bags, in partnership with other organizations. A bloodletting was also conducted at the PPIPC grounds in coordination with the local government and PPIPC locators.

OUTREACH

The Christmas Gift-Giving for Kids is an annual tradition of the foundation, and this year the beneficiaries were our adopted schools. Close to 2,000 children received Christmas joy in school supplies and snacks from Phoenix.

PINOY TSUPER HERO

"Pinoy Tsuper Hero" is the first of its kind advocacy program aimed at drivers for the protection of the environment, formation of stronger Filipino families, and development of an accident-free community. It is a program initiated and powered by Phoenix Petroleum in collaboration with ABS-CBN Lingkod Kapamilya Foundation (ALKFI) and Bayan Academy for Social Entrepreneurship and Human Resource Development.

Pinoy Tsuper Hero is a nationwide search for inspiring Filipino drivers who go beyond their call of duty and serve as outstanding role models. The program aims to bring out the "superhero" in every driver and promote driving as a noble profession.

The first season was launched in November 2014 and successfully ended in May 2015 with the awarding of Reynaldo Samonte, a driver from Batangas, as first Pinoy Tsuper Hero.
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2. Business of Issuer

i) Principal's products or services and the Company's market and distribution method:

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

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

The Company also distributes lubricants and chemicals. The Company produced its own blend of lubricants variety and sells these under the Phoenix brand name such as ***Cyclomax,*** a motorcycle oil brand, **Zoelo,** a Diesel engine Oil and **Accelerate**, a gasoline Engine oil.

The Company provides storage space for the Jet A-1 fuel supply of Cebu Pacific Airlines (CPA) for the latter's requirements for their Cebu, Kalibo, Davao, Cagayan de Oro, Cotabato, General Santos, Zamboanga City, Pagadian City, Butuan and Ozamis City flights. The Company is the exclusive service provider for CPA in all its Mindanao Operations. It also supplies Jet A-1 fuels and services to Tiger Airways in Aklan.

ii) Percentage distribution of sales or revenues:

On 2015, the Company attained a Total Revenue of ₱30.054 billion which ₱27.605 billion or 91.85% was accounted for by the sales of petroleum products, and the balance accounts for the revenue on Land Sale in the Industrial Park, Charter Hire (Shipping), fuel service, storage income and other income. For 2015, the non-petroleum revenue accounts 8.15% compared to 3.48% in 2014, which in result the non-petroleum business contributed net income to the Group of 46% and 31% for 2015 and 2014 respectively.

iii) Other products or services:

In addition to its lubricant lines, the Company continues to promote and sell car care products into the market such as car fresheners, tire black, and others. In response to the automotive market's demand for better oil formulation for Heavy Duty Engine Oil, the Company launched Zoelo Extreme, a high-quality shear-stable diesel engine oil, with better formulation and packaged in a new label design. This formulation meets API CI-4/SL standard that offers superior quality and heavy duty engine performance among SAE 15w-40 Multi-grade engine oils. This variant is also suitable for mixed fleet of diesel and gasoline engines.

iv) Competition:

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, other multi-national industry players such as Total (of France), PTT (of Thailand) and other independent local players like Seaoil Corp., TWA, Liquigaz, Petronas, Prycegas, Micro Dragon, Unioil, Isla LPG Corp., Jetti, Eastern Corp., Perdido, SL Harbour, Filoil Energy Co., Petrotrade Phils. Inc., Marubeni, JS Union, JS Phils Corp, South Pacific, as well as the end users who imported directly most of their requirement captured 34.9 % of the market. The three major players are estimated by the Department of Energy (DOE) to have a cumulative market share of 60.4% of the total Philippine market as of December 31, 2015 while the balance of 39.6% is shared among the aforementioned multi-national players, the independent players and importers including Phoenix Petroleum. The Company was reported to have 4.7% of the market, while Seaoil cornered around 5.1%, Unioil 3.6%, SL Harbor 2.9%, Total 2.1%, TWA 2%, PTT 1.8%, Jetti 1.6%, while the remaining balance of 15.8% is shared by the other independent players and importers.

It should be noted that the Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations and visual manifestation of its service station retail network.

v) Sources and availability products and principal suppliers

From the start of its operation in 2005 until the first half of year 2009, the Company procured its petroleum products within the Philippines. Its main suppliers are PTT Philippines Corporation as the well as Total Philippines Corporation. With the growth in volume and the availability of the storage capacities in Calaca, Batangas and the Davao expansion, the Company started importing refined petroleum products by September 2009 until the present from Singapore and Taiwan. The Company also sources products from Thailand, Korea and China through various foreign traders and suppliers.

The Company continues to import its lubricants from Singapore and Thailand.

vi) Transactions with and/or dependence on related parties.

The Company has existing synergies with related companies as follows:

- UDENNA Corporation.

  Lease of properties from UDENNNA Corporation which are identified under Leased Properties;

- Chelsea Shipping Corporation (CSC).

The Company has existing Contracts of Affreightment with CSC to haul the Company's petroleum supplies. CSC serves other clients including but not limited to Cebu Pacific Airways, Marine Fuels and other petroleum companies. The Company acquired CSC last September 2012.

vii) Patents, trademarks, licenses, franchises

The Company uses its registered trademark *PHOENIX Fuels Life* ™ to identify its brand. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products like the Magma Diesel, Raptor Premium Gasoline, Glide Unleaded 93-RON, Phoenix Regular Gasoline, Flame Kerosene and Phoenix JET A1. Below are the approved Trademark by the International Property Philippines (IPP) through the Trademark Department.

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

viii) Total number of employees

The Company has a total of 748 as of December 31, 2015 from 731 employees in December 31, 2014. This is broken down as follows:

	2015	2014
Chairman	1	1
President/CEO	1	1
Vice President	8	10
Assistant Vice President	16	12
Senior Manager	2	4
Managers	73	65
Supervisor/PTC*	246	244
Rank and File	401	394
	748	731

** Professional, Technical and Confidential*

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

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

The Commission has approved the application 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.

Major Risks Involved

Risk Factors

The Company recognizes, assesses and manages certain risks that could materially and adversely affect its business, financial condition, results of operations and prospects.

An integral part of its risk management process involves the establishment of a Credit Committee, Pricing Committee, an Internal Audit Department, and organization of special teams to conduct financial analysis, planning and evaluation of company projects/plans and other business activities. Monthly Business Unit reviews are conducted to identify risks, threats and opportunities, and to ensure that concerned units manage or promptly address identified risks.

Major Risks

The Company manages the following major risks relative to its business, industry and area of operations:

Volatility of Prices of Fuels.

Oil prices, which have been and are expected to continue to be volatile and subject to a variety of factors beyond the Company's control could affect the Company's profitability, liquidity and sales volume.

Intense Competition.

Competitive pressures from the majors and all other independent/new players could lead to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. The Company's competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized regional companies.

Material Disruptions in the Availability or Supply of Fuel.

As a trading concern, the Company largely depends on its ability to find stable sources of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market. In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

Reliance on Third Parties to Fulfill their Obligations on a Timely Basis.

The Company, at certain levels, depends on some third party providers for various aspects of its business. As such, it runs the risk that suppliers and service providers may fail to honor their contractual obligations. The Company relies on suppliers of fuel to regularly provide it with its inventory. Shipping companies and charter tankers are contracted to transport fuel oil, diesel oil and blend components from suppliers' facilities to service centers. The failure of these third parties to fulfill their obligations or to perform the services they have agreed to provide could affect the Company's relationships with its customers or may lead to its not being able to honor its own contractual obligations to other parties.

Regulatory Risk.

Risk can arise from changes in government policies and regulations that may limit the Company's ability to do business or require it to incur substantial additional costs or otherwise materially adversely affect business, results of operation or financial condition.

<u>Risk Management and Mitigants</u>

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARY

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects.

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

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for more than 99% of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including but not limited to the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.
International crude oil prices have been volatile, and are likely to continue being volatile going forward. International crude oil prices in 2015 records another significant drop. Crude production was on its high, with demand for oil did not catch-up. Brent spot crude oil 2015 high of US$67/bbl in May 2015 and went down to under US$35/bbl in December 2015 or a 48% drop. Mean of Platts - Singapore (MOPS) followed the drastic decline, thereby affecting local petroleum prices. In this year, the MOPS for GASOIL hits a low of US$ 42.40/barrel from a high of US$ 80.70/barrel. There is no clear signs and or assurance that prices will remain stable over the near- and medium- term.

The Company holds about twenty (20) to thirty (30) days of inventory and uses the average method to account for its inventory. Should crude and or MOPS prices suddenly drop significantly, this could adversely affect the Company which could translate into the Company being forced to sell its petroleum products at a selling price below acquisition costs of its existing inventory. In a period of rising crude oil prices, social and competitive concerns, and government intervention can further force the Company to keep current selling prices, resulting in an inability to pass on price fluctuations in a timely manner. The Government has previously intervened to restrict price increases for petroleum products, following a declaration of a state of national calamity. Another declaration of a state of national calamity may result in the Company being unable to pass on prices effectively which could adversely affect the profitability for the period of effect of the order. Such inability to pass on price fluctuations may result to an adverse effect on the Company's business, results of operations and financial condition. Demand for the Company's products may also be affected as a result of price increases, following passing on of the increased costs of imported oil.

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

To mitigate this risk, the Company closely monitors the prices of fuel in the international and domestic markets. Following industry practice, prices for the upcoming week are set based on the world market price of fuel of the immediately preceding week. These enable the Company not only to anticipate any significant price movement but likewise plan out contingencies to hasten the disposition of its existing inventory as necessary to various distributors and other clients.

The Company's business, financial condition and results of operations may be adversely affected by intense competition.

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

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

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

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

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

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

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. The Company is able to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans. In both site selection and dealer selection, a Panel of senior management reviews CAPEX proposals and Dealer selection respectively.

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

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

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

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs. The Notes issuance is an important part of this financing strategy, as it provides the Company the funding to support its medium term expansion and capital expenditure plans.

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

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

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

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

Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

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

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

There can be no assurance that the Company will be in compliance with all applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material. Safety, health, environmental and zoning laws and regulations in the Philippines are becoming more and more stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

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

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

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

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

As indicated in the previous item, the Company has a group dedicated to monitor compliance with regulations as well as anticipate any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

The Company's business, and financial condition may be adversely impacted by the fluctuations in the value of the Philippine Peso against the U.S. dollar.

The Company's revenues are denominated in PHP while a bulk of its expenses, notably the cost of its imported petroleum products, is US$-denominated. In 2014, 93% of the Company's revenues were denominated in PHP, while approximately 83% of its cost of goods sold was denominated in US$. The Company's reporting currency in its financial statements is the PHP. Changes in the US$:PHP exchange rate may adversely affect the financial condition of the Company. Should the PHP depreciate, this would translate to higher foreign currency denominated costs and effectively affecting the Company's financial conditions. There can be no assurance that the Company could increase its Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company's margins, results of operations and financial condition.

To mitigate this risk the Company limits its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations on the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs to its selling prices.

Sales to Cebu Air comprise a significant amount of the Company's sales.

Revenues from the supply of jet fuel to Cebu Air, the Philippines' largest airline in terms of passengers carried, comprised almost 6.3% of the Company's total sales for 2015. This makes Cebu Air the Company's largest single corporate customer. While the Company has supplied Cebu Air with jet fuel since 2005, there is no long term fuel supply contract between the Company and Cebu Air. However, the Company enters into an annual supply contract or agreement with Cebu Air to ensure continuous purchase by the latter for the year ahead. Any disruption, reduction or material change in the business relationship between Cebu Air and the Company could adversely impact the Company's sales and results of operations. Aside from Cebu Air, the Company has no other customer or buyer that accounts for more than 3.5% of the Company's sales.

To mitigate the risk, the Company continues to expand its base of industrial customers, thus diversifying its risk that the loss of business from any one customer would have a material effect on the Company's sales.

The Company currently benefits from income tax holidays on the operation of certain of its depots. If the Company did not have the benefit of income

tax holidays its profitability will be adversely affected, as it will have to pay income tax at the prevailing rates.

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

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

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

Certain key executives and employees are critical to the continued success of the Company's business. There is no assurance that such key executives and employees will remain employed with the Company. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted as a result translating to a potential material adverse effect on the financial condition and operations results of the Company.

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

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

Udenna Corp, the ultimate holding company, directly or indirectly through PPHI and UMRC, holds 59.06% of the Company's outstanding common equity as of December 31, 2015. Neither Udenna nor PPHI is obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or the best interests of the Company's other shareholders. Should there be a conflict between the interests of Udenna Corp or PPHI and the interests of the Company, the Company may be affected by the actions done by Udenna Corp.

The Company has an operating lease agreement with its parent, Udenna Corp, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. The Company also avails of the freight forwarding services of another affiliate, F2 Logistics, Inc., for the delivery of goods to customers and for internal movement of non-commercial cargo. While the Company believes that the terms of these transactions were negotiated on an arms-length basis, there is no assurance that the Company cannot avail of better terms if it contracted with parties other than its affiliates.

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

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

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

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

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

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.
In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.
A slowdown in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

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

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

Terrorist attacks have been observed in the Philippines since 2000. The conflict with the Abu Sayyaf organization continues. The Abu Sayyaf organization is being identified and associated with kidnapping and terrorist activities in the country including several bombing activities in the southern region of the country and is said to have ties with the al-Qaeda terrorist network.

On May 10, 2010, the Philippines held a presidential election, as well as elections for national (members of the Senate and the Congress) and local positions. This resulted in the election of Benigno Aquino III as the new President of the Philippines, effective June 30, 2010. Although there has been no major public protest of the change in government, there can be no assurance that the political environment in the Philippines will continue to be stable or that the new government will adopt economic policies conducive to sustained economic growth or which do not impact adversely on the current regulatory environment.
On August 23, 2010, a hostage situation occurred in Manila resulting to 8 dead hostages. This resulted in the Hong Kong Special Administrative Region government issuing a “black” travel alert for the Philippines. Up to this time, this remains a political issue between the Philippines and Hong Kong effects on the business, financial condition and results of operations of the Company.

On October 2013 , an alleged group of Moro National Liberation Front (MNLF) siege Zamboanga City that resulted to a more than weeklong gun battle with the Philippine government forces. The said incident resulted to more than 100 deaths and thousands families displaced. An increase in the frequency, severity or geographic reach of terrorist attacks may destabilize the Government, and adversely affect the country’s economy. There is no guarantee that the Philippines and the assets of the Company will not be subject to such acts of terrorism, resulting to potential adverse effect.

The occurrence of natural catastrophes or blackouts may materially disrupt the Company’s operations.

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

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

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

3. Description of Property:

The Company's properties consist of its terminal, depot facilities, head office building, pier and pipeline structures and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot. In March 2009, after acquisition of PPIPC by the Company, the Group has additional Port Facilities, Land Held for Sale and Land Held for future developments.

Under the terms of agreements covering the liabilities under trust receipts, certain inventories of petroleum products released to the Company are held in trust for the bank. The Company is accountable to the bank for the trusteed inventories or their sales proceeds.

<u>Leased Properties</u>

Lease with Udenna Corporation

The Company's headquarters is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City. The premises are covered by existing lease contracts with Udenna Corporation and the Heirs of Stella Hizon Reyes, as lessors.

Following are the relevant terms of the lease contracts:

The Company's sublease contract with Udenna Corporation was originally for a term of three (3) years, from January 2007 to December 2009. The lease was renewed for another term of three (3) years, commencing from 01 January 2013 to 31 December 2016, subject to further renewal under terms and conditions to be agreed to by the parties.

On the other hand, the lease contract by Udenna Corporation with the Heirs of Stella Hizon Reyes over 1.1 hectares is effective for twenty one (21) years, which shall expire on March 20, 2027, subject to renewal upon terms and conditions to be agreed to by the parties. The same term for purposes of synchronization was implemented over the lease of the remaining area of 1.2 hectares with the lessor for the expanded area which is now leased directly by the Company.

- The Company shall pay Udenna Corporation a monthly lease rental for the parcels of land used as sites of its Depot Facilities in Davao and a retail station site.

- The leased premises shall be exclusively used by the Company for petroleum and fuel products storage and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of lessors.

- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.

- Udenna Corporation shall have the right to pre-terminate the sublease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Corporation one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

- Payment of real property taxes on the land shall for the account of the Lessor while the real property taxes pertaining to the improvements found thereon shall be for the account of the Company, as lessee.

Leased Properties for Terminal/Depot Sites

The Company likewise executed valid lease agreement over various parcels of lands in various areas of the country where its Terminal/Depots are located and established as part of its expansion program, namely:

- **General Santos City.** A fifteen-year (15) lease contract, with option to renew for another five (5) years, was entered with Southern Fishing Industries, Inc. for the 10,000 square meters property located at Tambler, General Santos City. Contract was signed on May 7, 2008. In 2015, the Company decided to purchase this subject property.

- **Zamboanga City.** The Company entered to a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of ten (10) years, with an option to renew for another five (5) years. The said lease agreement commenced November 16, 2008. The depot in Zamboanga City has a 5.5 million liter capacity that supports the retail network and the commercial and industrial accounts.

- **Bacolod City.** A land with an area consisting of 5,000 square meters more or less was leased by the Company from Jordan Fishing Corporation for ten (10) years starting January 01, 2008 with option to renew for another five (5) years. The Depot in Bacolod City has a 9 million liter capacity that supports the retail network and the commercial and industrial accounts in the area.

- **Mindoro.** A land with an area consisting of 3,723 square meters more or less was leased by the Company from Benjamin Espiritu for twenty (20) years starting September 2013 with option to renew for another ten (10) years. This will be the site of the Company Depot to support its retail network and the commercial and industrial accounts in the area.

Leased Properties for Company-owned, Dealer-operated (CODO) Stations

In addition to the aforementioned leases, the Company likewise has existing lease contracts with various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are as follows:

- The lease shall be for a term of ten (10) to twenty (20) years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.

- The Company shall pay monthly rentals, subject to annual escalation ranging from 3% to 10%, plus applicable real estate and government taxes.

- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. In some areas, the leased premises for the CODOs include the operation of convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a gasoline service station and for no other purpose without the written consent of the lessors.

- Given the nature of the business, the Company is expressly permitted to sublease the leased premises.

4. Legal Proceedings

Involvement in Certain Legal Proceedings

The Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the

Anti-Graft and Corrupt Practices Act involving tax credit payments. The case is now pending with the Sandiganbayan.

The Department of Justice (DOJ) filed twenty-two (22) Informations against Dennis A. Uy, President of the Company, for alleged violation of the Tariff and Customs Code of the Philippines with the Regional Trial Court of Davao City.

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

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

In another case, the Regional Trial Court of Batangas, in its Order dated December 6, 2013 ("Order"), denied the Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez filed by the DOJ. The court issued a Certificate of Finality dated July 7, 2014 stating that the above Order has become final and executory since no appeal was filed therefrom.

Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties.

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

(i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

(ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(iii) Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

(iv) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

PART II - SECURITIES OF THE REGISTRANT

(A) Market price of and Dividends on Registrant's common equity shares and Related Stockholders Matters

(1) Market Information

On 11 July 2007, the Parent Company's common shares became listed for trading on the Philippine Stock Exchange ("PSE").. The high and low sale prices of each quarter for the year 2015 are hereunder shown:

	Highest Close		Lowest Close	
Period (2015)	**Price**	**Date**	**Price**	**Date**
First Quarter	4.15	Mar 31	3.13	Jan 6
Second Quarter	4.16	Apr 7	3.48	Jun 30
Third Quarter	3.45	Jul 22, Aug 3 &10	3.15	Jul 10
Fourth Quarter	3.85	Dec 7,22,23 & 28	3.30	Oct 01

As of December 31, 2015, the market capitalization of the Company, based on the closing price of P3.65, was approximately P5.215 billion.

(2) Top 20 Stockholders*
As of January 31, 2016

#	NAME OF STOCKHOLDER	NO. OF SHARES	% OWNERSHIP
1	PHOENIX PETROLEUM HOLDINGS INC.	588,945,630	41.22%
2	PCD NOMINEE CORPORATION - (FILIPINO)	312,206,041	21.85%
3	UDENNA MANAGEMENT & RESOURCES CORP.	254,921,743	17.84%
4	PCD NOMINEE CORPORATION - (NON-FILIPINO)	203,329,738	3.55%
5	UDENNA CORPORATION	50,322,986	8.93%
6	JOSELITO R. RAMOS	4,812,600	0.34%
7	DENNIS A. UY	3,991,811	0.28%
8	CAROLINE G. TAOJO	2,801,500	0.20%
9	F. YAP SECURITIES	1,883,000	0.13%
10	UDENCO CORPORATION	1,614,787	0.11%
11	DENNIS A. UY&/OR CHERYLYN C. UY		0.08%

		1,098,099	
12	DOMINGO T. UY	645,919	0.05%
13	JOSE MANUEL ROQUE QUIMSON	354,900	0.02%
14	EDGARDO ALVARADO ALERTA	318,505	0.02%
15	ROMEO B. MOLANO	258,262	0.02%
16	ZENAIDA CHAN UY	149,058	0.01%
17	REBECCA PILAR CLARIDAD CATERIO	148,453	0.01%
18	SOCORRO ERMAC CABREROS	103,316	0.01%
19	ROSITA G. ARTOS	82,000	0.01%
20	IGNACIA BRAGA IV	70,980	0.01%

* disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of January 31, 2016.

(3) Dividends

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

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

For the year 2008, the Board of Directors approved on May 8, 2008 and duly ratified by the stockholders on July 16, 2008, a 30% stock dividend for stockholders of record as of July 11, 2008 to be issued from the Company's unrestricted retained earnings. Distribution date was scheduled on August 6, 2008. A total of 43,000,198 common shares were issued valued at Par Value of ₱ 1.00 per share or a total of ₱43,000,198.00. Moreover, a cash dividend of ₱ 0.10/share was also declared for all stockholders on record as May 30, 2008. Payment date was set on June 26, 2008 for the total amount of ₱ 14,500,000.00.

For 2009, the Shareholders ratified and approved on May 29, 2009 a 40% stock dividend. Details are as follows:

Ex-Date	July 03, 2009
Record Date	July 08, 2009
Distribution Date	August 03, 2009
No. of Shares Distributed	73,660,677 shares

For 2010, on April 12, 2010, the Company's Board of Directors approved a ₱ 0.05 per share cash dividend. Details are as follows:

Ex-Date	July 12, 2010
Record Date	July 15, 2010
Payment Date	August 10, 2010
Total Amount	₱ 13,656,430

On July 15, 2010, the Parent Company's stockholders ratified and approved a 40% stock dividend (or a total of 107,664,266 shares), valued at par of ₱1.00 per share and distributed on October 20, 2010 to all stockholders of record as of September 24, 2010.

For the year 2011, the Board of Directors declared a cash dividend for common shareholders with details as follows:

Dividend Rate	Php 0.10/share
Ex Date	March 22, 2011
Record Date	March 25, 2011
Payment Date	April 20, 2011
Total Amount Distributed	Php 37,682,494

On March 15, 2011, a 30% Stock Dividend was declared by the Board of Directors and subsequently approved by the stockholders during the March 11, 2011 Annual Stockholders' meeting. All stockholders of record as of April 8, 2011 were entitled to the stock dividend declaration that was distributed on May 6, 2011. A total of 113,047,475 common shares were distributed for this declaration. Similarly, the Board of Directors declared and approved the payment of cash dividend at the rate of 11.5% per annum to all preferred shareholders totaling to ₱ 70.7 million. Preferred shares issuance by the Company is not listed and traded in the Philippine Stock Exchange.

For the year 2012, the Board of Directors declared Cash Dividend for Common Shareholders with details as follows:

Dividend Rate	Php 0.10/share
Ex Date	February 8, 2012
Record Date	March 23, 2012
Payment Date	April 23, 2012
Total Amount Distributed	₱ 48,973,955.30

Similarly, a 50% stock dividend was declared by the Board of Directors on February 08, 2012 and subsequently approved by the Stockholders during the

March 08, 2012 Annual Stockholders' meeting. All stockholders of record as March 28, 2012 were entitled to said stock dividend declaration that was distributed on April 26, 2012. Total distributed for this dividend is 113,047,475 shares. Also, the Board of Directors declared and approved the payment of cash dividend at the rate of 11.5% per annum to all preferred shareholders totaling to ₱ 70.7 million. Preferred shares issuance by the Company is not listed and traded in the Philippine Stock Exchange.

On March 8, 2013, the stockholders ratified the BOD approval of 30% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P103.6 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P57.5 million in 2013.

On January 29, 2014, the BOD approved the declaration of common share cash dividend of ten (10) centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

On March 4, 2015, the BOD approved the declaration and payment of common share cash dividends of five (5) centavos per share totaling to P71.5 million as of record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2nd tranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On March 10, 2016, the BOD approved the declaration and payment of Preferred Cash Dividends as follows:

Shares	**Record Date**	**Payment Date**	**Dividend Rate**
PNXP	February 23,2016	March 31, 2016	8.25%
PNX3A	February 22, 2016	March 18, 2016	7.4278%
PNX3b	February 22, 2016	March 18, 2016	8.1078%

On March 18, 2016, the BOD approved the declaration of common share cash dividend of eight (8) centavos per share totaling to P116.3 million to stockholders of record as of April 05, 2016 and is payable April 29, 2016.

(4) Recent Sale of Unregistered Securities

All of the shares of the Company are duly registered with the Securities and Exchange Commission.

(5) Re-acquisition/buy-back of its Own Securities

On September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities, the program commenced on the second week of October 2007. The program will conclude upon exhaustion of the approved allotment, subject to the disclosure requirements of the SEC and the PSE. As of December 31, 2015 and December 31, 2014, the Company treasury shares have cumulative costs of ₱ -0-. No re-acquisitions of shares were made in 2009 to 2015.

The funds allocated for the repurchase of the shares was taken from the Company's unrestricted retained earnings. The program was basically designed to boost up and/or improve the shareholders value through the repurchase of the shares whenever the same is trading at a value lower than its actual corporate valuation. The program did not involve any funds allotted for the Company's impending expansion projects/investments nor any of those allotted for the payment of obligations and liabilities.

(B) Description of Shares

The Company's shares consist of common shares with a par value of ₱ 1.00 per share and preferred shares with a par value of ₱ 1.00 per share. As of January 31, 2015, total outstanding common shares, with voting rights, is 1,428,777,232 Preferred share issued by the Company as of December 31, 2015 is 25,000,000 shares with a par value of ₱ 1.00 per share.

(C) Employee Stock Option Plan

The Company's Board of Directors approved the Employees' Stock Option Plan (ESOP) during its April 12, 2010 Board Meeting. Under the ESOP program, the Parent Company will allocate up to a total of 5% of its issued and outstanding common shares to be awarded to eligible employees. The ESOP was approved by the shareholders during the 2011 Annual Stockholders' Meeting.

The ESOP initial Offer date is set at March 01, 2013 as approved by the Board of Directors last BOD January 24, 2013 Board Meeting. Todate, grantees of the ESOP have yet to be named by the Company.

PART III - FINANCIAL INFORMATION

(A) Management's Discussion and Analysis of Financial Conditions

The following is a discussion and analysis of the PPPI and its Subsidiaries' financial performance for the years ended December 31, 2015, 2014 and 2013. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. **In the discussion of financial information, any reference to "the Company" or to the "Group" means PPPI and its Subsidiaries.**

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013.

The Company's financial statements were audited by Punongbayan & Araullo for 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards.

Comparable discussion on Material Changes in Results of Operations for the three Months' Period 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 higherturn-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 P 31.144 billion primary 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 P 2.638 billion as of December 31, 2015 from P 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
Current Ratio[1]	1.14 : 1	1.13 : 1
Debt to Equity-Total[2]	2.09 : 1	2.55 : 1
Return on Equity-Common[3]	12.66%	9.55%
Net Book Value Per Share[4]	5.27	4.58
Debt to Equity-Interest Bearing[5]	1.69 : 1	1.96 : 1
Earnings Per Share-Adjusted [6]	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 frombank term loans, andTrust 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.

Analysis of Results of Operations for 2014 and 2013

Revenues

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

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

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

Cost and expenses

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

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

Net Income

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

The Parent Company is registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitles the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010, thus entitling the Parent Company another set of incentives including the five (5) year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

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

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

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

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

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

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

Due to related parties in December 31, 2014 and December 31, 2013 is Php 10.373 million and Php 2.748 million respectively. The decrease of Php 7.625 million or 277% is due to charges made during the year.

Input taxes-net decrease by 34% in December 31, 2014 is the result of offsetting of higher output taxes this year due to increased level of inventory, input taxes of capital expenditures, and increase in paid input taxes from higher inventory levels.

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

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

Loans and Borrowings, both current and non-current, increased marginally by 1% from Php 13.752 billion as of December 31, 2013 to Php13.843 billion as of December 31, 2014. The slight increase of Php 90 million was a result of the timing of availments of working capital lines.

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

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

Key Performance Indicators and Relevant Ratios

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

	December 31, 2014	December 31, 2013
Current Ratio[1]	1.11 : 1	1.33 : 1
Debt to Equity-Total[2]	2.55 : 1	2.44 : 1
Return on Equity-Common[3]	9.96%	12.10%
Net Book Value Per Share[4]	4.23	4.54
Debt to Equity-Interest Bearing[5]	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted [6]	0.40	0.45

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

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

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

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

Preferred)

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

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

The Company's debt to equity (DE) ratio for 2014 is higher at 2.55 : 1 due to higher accounts payable trade. However, interest bearing DE this year improved to 1.96 : 1, compared to 2.12 : 1 in 2013.

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

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

56% increase in Cash and Cash Equivalents
This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support maturing obligations.

7% increase in Trade and other receivables
Primarily due to increase in advances to suppliers as a result of the differences in the initial value of various shipments in transit versus the final price computation.

25% decrease in inventory
A result of lower average price per unit by 37% in 2014.

277% increase in Due from related parties
Various charges and billings during the period-net.

47% increase in other current assets
As a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

34% increase in Value Added Tax-net

Increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

134% increase in other current assets
Increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

24% increase in property, plant and equipment
Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

138% increase in Trade and other payables
Trade Payable to foreign suppliers for purchases of inventory.

73% decline on Due to related parties
Settlement of various advances from prior years.

6% decrease in deferred tax liability
As a result of decline on the deferred tax liability for tanker vessel appraisals increments.

25% reduction on non-current liability
Due to some retirement of cash security deposits in favor of other form of security.

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

21% decrease in Sales for petroleum products
Principally due to 18% lower sales volume compared to 2013. However, it was partly offset by the higher service revenue.

54% increase in fuel service, shipping, storage income, and other revenue
Higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, and tugboat revenue.

22% decrease in cost of sales
Primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2013.

20.2% increase in Finance Costs (net)
Due to interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

53.2% increase in other income/Costs

Due to periodic inventory losses recorded during the period plus other various costs.

102% increase in income tax
Due to the increase of income not related to its BOI registered activity.

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

Audit and Audit-Related Fees

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2015 and 2014, and for the year ended December 31, 2013. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

(B) External Audit Fees and Services

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

Audit and Related Fees				
		Amount in Thousands Php		
Particulars	Nature	2013	2014	2015
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2010 –Parent and Subsidiries			

Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries	3,302.60	60	
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries	**2,609.42**	**2,536.95**	
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries		**3,266.38**	**3,064.46**
Punongbayan and Araullo	Audit of FS for the year 2015 - Parent and Subsidiaries			**2,107.17**
Sub-total		**5,912.02**	**5,863.33**	**5,171.63**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	190.12	144.76	138.36
Sub-total		**190.12**	**144.76**	**138.36**
All Other Fees				
Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities			
Sub-total				
GRAND TOTAL		**6,102.14**	**6,008.09**	**5,309.99**

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

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, and Domingo T. Uy and J.V. Emmanuel De Dios as members.

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

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

Changes In and Disagreements With Accountants

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

PART IV – MANAGEMENT AND CERTAIN SECURITYHOLDERS

(A) Directors and Executive Officers of the Registrants

The Company's members of the Board of Directors are herewith described below with their respective experiences.

Board of Directors

<u>Directors</u>

The members of the Board of Directors of the Company are elected during the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until their successors have been appointed or elected and qualified. The following is the list of the incumbent members of the Board of Directors, and their business experiences during the past five (5) years:

Domingo T. Uy
<u>Chairman</u>

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
<u>Director, President and Chief Executive Officer</u>

Mr. Dennis A. Uy, Filipino, 42 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the Parent Company, and Udenna Corporation, the ultimate parent company. The subsidiaries of the Company are Chelsea Shipping Corp., Phoenix Petroterminals & Industrial Park Corp., Subic Petroleum Trading & Transport Philippines, Inc., P-F-L Petroleum Management, Inc. and P-H-O-E-N-I-X Global Mercantile, Inc. Among the subsidiaries of Udenna Corporation are Udenna Management & Resources Corp., One Subic Power, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. Mr. Uy is also the Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization - Philippine chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary

Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Chief Operating Officer

Romeo B. De Guzman, Filipino, 66 years old, was elected Director of the Company in 2009. He is the Chief Operating Officer of the Company, bringing with him 35 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. He obtained his Marketing Management and MBA degree from San Sebastian College – Manila.

Socorro T. Ermac-Cabreros
Director, AVP for Corporate Legal and Corporate Secretary

Socorro T. Ermac-Cabreros, Filipino, 51 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past President for the Davao City Chapter of the Integrated Bar of the Philippines.

Atty. J.V. Emmanuel A. De Dios
Director

J.V. Emmanuel A. De Dios, Filipino, 51 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the Chief Executive Officer of GE Philippines, and prior to that was President and Chief Executive Officerof Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was the Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director, Chief Finance Officer

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.

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 also a Consultant of various respectable government offices such as the Office of Vice-President Jejomar C. Binay, and 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 joined various committees, among them the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law on 1998 Bar Examination.

Monico V. Jacob
Independent Director

Monico V. Jacob, Filipino, 70 years old, has been Independent Director of the Company since March 7, 2008. He is President and Chief Executive Officer of the STI Education Systems Holdings, Inc., a publicly listed company; of STI Education Services Group, Inc.; and of West Negros University. He is also the Chairman of Philplans First, Inc., a pre-need company; of Philippine Life Financial, Inc., a life insurance company, and of Republic Surety and Insurance Co., a non-life insurance Company. 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

Name	**Period of Service**	**Term of Office**
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

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:

Name of Director	Name of Reporting Company	Position Held
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

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 26, 2016.

<u>Certificates of Attendance of Directors for 2015 and Compliance with the Provisions of the Manual of Corporate Governance</u>

Copies of the Corporate Secretary's Sworn Certifications on the attendance of Directors for the year 2015 and compliance with the Provisions of the Manual of Corporate Governance are attached hereto as **Annexes "C"** and **"D**", respectively.

<u>Executive Officers</u>

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 inits 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, 42 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.

Edwin M. Jose, Filipino, 57 years old, is the Asst. Vice President for Sales-Mega Manila. Mr. Jose has logged more than 29 years in the petroleum industry, with exposure in Retail, Commercial, LPG and Corporate Planning and Logistics of Petron Corporation. Before joining the Company, his Petron career started in Corporate Planning and Logistics. In Retail, he handled positions from Area Sales Executive, Retail Network Development and Sales Development Manager. After Retail, he was assigned to the Liquefied Petroleum Gas business where he handled the retail, commercial and independent refiller business for the entire Luzon area and his breakthrough programs in LPG such as the "one number delivery system", the "80-20 sales project" and pioneering LPG metering for commercial accounts such as Jollibee, among others, were reasons why Petron Gasul effectively captured market leadership in the retail sector. He was then assigned as Government Accounts Manager handling the National Power Corp. and other Independent Power Producers, US and Phil. Military. His last position in Petron is District Manager for Metro Manila under Reseller Trade. After his stint with Petron, he set up the franchise of two (2) 7-elevenconvenience stores that are still operational to date. He is an Industrial Engineering degree holder from the University of Sto. Tomas, and an MBA candidate at the Ateneo de Manila University.

Richard C. Tiansay, Filipino, 52 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 degreefrom the University of San Carlos, Cebu City.

Norman T. Navarro, Filipino, 50 years old, is presently the Asst. Vice President for Sales – South Mindanao ofthe 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, 60 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 Mastersin Business Administration from the Ateneo Graduate School of Business.

Ericson S. Inocencio, Filipino, 43 years old, is the Asst. Vice President for Sales – North Mindanao. Eric has more than 18 years of extensive experience in the petroleum industry. Prior to joining the Company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than five(5) years (Commercial Luzon 2008 to 2010 & Commercial VisMin 2010 to 2013) and as concurrent National Fleet Cards Sales Manager (2010 to 2013). He started his petroleum career in Caltex Phils. as a Commercial Accounts Manager covering key segments of Manufacturing, Transport, Wholesale, Power and Marine industries then progressed to different key positions and leadership roles. He handled Marketing support function for the Commercial Business in charge of developing and executing local & global process/programs which includes profitability modelling. He likewise acted as a Pricing specialist for Marketing Sales both Retail and Commercial business. Eric covered the Motor Vehicle Safety program as a Team lead for Philippines driving the program for more than three (3) years. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

Joven Jesus G. Mujar, 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 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 Non Fuel Related Business. 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, 66 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, 51 years old, is presently the Asst. Vice President for Brand and Marketing Group of the Company. Ms. Matias has more than 25 years of expertise on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and Mc Cann 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, 49 years old, is the Asst. Vice President for Treasury. He joined the Company in 2008 as its Credit and Collection Manager. Before joining the Company, he led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He recently finished his Master in Business Administration (MBA) under the Regis Program at the Ateneo Graduate School of Business.

Celeste Marie G. Ong, Filipino, 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, 39 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 Information Technology Manager of the Company. Mr. Reyes has been in the oil industry for the past 28 years. He worked in Pilipinas Shell Petroleum for 24 years in various management roles, regional and global, in retail and IT, his last position being Retail Lead GSAP Implementation for both Philippines and Indonesia. Prior to joining Phoenix he had a brief stint in Northgate Arinso as a Project Manager implementing HR SAP. Since joining the Company, he has overseen the SAP ERP and MSD CRM Systems which are anchoring Phoenix's aggressive sales growth with retail and commercial accounts.

Period of Service in the Company

Name	**Period of Service**
Joseph John L. Ong	November 3, 2010 to present
Ramon Edison C. Batacan	October 2013 to February 01, 2016
Socorro Ermac Cabreros	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
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 Mujar	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 to present
Alfredo E. Reyes	April 6, 2011 to present

Nominations of Directors and Independent Directors

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 Cabreros
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 Mr. Romeo B. De Guzman. Atty. de Dios and Mr. De Guzman 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 Santigo 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: Romeo B. de Guzman as Chairman, and the following as members: Atty. J.V. Emmanuel A. de Dios, and Consuelo Ynares-Santiago.

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.

(1) Significant Employees

There are no significant employees or personnel who are not executive officers but are expected to make a significant contribution to the business.

(2) Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

(3) Involvement in Certain Legal Proceedings

Involvement in Certain Legal Proceedings

The Company's Independent Director and Audit Committee Chairman, Mr. Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was recently impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments of Petron Corporation. The case was filed after Mr. Jacob's tenure as Chairman and Chief Executive Officerof Petron (from 1992 to 1998) and is still pending with the Sandiganbayan.

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

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

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

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

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

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

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

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

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

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

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

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

(B) Executive Compensation

(1) Executive Compensation

The Company's executives are regular employees and are paid a compensation package of 12 months pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation.

There are no other arrangements for which the members of the board are compensated.

Summary of Compensation Table

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ending December 31, 2015		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**23,131**	**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**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2014		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**21,553**	**2,521**	**24,074**
Romeo B. De Guzman	Chief Operating Officer			

Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**29,570**	**3,530**	**33,100**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2013		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**20,501**	**4,282**	**24,783**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**22,362**	**2,710**	**25,070**

(C) Security Ownership of Certain Beneficial Owners and Management

As of **January 31, 2015**, the security ownership of Management is as follows:

Common

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Ownership
Directors:				
Common	Dennis A. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	3,991,811 direct beneficial owner	Filipino	0.28%
Common	Dennis A. Uy &/or Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang,	1,098,099 direct beneficial owner	Filipino	0.08%

	Davao City			
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	1,454,742 direct beneficial owner	Filipino	0.10%
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 95 A. Melchor St., Loyola Heights, Quezon City	857,116 direct beneficial owner	Filipino	0.06%
Common	Joseph John L. Ong 80 Pola Bay, Southbay Gardens, Paranaque City	431,836 direct beneficial owner	Filipino	0.03%
Common	Consuelo Ynares Santiago Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	1 direct beneficial owner	Filipino	0.00%
Common	Monico V. Jacob 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City	1 direct beneficial owner	Filipino	0.00%
Common	Paul G. Dominguez Alson Development Corp. 329 Bonifacio St., Davao City	1 direct beneficial owner	Filipino	0.00 %

Senior Management:

Common	Chryss Alfonsus V. Damuy Ph2 Blk 07 Lot 07, Wellspring Highlands Subd. Catalunan Pequeno Davao City 8000	70,980 direct beneficial owner	Filipino	0.00%
Common	Gigi Q. Fuensalida 155 Brillantes St. 5th Avenue, Caloocan City	70,980 direct beneficial owner	Filipino	0.00%
Common	Reynaldo A. Phala Block 5 Lot 20 Pioneers Village	24,830 direct beneficial owner	Filipino	0.00%

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	**Domingo T. Uy*** Ph2 Blk 07 Insular Village Phase II, Lanang, Davao City	-	10,000 direct beneficial owner	10,000	0.05%
Preferred	**Romeo B. De Guzman*** Hillsborough, Alabang Village, Muntinlupa City Bacaca, Davao City	25,000 Indirect beneficial owner thru Spouse	-	25,000	0.13%
Preferred	**Consuelo Ynares Santiago** Santiago Cruz &	-	10,000 direct	10,000	0.05%

	Associates Law Office Unit 1702 East Tower PSE Center, Pasig City		beneficial owner		
Preferred	**Joseph John L. Ong*** 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, Edwin M. Jose- AVP for Sales-Mega Manila, Joselito De Jesus- Asst. Vice President 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 NFRB, Celina I. Matias-AVP for Brand and Marketing, Celeste Marie G. Ong-AVP for Human Resources, Alfredo Rogelio E. Reyes-IT Manager and Joven Jesus G. Mujar-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 Eight Million Seven Hundred Forty Nine Six Hundred Thirty Two (8,749,632) for common shares and Seventy Five Thousand (75,000) for preferred shares.

There are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

(e) Change in Control

The Company is not aware of any arrangements that may result in a change of control in the Company since the beginning of its fiscal year.

(D) Certain Relationships and Related Transactions

The Group's related parties include the ultimate parent company, parent company, subsuduaries, 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 wholly-owned subsidiary, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. These contracted services are made on reasonable arms-length terms as would be obtainable from third party providers. 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:

2012	2013	2014	2015	TOTAL
18,189,649.93	56,934,318.17	65,545,819.59	70,723,717.38	211,393,505.07

b.) Contract of Affreightment

The Company entered into a Contract of Affreightment with CSC, a wholly owned subsidiary, to haul the Company's petroleum supplies for both regional and domestic markets.

c.) Due to and Due from Related Parties

The Company grants and obtains advances to and from its Parent Company, subsidiaries and other related companies for working capital purposes.

The breakdown of due from related parties as of December 31, 2015 and 2014 is as follows:

	2014	2015
PPHI		
Balance at beginning of year		
Additions	-	-
Collections		
Balance at end of year	-	-
UMRC		
Balance at beginning of year	(4,963,790.66)	
Additions		
Collections	4,963,790.66	
Balance at end of year	**-**	**-**
Total Due from Related Parties		
Balance at beginning of year	(4,963,790.66)	
Additions	-	
Collections	4,963,790.66	
Balance at end of year	**-**	**-**

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

(E) Corporate Governance

Please refer to the Revised Annual Corporate Governance Report ("ACGR") of the Company hereto attached as Annex "A" pursuant to Securities and Exchange Commission Advisory dated March 16, 2016.

The Company's ACGR is also posted in the Company's official website, www.phoenixfuels.ph

PART V – EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Exhibits

The following exhibits are incorporated by reference in this report.

- Consolidated Financial Statements of the Company as of and for the year ended 31 December 2015
- Index to Financial Statements and Supplementary Schedules

Reports on SEC Form 17-C

The following disclosures have been reported and disclosed to the Commission for the year 2015 up to April 11, 2016 which were duly supported by disclosure letters:

2015 Disclosures (including disclosures up to April 11, 2016):

2016

- Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B)

  April 11, 2016
  PSE No. 17-7 CR02318-2016

- Initial Statement of Beneficial Ownership of Securities

  April 11, 2016
  PSE No. 17-6: CR 02287-2016

- Corporate Governance Guidelines Disclosure Survey for 2015

  March 31, 2016
  PSE No. CGR - 1: CR01850-2016

- Statement of Changes in Beneficial Ownership of Securities - SEC Form 23-B

  March 30, 2016
  PSE No. 17-7: CR01802-2016

- Results of Organizational Meeting of Board of Directors

  March 22, 2016
  PSE No. 4-25: C01464-2016

- Declaration of Record and Payment Dates for PNX Cash Dividends

  March 22, 2016
  PSE No. 6-1: C01473-2016

- Results of the Annual Stakeholders Meeting 2016

  March 22, 2016
  PSE No. 4-24: C01463-2016

- Dividends for PNX3 and PNXP

  March 10, 2016
  PSE No. 6-1: C01241-2016C01241-2016

- Disclosure on Audited FS 2015

  February 29, 2016
  PSE No. 4-30: C00915-2016

- Press Release for Audited FS 2015

  February 29, 2016
  PSE No. 4-31: C00914-2016

- Update and clarification on the incident involving fire in Phoenix Petroterminals and Industrial Park in Calaca, Batangas

  February 22, 2016
  PSE No. 4-30: C00805-2016

- Statement of Changes in Beneficial Ownership of Securities

  February 22, 2016
  PSE No. 17-7: CR01329-2016

- Information Statement (SEC Form 20-IS)

  February 18, 2016
  PSE No. 17-5: CR01318-2016

- Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)

  February 17, 2016
  PSE No. 4-8: C00752-2016

- Statement of Changes in Beneficial Ownership of Securities

February 15, 2016
PSE No. 17-7: CR01275-2016

- Information Statement (SEC Form 20-IS)

  February 12, 2016
  PSE No. 17-5: CR01245-2016

- Notice of Annual or Special Stockholders' Meeting

  February 12, 2016
  PSE No. 7-1: C00673-2016

- Disclosure on board approval for temporary diversion on the use of proceeds of PNXPF3 series

  January 14, 2016
  PSE No. 4-30: C00190-2016

- Press Release re Listing Approval of 3.5 Billion worth of STCP with PDEX

  January 14, 2016
  PSE No. 4-31: C00189-2016

- STCP PDEX listing disclosure

  January 14, 2016
  PSE No. 4-30: C00188-2016

- Public Ownership Report as of 31 December 2015

  January 12, 2016
  PSE No. POR-1: CR00560-2016

- Top Stockholders PNX and PNXP as of 31 December 2015

  January 08, 2016
  PSE No. 17-12: CR00314-2016

- BOD Attendance (2015-2016)

  January 06, 2016
  PSE No. 17-18: CR00098-2016

- Certification of CG Compliance (Advicement)

  January 06, 2016
  PSE No. 17-18: CR00098-2016

2015

- Disclosure on SEC approval of registration of STCP

  December 28, 2015
  PSE No. 4-30: C06801-2015

- Press Statement re listing of up to 2 B Preferred Shares

  December 21, 2015
  PSE No. 4-31: C06721-2015

- Public Ownership Report Tranche 3 PNXP

  December 17, 2015
  PSE No. 4-30: C06658-2015

- Notification of Completion of Offering for PNX3A PNX3B

  December 17, 2015
  PSE No. 4-27: C06657-2015

- PNX3A and PNX3B FOO Implementing Guidelines

  December 05, 2015

- Application to Purchase

  December 04, 2015

- PPPI's Final Prospectus with Annexes (Dec. 02, 2015)

  December 02, 2015

- Amended Press Statement for 3Q 2015 Performance

  November 16, 2015
  PSE No. 4-31: C06196-2015

- SEC Form 17-Q (09302015)

  November 13, 2015
  PSE No. 17-2: CR07087-2015

- Press Statement for 3Q 2015 Performance

November 13, 2015
PSE No. 4-31: C06144-2015

- Amended Prospectus

November 12, 2015

- Disclosure on dividend for its Preferred Shares with record date and payment date

November 10, 2015
PSE No. 6-1: C06051-2015

- L-clarification re news article in Inquirer.net on October 31, 2015

November 03, 2015
PSE No. 4-13: C05901-2015

- Disclosure on STCP update PSE

October 22, 2015
PSE No. 4-30: C05695-2015

- Change in Corporate Contact Details and/or Website

October 20, 2015
PSE No. 4-6: C05645-2015

- List of Top 100 Stockholders as of 30 September 2015

October 08, 2015
PSE No. 17-12: CR06339-2015

- Public Ownership Report as of 30 September 2015

October 07, 2015
PSE No. POR-1: CR06234-2015

- Press Release re 2015 Franchise Excellence Awards

October 05, 2015
PSE No. 4-31: C05416-2015

- [Amend-1]Material Information/Transactions

September 29, 2015
PSE No. 4-30: C05325-2015

- Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)

  September 24, 2015
  PSE No. 4-8: C05269-2015

- Clarification of News Reports

  September 24, 2015
  PSE No. 4-13: C05268-2015

- SEC Form 12-1 Amended Registration Statement

  September 24, 2015

- Other SEC Forms, Reports and Requirements

  September 23, 2015
  PSE No. 17-18: CR05978-2015

- Disclosure on Stockholders Approval of Issuance of Preferred Shares

  September 23, 2015
  PSE No. 4-30: C05227-2015

- PPPI SEC Form 12-1 Part 1 of 3

  August 24, 2015

- PPPI SEC Form 12-1 Part 2 of 3

  August 24, 2015

- PPPI SEC Form 12-1 Part 3 of 3

  August 24, 2015

- Material Information/Transactions

  August 24, 2015
  PSE No. 4-30: C04753-2015

- [Amend-1]Declaration of Cash Dividends

  August 11, 2015
  PSE Form No. 6-1: C04491-2015

- Declaration of Cash Dividends

August 11, 2015
PSE No. 6-1: C04488-2015

- [Amend-1] Quarterly Report

  July 21, 2015
  PSE Form No. 17-2: CR04912-2015

- Press Statement for 2Q 2015 results

  July 21, 2015
  PSE Form No. 4-31: C03993-2015

- Quarterly Report

  July 20, 2015
  PSE Form No. 17-2: CR04891-2015

- Public Ownership Report as of 30 June 2015

  July 14, 2015
  PSE No. POR-1: CR04648-2015

- List of Top 100 Stockholders

  July 08, 2015
  PSE Form No. 17-12: CR04316-2015

- SEC Form 23-B (Udenna Corp 06162015)

  June 17, 2015
  PSE Form No. 17-7: CR03985-2015

- Declaration of Cash Dividends for PNXP

  May 13, 2015
  PSE Form No. 6-1: C02533-2015

- SEC Form 17-Q

  May 11, 2015
  PSE Form No. 17-2: CR03144-2015

- Press Statement for 1st Q FS

  May 11, 2015
  PSE Form No. 4-31: C02430-2015

- STCP Roll over Disclosure

April 28, 2015
PSE Form No. 4-30: C02137-2015

- Disclosure on STCP Update

  April 22, 2015
  PSE Form No. 4-30: C02036-2015

- Statement of Changes in Beneficial Ownership of Securities

  April 20, 2015
  PSE Form No. 17-7: CR02745-2015

- Public Ownership Report

  April 15, 2015
  PSE Form No. POR-1: CR02344-2015

- Annual Report with ACGR

  April 15, 2015

- Annual Report

  April 14, 2015
  PSE Form No. 17-1: CR02173-2015

- List of Top 100 Stockholders

  April 13, 2015
  PSE Form No. 17-12: CR02023-2015

- Compliance Report on Corporate Governance

  March 30, 2015
  PSE Form No. CGR-1: CR01647-2015

- Press Statement re listing of additional STCP with PDEX

  March 18, 2015
  PSE Form No. 4-31: C01302-2015

- Results of Organizational Meeting of Board of Directors

  March 12, 2015
  PSE Form No. 4-25: C01186-2015

- Results of Annual or Special Stockholders' Meeting

March 12, 2015
PSE Form No. 4-24: C01185-2015

- PSE Disclosure on rollover of STCP

  March 09, 2015
  PSE Form No. 4-30: C01125-2015

- Declaration of Cash Dividends

  March 04, 2015
  PSE Form No. 6-1: C01027-2015

- [Amend-1]Declaration of Cash Dividends

  February 27, 2015
  PSE Form No. 6-1: C00950-2015

- Press Release re SEC approval of P1.5 B STCP

  February 25, 2015
  PSE Form No. 4-31: C00809-2015

- Disclosure on the pre-effective clearance STCP

  February 23, 2015
  PSE Form No. 4-30: C00772-2015

- Press Release re renewal of Agreement CebPac and PPPI

  February 23, 2015
  PSE Form No. 4-31: C00765-2015

- Material Information/Transactions

  February 17, 2015
  PSE Form No. 4-30: C00695-2015

- Clarification of News Reports

  February 16, 2015
  PSE Form No. 4-13: C00685-2015

- Disclosure of Audited FS December 31, 2014

  February 12, 2015
  PSE Form No. 4-30: C00641-2015

- Press Release for FS December 31, 2014

February 12, 2015
PSE Form No. 4-31: C00640-2015

- Declaration of Cash Dividends of PNX Preferred Shares

  February 09, 2015
  PSE Form No. 6-1: C00572-2015

- Information Statement (SEC Form 20-IS)

  February 06, 2015
  PSE Form No. 17-5: CR01082-2015

- Material Information/Transactions

  February 05, 2015
  PSE Form No. 4-30: C00528-2015

- [Amend-1] Notice of Annual or Special Stockholders' Meeting

  February 05, 2015
  PSE Form No. 7-1: C00525-2015

- Information Statement (SEC Form 20-IS)

  February 05, 2015
  PSE Form No. 17-5: CR01051-2015

- [Amend-1] Quarterly Report (SEC Form 17-Q)

  February 03, 2015
  PSE Form No. 17-2: CR01036-2015

- [Amend-1] Quarterly Report (SEC Form 17-Q)

  February 03, 2015
  PSE Form No. 17-2: CR01028-2015

- Notice of Annual or Special Stockholder's Meeting

  February 03, 2015
  PSE Form No. 7-1: C00463-2015

- Public Ownership Report

  January 19, 2015
  PSE Form No. POR-1: CR00846-2015

- Top Stockholders as of December 31, 2014

  January 13, 2015
  PSE Form No. 17-12: CR00551-2015

- BOD Attendance MCG Certification

  January 09, 2015
  PSE Form No. 17-18: CR00284-2015

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Davao on April 13, 2016.

By:

DENNIS A. UY
President & Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Financial Officer

CHRYSS ALFONSUS V. DAMUY
Vice President, Finance

SOCORRO ERMAC CABREROS
Corporate Secretary

COVER SHEET
for
ANNUAL AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 7 2 8 3

Company Name

P-H-O-E-N-I-X PETROLEUM
PHILIPPINES, INC.
(AND SUBSIDIARIES)

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

STELLA HIZON REYES ROAD
BARRIO PAMPANGA, DAVAO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@phoenixfuels.ph	(082) 235-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
71	Any day in March	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MR. CHRYSS ALFONSUS V. DAMUY	chryss.damuy@phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road Barrio Pampanga, Davao City

Note 1: *In case of death, resgination 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.*

To be an indispensable partner in the journey of everyone whose life we touch.

PHOENIX

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 in accordance with Philippine Financial Reporting Standards, including the following additional supplementary information which is filed separately from the basic consolidated financial statements:

a) Supplementary schedule required under Annex 68-E of the SRC
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Councils as of 31 December 2015
d) Schedule showing financial soundness indicators
e) Schedule showing reconciliation of Retained Earnings available for dividend declaration
f) Schedule of proceeds and expenses on recently offered securities to the public

Management's responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders for the period December 31, 2015, 2014 and 2013, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this **24th day of February 2016**, Davao City

Domingo T. Uy
Chairman of the Board

Dennis A. Uy
President & Chief Executive Officer

Joseph John L. Ong
Chief Financial Officer

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

MANILA OFFICE: 25/F Fort Legend Towers, 3rd Avenue corner 31st St., Fort Bonifacio Global City, Taguig City 1634, Philippines
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Tel. No.: +63 (32) 236-8168 / 236-8198

SUBSCRIBED AND SWORN to before me on **24 February 2016** in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Domingo T. Uy	TIN 140-162-193
Dennis A. Uy	TIN-172-020-135
Joseph John L. Ong	TIN 101-116-899

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

SOCORRO ERMAC CABREROS
Notary Public Until December 31, 2016
SN 234-2015/ TIN 111-790-618
Phoenix Petroleum Philippines, Inc.
Phoenix Bulk Depot, Lanang, Davao City
Roll of Attorney No. 37121
PTR No. 6829156 / 01-07-16 / Davao City
IBP No. 1021096 / 01-06-16 / Davao City

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Consolidated Financial Statements and Independent Auditors' Report

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

December 31, 2015, 2014 and 2013

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Report of Independent Auditors

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 the accompanying consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 17, 2016

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(With Corresponding Figures as of January 1, 2014)
(Amounts in Philippine Pesos)

	Notes	2015	December 31, 2014 (As Restated - see Note 2)	January 1, 2014 (As Restated - see Note 2)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	6	**P 1,631,788,201**	P 555,508,720	P 357,220,520
Trade and other receivables - net	7	**10,810,058,968**	7,855,177,146	7,366,258,881
Inventories	8	**2,638,614,688**	2,870,829,069	3,812,532,673
Land held for sale and land development costs	9	**462,489,197**	485,985,811	503,672,474
Due from a related party	27	**12,260,843**	10,373,356	2,747,994
Restricted deposits	10	**70,972,207**	70,406,743	95,419,646
Input value-added tax - net		**774,235,845**	603,608,784	448,838,093
Prepayments and other current assets	11	**639,111,710**	1,032,341,254	466,049,951
Total Current Assets		**17,039,531,659**	13,484,230,883	13,052,740,232
NON-CURRENT ASSETS				
Property, plant and equipment - net	12	**12,843,003,318**	10,716,463,034	8,634,948,096
Intangible assets - net	13	**72,384,461**	86,437,156	17,405,599
Land held for future development	14	**390,209,655**	312,617,496	297,942,281
Investment in an associate and a joint venture	15	**158,689,632**	2,250,000	2,250,000
Goodwill - net	16	**84,516,663**	84,516,663	84,516,663
Other non-current assets	17	**338,272,674**	313,645,563	247,750,095
Total Non-current Assets		**13,887,076,403**	11,515,929,912	9,284,812,734
TOTAL ASSETS		**P 30,926,608,062**	P 25,000,160,795	P 22,337,552,966
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	**P 11,740,698,156**	P 8,479,025,750	P 8,207,229,484
Trade and other payables	19	**3,260,472,746**	3,398,959,105	1,285,402,413
Due to related parties	27	**-**	17,204,725	64,161,243
Total Current Liabilities		**15,001,170,902**	11,895,189,580	9,556,793,140
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	**5,243,300,684**	5,363,617,647	5,544,509,333
Trade and other payables	19	**317,810,700**	335,610,890	285,024,914
Deferred tax liabilities - net	26	**93,712,913**	71,872,184	76,530,691
Other non-current liabilities	20	**247,250,680**	283,644,395	376,789,584
Total Non-current Liabilities		**5,902,074,977**	6,054,745,116	6,282,854,522
Total Liabilities		**20,903,245,879**	17,949,934,696	15,839,647,662
EQUITY	28			
Capital stock		**1,453,777,232**	1,433,777,232	1,433,777,232
Additional paid-in capital		**5,320,816,182**	3,367,916,774	3,367,916,774
Revaluation reserves		**559,295,266**	372,138,419	272,621,771
Other reserves		**(622,952,239)**	(622,952,239)	(622,952,239)
Retained earnings		**3,312,425,742**	2,499,345,913	2,046,541,766
Total Equity		**10,023,362,183**	7,050,226,099	6,497,905,304
TOTAL LIABILITIES AND EQUITY		**P 30,926,608,062**	P 25,000,160,795	P 22,337,552,966

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014 (As Restated - see Note 2)	2013 (As Restated - see Note 2)
REVENUES				
Sale of goods	27	**P 28,620,971,473**	P 34,025,744,606	P 43,132,314,819
Charter fees and other charges	2	**562,523,731**	392,681,626	205,235,733
Sale of real estate	2	**455,692,000**	74,543,322	7,377,000
Fuel service and other revenues	2	**186,661,739**	56,184,644	62,643,613
Rent and storage income	31	**122,425,059**	100,583,267	79,208,786
Port revenues	2	**105,565,142**	84,647,031	65,206,403
		30,053,839,144	34,734,384,496	43,551,986,354
COST AND EXPENSES				
Cost of sales and services	21	**25,268,851,163**	31,143,992,369	40,204,457,744
Selling and administrative expenses	22	**2,724,906,711**	2,177,337,743	2,035,168,478
		27,993,757,874	33,321,330,112	42,239,626,222
OTHER CHARGES (INCOME)				
Finance costs	23	**968,682,307**	804,137,896	669,030,064
Equity share in net loss of a joint venture	15	**16,310,368**	-	-
Finance income	23	**(7,553,833)**	(3,394,843)	(8,481,577)
Others		**(9,069,835)**	(6,842,368)	(14,625,113)
		968,369,007	793,900,685	645,923,374
PROFIT BEFORE TAX		**1,091,712,263**	619,153,699	666,436,758
TAX EXPENSE	26	**185,843,550**	2,790,727	1,379,153
NET PROFIT		**905,868,713**	616,362,972	665,057,605
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of tankers	28	**202,245,220**	180,637,550	6,847,358
Remeasurements of post-employment defined benefit obligation	24	**18,116,705**	(31,217,753)	(3,147,836)
Tax expense	26	**(13,304,602)**	(29,334,251)	(1,109,855)
Other Comprehensive Income - net of tax		**207,057,323**	120,085,546	2,589,667
TOTAL COMPREHENSIVE INCOME		**P 1,112,926,036**	P 736,448,518	P 667,647,272
Basic and Diluted Earnings per share	29	**P 0.60**	P 0.40	P 0.45

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, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Capital Stock								
	Note	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity
Balance at January 1, 2015		**P 10,000,000**	**(P 5,000,000)**	**P 1,428,777,232**	**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 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 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 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
Balance at January 1, 2013		P 5,000,000	P -	P 906,059,416	P 911,059,416	P 2,051,723,794	P 282,423,030	(P 622,952,239)	P 1,859,916,993	P 4,482,170,994
Issuance of shares during the year	28	5,000,000	-	193,000,000	198,000,000	1,316,192,980	-	-	-	1,514,192,980
Acquisition of shares		-	(5,000,000)	-	(5,000,000)	-	-	-	-	(5,000,000)
Stock dividends	28	-	-	329,717,816	329,717,816	-	-	-	(329,717,816)	-
Cash dividends	28	-	-	-	-	-	-	-	(161,105,942)	(161,105,942)
Total comprehensive income for the year		-	-	-	-	-	2,589,667	-	665,057,605	667,647,272
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	(12,390,926)	-	12,390,926	-
Balance at December 31, 2013		P 10,000,000	(P 5,000,000)	P 1,428,777,232	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

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, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014 (As Restated - see Note 2)	2013 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,091,712,263**	P 619,153,699	P 666,436,758
Adjustments for:				
Depreciation and amortization	22	**821,733,247**	660,281,915	528,400,077
Interest expense on bank loans and borrowings	23	**786,929,274**	728,178,099	617,451,997
Impairment losses on trade and other receivables	23	**79,208,744**	40,077,464	17,959,002
Share in net loss of an indirectly-owned joint venture	15	**16,310,368**	-	-
Interest income	23	**(5,540,995)**	(3,394,843)	(8,481,577)
Unrealized foreign exchange currency gains (loss) - net		**(3,370,552)**	22,600,496	-
Loss on sale of investment in an associate	15	**2,250,000**	-	-
Loss on settlement of insurance claims	23	**-**	3,898,441	-
Operating profit before working capital changes		**2,789,232,349**	2,070,795,271	1,821,766,257
Increase in trade and other receivables		**(3,030,720,014)**	(552,746,672)	(3,804,750,049)
Decrease (increase) in inventories		**232,214,381**	941,703,604	(123,772,997)
Decrease (increase) in land held for sale and land development costs		**23,496,614**	17,686,663	(1,641,915)
Decrease (increase) in restricted deposits		**(565,464)**	25,012,903	(12,725,617)
Increase in input value-added tax		**(170,627,061)**	(154,770,691)	(55,869,471)
Decrease (increase) in prepayments and other current assets		**393,229,544**	(566,185,587)	(255,956,973)
Increase (decrease) in trade and other payables		**(334,848,958)**	2,161,394,674	23,322,143
Cash generated from (used in) operations		**(98,588,609)**	3,942,890,165	(2,409,628,622)
Cash paid for income taxes		**(712,198)**	(610,696)	(1,635,260)
Net Cash From (Used in) Operating Activities		**(99,300,807)**	3,942,279,469	(2,411,263,882)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	12	**(2,704,508,788)**	(2,481,654,558)	(1,982,497,176)
Additional investment in an indirectly-owned joint venture	15	**(107,250,000)**	-	-
Increase in land held for future development		**(77,592,159)**	(14,675,215)	(8,864,054)
Increase in other non-current assets		**(27,854,741)**	(122,883,739)	(149,078,003)
Acquisitions of intangible assets	13	**(27,672,355)**	(82,433,776)	(23,007,130)
Advances to related parties	27	**(5,448,932)**	(7,625,362)	(17,362,078)
Interest received		**3,402,894**	2,750,097	7,831,603
Collections from related parties	27	**3,561,445**	-	22,914,084
Proceeds from disposal of property, plant and equipment		**4,946,617**	949,543	1,834,386
Net Cash Used in Investing Activities		**(2,938,416,019)**	(2,705,573,010)	(2,148,228,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from additional interest-bearing loans and borrowings		**39,306,012,177**	35,866,969,673	29,837,925,969
Repayments of interest-bearing loans and borrowings		**(36,164,656,734)**	(35,776,065,093)	(26,001,508,949)
Proceeds from issuance of shares of stock	28	**1,972,899,408**	-	1,509,192,980
Interest paid		**(848,790,538)**	(798,899,617)	(688,863,445)
Payments of cash dividends	28	**(112,689,360)**	(184,127,723)	(161,105,942)
Increase (decrease) in other non-current liabilities		**(21,573,921)**	(99,338,981)	3,951,722
Repayments to related parties	27	**(17,204,725)**	(46,956,518)	(21,390,502)
Net Cash From (Used in) Financing Activities		**4,113,996,307**	(1,038,418,259)	4,478,201,833
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,076,279,481**	198,288,200	(81,290,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**555,508,720**	357,220,520	438,510,937
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,631,788,201**	P 555,508,720	P 357,220,520

Supplemental Information on Non-cash Investing and Financing Activities:

1) Certain hauling and heavy equipment with carrying amount of P12.4 million and P19.5 million as of December 31, 2015 and 2014, respectively, are accounted for under finance leases (see Notes 12.5 and 18.5).

2) The Group's tankers were revalued by an independent appraiser in each year from 2009. Revaluation reserves amounted to P582.4 million and P407.9 million as of December 31, 2015 and 2014, respectively (see Notes 12.2 and 28.4).

3) Interest payments amounting to P61.9 million, P70.7 million and P71.4 million in 2015, 2014 and 2013, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 12.3 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 15.2 and 17).

6) Stock dividends declared and distributed by the Group amounted to P329.7 million in 2013 (see Note 28.6). No stock dividends were declared in 2015 and 2014.

See Notes to Consolidated Financial Statements

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.00% 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 454 operating retail service stations, and a total of 51 service stations under construction as of December 31, 2015.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

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

Subsidiaries/ Associate	Explanatory Notes	Percentage of Ownership 2015	2014
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%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	(c)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(d)	**100.00%**	100.00%
Chelsea Shipping Corp. (CSC)	(e)	**100.00%**	100.00%
Bunkers Manila, Inc. (BMI) *	(f)	**100.00%**	100.00%
Michael Inc. (MI)*	(g)	**100.00%**	100.00%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	(h)	**100.00%**	100.00%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)*	(i)	**100.00%**	100.00%
Fortis Tugs Corporation (FTC)*	(j)	**100.00%**	100.00%
Norse/Phil Marine Services Corp. (NPMSC)**	(k)	**-**	45.00%
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, 2017 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.

(c) 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).

(d) 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.

(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.

(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.

(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.

(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.

(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.

(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.

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	–	Puting 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 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

PPIPC's registered office is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2015 (including the comparative consolidated financial statements as of and for the year ended December 31, 2014 and the corresponding figures as of January 1, 2014) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 17, 2016.

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

Certain items in the 2014 and 2013 consolidated statements of financial position and consolidated statements of comprehensive income of the Group have been reclassified to conform to the 2015 consolidated statements of financial position and comprehensive income presentation and classification. These items are as follows:

(a) The cost of intangible assets amounting to P105.4 million and P23.0 million as of December 31, 2014 and 2013, respectively, previously presented as part of prepayments and other current assets are presented on a separate line account in the 2014 and 2013 consolidated statements of financial position. In addition, the accumulated amortization of the said intangible assets amounting to P19.0 million and P5.6 million as of December 31, 2014 and 2013, respectively, previously recorded as part of property, plant and equipment are presented as part of the intangible assets account.

(b) Freight out expense amounting to P260.5 million and P43.7 million in 2014 and 2013, respectively, previously included as part of cost of sales are now classified under selling and administrative expenses.

(c) Certain claims receivable amounting to P22.5 million as of December 31, 2014 and 2013, previously presented as part of refundable rental deposits under Other Non-Current Assets in the 2014 and 2013 consolidated statements of financial position are reclassified as part of Other Receivables under Trade and Other Receivables.

(d) The non-current portion of the advances from locators amounting to P335.6 million and P285.0 million as of December 31, 2014 and 2013, respectively, previously presented as part of Trade and Other Payables in the 2014 and 2013 consolidated statements of financial position (under current liabilities) are reclassified as part of non-current liabilities.

Accordingly, the Group presented a third consolidated statement of financial position as at January 1, 2014. The reclassifications previously mentioned did not have significant changes in the consolidated statements of cash flows and did not have effect on the basic and diluted earnings per share (EPS) for the years ended December 31, 2014 and 2013.

The restatement resulted in the adjustments on the consolidated financial statements amounts presented in the next page, as of December 31, 2014 and January 1, 2014, and for the years ended December 31, 2014 and 2013 affecting the following accounts.

	As previously Reported	Adjustments	As Restated
December 31, 2014:			
Changes in assets:			
Trade and other receivables - net	P 7,832,712,191	P 22,464,955	P 7,855,177,146
Prepayments and other current assets	1,146,632,540	(114,291,286)	1,032,341,254
Property, plant and equipment - net	10,688,608,904	27,854,130	10,716,463,034
Intangible assets – net	-	86,437,156	86,437,156
Other non-current assets	336,110,518	(22,464,955)	313,645,563
Effect in assets		P -	
Changes in liabilities:			
Trade and other payables – current	P 3,734,569,995	(P 335,610,890)	P 3,398,959,105
Trade and other payables – non-current	-	335,610,890	335,610,890
Effect in liabilities		P -	
Changes in profit or loss:			
Cost of sales and services	P 31,404,503,935	(P 260,511,566)	P 31,143,992,369
Selling and administrative expenses	1,916,826,177	260,511,566	2,177,337,743
Effect in net profit		P -	
January 1, 2014:			
Changes in assets:			
Trade and other receivables - net	P 7,343,793,926	P 22,464,955	P 7,366,258,881
Prepayments and other current assets	489,913,177	(23,863,226)	466,049,951
Property, plant and equipment - net	8,628,490,469	6,457,627	8,634,948,096
Intangible assets – net	-	17,405,599	17,405,599
Other non-current assets	270,215,050	(22,464,955)	247,750,095
Effect in assets		P -	
Changes in liabilities:			
Trade and other payables – current	P 1,570,427,327	(P 285,024,914)	P 1,285,402,413
Trade and other payables – non-current	-	285,024,914	285,024,914
Effect in liabilities		P -	
December 31, 2013:			
Changes in profit or loss:			
Cost of sales and services	P 40,248,166,084	(P 43,708,340)	P 40,204,457,744
Selling and administrative expenses	1,991,460,138	43,708,340	2,035,168,478
Effect in net profit		P -	

(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 2015 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements the terms of agreements covering	:	Annual Improvements to PFRS (2011-2013 Cycle) PFRS (2011-2013 Cycle)

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

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those 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:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors. The Group updated its disclosure pertaining to its key management compensation. Prior to this amendment, the Group discloses compensation of its key employees based on former interpretation of the original standard.

- PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definition of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition".

- PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

- PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement,* in the financial statements of the joint arrangement itself.

(b) *Effective in 2015 that are not Relevant to the Group*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Group's consolidated financial statements:

PFRS (2011-2013 Cycle)

PAS 40 (Amendment)	:	Investment Property – Clarifying the Interrelationship between PFRS 3 and PAS 40

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 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 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces 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 amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces 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 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries, joint venture and associate.

(iv) PFRS 10 (Amendment), *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies 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. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e. from January 1, 2016) indefinitely.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt any version of PFRS 9 (2014) until its effective date. In addition, 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.

(vii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's consolidated financial statements:

(a) PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies 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. It also states 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.

(b) PFRS 7 (Amendment), Financial Instruments – Disclosures. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(c) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, 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. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

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

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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).

(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.

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 a Related Party, 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 include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

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

2.6 Land Held for Sale and Land Development Costs

Land held for sale and land development costs are valued at the lower of cost and net realizable value. Land held for sale and land development costs includes the cost of land and actual development costs incurred as at the end of reporting period. Interest incurred during the development of the project is capitalized (see Note 2.20).

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 5.4).

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

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

Buildings, depot and pier facilities	5-25 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-3 years
Hauling and heavy equipment	1-5 years
Transportation and other equipment	1-10 years
Tankers	30 years
Vessel equipment	5 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 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 or production. Capitalized costs 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.

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), due to related parties and security deposits (presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.20). 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.

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).

Trade and other payables (excluding tax-related payables), due to related parties and security deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent and Storage Income in the consolidated statement of comprehensive income.

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

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

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) *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.

(d) *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.

(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 account 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 an associate and 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 that is tested for impairment at least annually.

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

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

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.14), 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 tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income. Past service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

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

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

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

2.22 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.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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 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 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. There are no potential dilutive shares as of the years presented (see Note 29).

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 and in the succeeding page 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 a Related Party*

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 a related party is shown in Note 27.4. The Group has determined that no impairment loss on Due from a Related Party should be recognized in 2015, 2014 and 2013.

(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, 2015 and 2014, 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 5.4.

For tankers with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of the Group's tankers.

A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on the Group's tankers are disclosed in Note 12.

(f) *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, 2015 and 2014 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2015 and 2014 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 24.2.

(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 2015, 2014 and 2013.

(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:

	2015	2014
Financial assets	**P 6,319,275,779**	P 4,383,654,349
Financial liabilities	**(1,662,588,911)**	(2,988,051,570)
Net exposure	**P 4,656,686,868**	P 1,395,602,779

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

	2015	2014
Reasonably possible change in rate	**53.49%**	27.80%
Effect in profit before tax	**P 2,490,861,805**	P 387,977,573
Effect in equity after tax	**1,743,603,263**	271,584,301

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of December 31, 2015 and 2014, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans borrowings and 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 +/-0.49% and +/-0.96% in 2015 and 2014, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.36% and +/-0.68% for Philippine peso and +/-0.36% and +/-0.31% for U.S. dollar in 2015 and 2014, 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 the each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P48.1 million and +/-P60.5 million for the years ended December 31, 2015 and 2014, respectively, and equity after tax by +/-P33.7 million and +/-P42.4 million for the years ended December 31, 2015 and 2014, 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	**2015**	2014 (As Restated - see Note 2)
Cash and cash equivalents	6	**P 1,631,788,201**	P 555,508,720
Trade and other receivables – net*	7	**9,848,695,600**	6,702,378,945
Due from a related party	27.4	**12,260,843**	10,373,356
Restricted deposits	10, 17	**72,249,055**	71,670,538
Refundable rental deposits	17	**138,171,724**	149,761,741
		P11,703,165,423	P7,489,693,300

**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 a Related Party

In respect of trade and other receivables and due from a related party, 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 in the next page.

	2015	2014
Not more than one month	**P 630,404,266**	P 300,510,729
More than one month but not more than two months	**432,148,035**	236,009,550
More than two months but not more than six months	**1,110,052,164**	454,005,735
More than six months but not more than one year	**4,867,632,165**	1,693,075,736
More than one year	**571,431,230**	606,984,956
	P 7,611,667,860	P 3,290,586,706

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, 2015, 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 10,389,197,730	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
	P 12,435,561,762	**P 2,688,602,340**	**P 6,292,165,086**

This compares to the maturity of the Group's financial liabilities as of December 31, 2014 (As Restated – see Note 2) as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 7,011,246,094	P 1,692,894,035	P 6,116,547,965
Trade and other payables (excluding tax-related payables)	2,728,921,749	700,994,125	490,542,963
Due to related parties	17,204,725	-	-
Security deposits	-	-	158,325,351
	P 9,757,372,568	P 2,393,888,160	P 6,765,416,279

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

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

5.1 Carrying Amounts and Fair Values by Category

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

		2015		2014 (As Restated – see Note 2)	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 1,631,788,201**	**P 1,631,788,201**	P 555,508,720	P 555,508,720
Trade and other receivables-net*	7	**9,848,695,600**	**9,848,695,600**	6,702,378,945	6,702,378,945
Due from a related party	27.4	**12,260,843**	**12,260,843**	10,373,356	10,373,356
Restricted deposits	10, 17	**72,249,055**	**72,249,055**	71,670,538	71,670,538
Refundable rental deposits	17	**138,171,724**	**138,171,724**	149,761,741	149,761,741
		P 11,703,165,423	**P 11,703,165,423**	P 7,489,693,300	P 7,489,693,300
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	**P 16,983,998,840**	**P 16,983,998,840**	P 13,842,643,397	P 13,842,643,397
Trade and other payables**	19	**3,479,709,969**	**3,479,709,969**	3,708,451,542	3,708,451,542
Due to related parties	27.4	**-**	**-**	17,204,725	17,204,725
Security deposits	20	**188,023,313**	**188,023,313**	158,325,351	158,325,351
		P 20,651,732,122	**P 20,651,732,122**	P 17,726,625,015	P 17,726,625,015

**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.

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

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

		2015			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 1,631,788,201	P -	P -	P 1,631,788,201
Trade and other receivables - net	7	-	-	9,848,695,600	9,848,695,600
Due from a related party	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
		P1,704,037,256	**P -**	**P 9,999,128,168**	**P11,703,165,423**

	Notes	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	P -	P -	P16,983,998,840	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
		P -	**P -**	**P20,651,732,122**	**P20,651,732,122**

	Notes	2014 (As Restated – see Note 2.1) Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 555,508,720	P -	P -	P 555,508,720
Trade and other receivables - net	7	-	-	6,702,378,945	6,702,378,945
Due from a related party	27.4	-	-	10,373,356	10,373,356
Restricted deposits	10, 17	71,670,538	-	-	71,670,538
Refundable rental deposits	17	-	-	149,761,741	149,761,741
		P 627,179,258	P -	P 6,862,514,042	P7,489,693,300
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	P -	P -	P13,842,643,397	P13,842,643,397
Trade and other payables	19	-	-	3,708,451,542	3,708,451,542
Due to related parties	27.4	-	-	17,204,725	17,204,725
Security deposits	20	-	-	158,325,351	158,325,351
		P -	P -	P17,726,625,015	P17,726,625,015

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

The fair values of the financial assets and financial liabilities included in Level 3 in the preceding page, which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since not all significant inputs required to determine the fair value of the other instruments not included in Level 1 are observable, these are included in Level 3.

5.4 Fair Value Measurements for Non-financial Assets

a) Determining Fair Value of Tankers

The fair values of the Group's tankers, included as part of the property, plant and equipment account, were determined based on the appraisal reports of a professional and independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the tanker.

In estimating the fair value of these tankers, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of tankers was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

b) Other Fair Value Information

The reconciliation of the carrying amount of tankers included in Level 3 is presented in Note 12.2.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2015 and 2014.

5.5 Offsetting of Financial Assets and Financial Liabilities

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

	December 31, 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 -	P 9,815,555,094
Restricted deposits	72,249,055	-	72,249,055	(72,249,055)	-	-
Total	**P 10,019,261,980**	**(P 98,317,325)**	**P 9,920,944,655**	**(P 105,389,561)**	**P -**	**P 9,815,555,094**

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 4,031,673,199	(P 242,448,065)	P 3,789,225,134	P -	P -	P 3,789,225,134
Restricted deposits	71,670,538	-	71,670,538	(71,670,538)	-	-
Total	P 4,103,343,737	(P 242,448,065)	P 3,860,895,672	(P 71,670,538)	P -	P 3,789,225,134

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, 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	**P 20,750,049,447**	**(P 98,317,325)**	**P 20,651,732,122**	**(P 105,389,561)**	**P -**	**P 20,546,342,561**

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,842,643,397	P -	P 13,842,643,397	(P 71,670,538)	P -	P 13,770,972,859
Trade and other payables	3,766,899,607	(58,448,065)	3,708,451,542	-	-	3,708,451,542
Security deposits	342,325,351	(184,000,000)	158,325,351	-	-	158,325,351
Total	P 17,951,868,355	(P 242,448,065)	P 17,709,420,290	(P 71,670,538)	P -	P 17,637,749,752

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:

	2015	2014
Cash in banks	**P 880,016,290**	P 538,072,742
Short-term placements	**741,998,940**	5,968,416
Cash on hand	**7,169,773**	10,335,747
Revolving fund	**2,603,198**	1,131,815
	P 1,631,788,201	P 555,508,720

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 3.00% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 2.10% to 7.10% per annum in all years presented. Interest income earned amounted to P2.8 million, P2.5 million and P7.5 million in 2015, 2014 and 2013, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2015 and 2014 exclude restricted time deposits totalling to P72.2 million and P71.7 million, respectively, which are shown as Restricted Deposits account (see Note 10) and restricted time deposits under Other Non-current Assets (see Note 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:

	Notes	2015	2014 (As Restated - see Note 2.1)
Trade receivables:			
Third parties		**P 3,449,380,953**	P 3,707,615,051
Related parties	27.1	**25,076,202**	25,524,583
		3,474,457,155	3,733,139,634
Advances to suppliers:			
Third parties	12.1	**6,609,137,118**	4,001,272,283
Related parties	27.2	**388,294,800**	10,024,800
		6,997,431,918	4,011,297,083
Installment contract receivable – net of unamortized discount	27.7	**330,808,244**	63,515,254
Non-trade receivables		**283,867,284**	242,324,636
Advances subject to liquidation		**11,831,212**	32,189,974
(Amount carried forward)		**P 11,098,395,813**	P 8,082,466,581

	Note	2015	2014 (As Restated - see Note 2.1)
(Amount brought forward)		**P 11,098,395,813**	P 8,082,466,581
Other receivables - net	27.7	**70,151,182**	57,101,863
		11,168,546,995	8,139,568,444
Allowance for impairment		**(358,488,027)**	(284,391,298)
		P 10,810,058,968	P 7,855,177,146

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

In 2014, PNX-Chelsea entered into Memorandum of Agreement (MOA) for the importation of one unit of oil tank vessel (MT Chelsea Denise II) for a total cost of US$21.2 million. PNX-Chelsea made advance payments amounting to P89.6 million (US$2.0 million) and is presented as part of Advances to Suppliers account in the 2014 consolidated statement of financial position. The tanker was delivered in 2015, hence, the amount of advance payments were reclassified as part of the cost of the tanker.

Installment contract receivable 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 and nil in 2015 and 2014, respectively, is presented as part of Finance Costs (see Note 23.1) in the consolidated statements of comprehensive income. Meanwhile, amortization of installment contract receivable using effective interest method amounting to P2.0 million and nil in 2015 and 2014, respectively, is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

Non-trade receivables mostly pertain to receivable from locators and accrued rent.

Other receivables include partial claims from an insurance company amounting to P32.9 million as of December 31, 2014, which is related to certain incidents encountered by certain vessels of CSC. The amount represents the actual costs incurred for the vessels, net of the applicable deductible clause. In 2014, CSC received a notice of the final amount to be settled by the insurance company based on the computations provided by the adjuster. Out of the outstanding claim of the Group of P23.8 million, only P19.9 million will be collectible; hence, the remaining balance of P3.9 million was recognized as Loss on settlement of insurance claims, which is presented as part of Finance Costs in the 2014 consolidated statement of comprehensive income (see Note 23.1). CSC has fully collected these claims in 2015.

Other receivables also include P2.6 million worth of reimbursable costs incurred by the Group as of December 31, 2014 in relation to its TC agreement with a certain third party. There is no outstanding balance in 2015.

Certain trade receivables amounting to P35.5 million and P59.5 million as of December 31, 2015 and 2014, respectively, were used as collateral to secure the payment of the certain interest-bearing loans and borrowings [see Note 18.2*(d)(i)(j)(l)*].

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, 2015 and 2014.

Impairment losses amounted to P74.4 million, P40.1 million and P18.0 million in 2015, 2014 and 2013, respectively, and 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 2015 is presented as part of Others under Other Income (Charges) account in the 2015 consolidated statement of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2015 and 2014 is shown below.

	Note	**2015**	2014
Balance at beginning of year		**P 284,391,298**	P 244,313,834
Impairment loss for the year	23.1	**74,413,265**	40,077,464
Recovery of bad debts		**(316,536)**	-
Balance at end of year		**P 358,488,027**	P 284,391,298

8. INVENTORIES

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

	2015	2014
Fuels	**P 2,402,143,869**	P 2,564,596,748
Lubricants	**236,404,494**	306,133,400
Others	**66,325**	98,921
	P 2,638,614,688	P 2,870,829,069

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P 2,378.4 million and P2,138.5 million as of December 31, 2015 and 2014, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusteed 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 stated at cost relate to the following as of December 31:

	2015	2014
Land held for sale	**P 462,489,197**	P 450,786,035
Land development costs	**-**	35,199,776
	P 462,489,197	P 485,985,811

Land development costs pertain to expenditures for the development and improvement of certain parcels of land held for sale in Phases 1 and 2 of the Park

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 18.1) amounting to P71.0 million and P70.4 million as of December 31, 2015 and 2014, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 2.00% to 8.75% per annum for the years 2015, 2014 and 2013. Interest income earned from restricted deposits amounted to P0.6 million, P0.3 million and P0.3 million in 2015, 2014 and 2013, 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 is shown below:

	2015	2014 (As Restated - see Note 2.1)
Creditable withholding tax	**P 349,885,803**	P 353,395,385
Prepayments	**195,356,449**	577,645,850
Supplies	**89,106,338**	101,185,037
Others	**4,763,120**	114,982
	P 639,111,710	P 1,032,341,254

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 2015 and 2014 are shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
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	**P 3,218,815,086**	**P 93,590,666**	**P1,804,886,548**	**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**
December 31, 2014 (As Restated – see Note 2.1)											
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	P4,440,508,081	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	P 3,030,164,543	P 50,104,378	P1,602,424,412	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
January 1, 2014 (As Restated – see Note 2.1)											
Cost or valuation	P 2,940,015,956	P 68,286,414	P1,349,933,858	P 76,438,965	P 547,121,336	P 66,714,204	P3,102,998,637	P 132,261,485	P 358,163,195	P 1,643,322,006	P 10,285,256,056
Accumulated depreciation and amortization	(633,529,168)	(36,606,594)	(184,362,258)	(56,019,329)	(228,201,903)	(63,532,510)	(410,279,603)	(37,776,595)	-	-	(1,650,307,960)
Net carrying amount	P 2,306,486,788	P 31,679,820	P1,165,571,600	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,634,948,096

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014 of property, plant and equipment is shown below.

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 3,030,164,543	P 50,104,378	P1,602,424,412	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	18,831,900	-	(23,529,591)	(35,157)	(14,814)	-	-	-	-	-	(4,747,662)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 3,218,815,086**	**P 93,590,666**	**P1,804,886,548**	**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**
Balance at January 1, 2014, net of accumulated depreciation and amortization (As Restated – see Note 2.1)	P 2,306,486,788	P 31,679,820	P1,165,571,600	P 20,419,636	P 318,919,433	P 3,181,694	P 2,692,719,034	P 94,484,890	P 358,163,195	P 1,643,322,006	P 8,634,948,096
Additions	120,839,366	28,885,715	124,891,701	8,181,587	32,527,133	8,977,566	168,433,749	49,842,599	283,556,067	1,726,134,876	2,552,270,359
Revaluation increment	-	-	-	-	-	-	180,637,550	-	-	-	180,637,550
Transfers	764,619,034	-	482,071,526	174,656	308,573	-	988,438,145	83,805,026	-	(2,372,745,003)	(53,328,043)
Cost of asset disposed	(1,442,350)	-	(1,051,692)	(38,348)	(669,251)	(584,821)	-	-	-	-	(3,786,462)
Accumulated depreciation of asset disposed	1,442,350	-	361,152	38,348	614,935	380,134	-	-	-	-	2,836,919
Depreciation and amortization charges for the year	(161,780,645)	(10,461,157)	(169,419,875)	(11,356,067)	(65,661,907)	(3,290,783)	(138,402,628)	(36,742,323)	-	-	(597,115,385)
Balance at December 31, 2014, net of accumulated depreciation and amortization (As Restated – see Note 2.1)	P 3,030,164,543	P 50,104,378	P1,602,424,412	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

12.1 Acquisition of Vessel

In 2013, PNX – Chelsea entered into a MOA with a foreign corporation for the importation of one unit of oil tank vessel (MT Chelsea Donatela) from China for U.S.$21.2 million [see Note 18.2*(c)*]. The construction of the tanker was completed in 2014 and had its first voyage on July 15, 2014. Upon completion in 2014, the whole amount of the vessel, which comprises its contract price, costs incurred for the major improvements made to the vessel, capitalized borrowing costs and other incidental costs totaling P418.6 million, was reclassified to Tankers under Property, plant and equipment in the 2014 consolidated statement of financial position.

In 2014, the PNX – Chelsea entered into another MOA for the importation of one unit of oil tank vessel (MT Chelsea Denise II) for a total cost of US$7.3 million. PNX – Chelsea made advance payments amounting to P89.6 million and is presented as part of Advances to Suppliers under Trade and Other Receivables account in the 2014 consolidated statement of financial position. The tanker was delivered in 2015; hence the amount of advance payments was reclassified as part of the cost of the tanker.

12.2 Revaluation of Vessels

The effective dates of the latest appraisal reports of the Group's tankers and tugboats are shown below.

Name of Tanker	Effective Date	Appraised Values
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 are as follows:

	2015	2014
Cost	**P4,226,441,769**	P3,796,559,987
Accumulated depreciation	**(610,954,036)**	(469,984,600)
	P3,615,487,733	P3,326,575,397

12.3 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P61.9 million and P70.7 million as of December 31, 2015 and 2014, 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 2015 and 2014.

12.4 Collaterals

As of December 31, 2015 and 2014, certain tankers owned by the Group with a carrying amount of P4,364.0 million and P3,940.0 million, respectively, were used as collaterals for the interest-bearing loans from various local banks (see Note 18.2 and 18.4).

Moreover, certain transportation equipment with carrying amount of P5.5 million and P3.0 million, respectively, was used as collateral for mortgage loans with a local bank (see Note 18.6).

12.5 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to P12.4 million and P19.5 million as of December 31, 2015 and 2014, respectively (see Note 18.5).

12.6 Depreciation and Amortization

In 2015, the Group retired in its books fully-depreciated transportation equipment with a total cost of P4.3 million. As of December 31, 2015 and 2014, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P447.9 million and P277.0 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2015**	2014	2013
Cost of services	21.2	**P 246,379,404**	P 201,694,106	P 149,726,182
Selling and administrative expenses		**439,696,459**	395,421,279	334,253,594
	22	**P 686,075,863**	P 597,115,385	P 483,979,776

13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2015 and 2014 are shown below.

	Computer Software Licenses	Software Development Costs	Total
December 31, 2015			
Cost	P 127,553,120	P 5,560,142	P 133,113,262
Accumulated amortization	(58,015,880)	(2,712,921)	(60,728,801)
Net carrying amount	**P 69,537,240**	**P 2,847,221**	**P 72,384,461**
December 31, 2014			
Cost	P 101,189,263	P 4,251,644	P 105,440,907
Accumulated amortization	(17,866,178)	(1,137,573)	(19,003,751)
Net carrying amount	P 83,323,085	P 3,114,071	P 86,437,156
January 1, 2014			
Cost	P 21,961,509	P 1,045,622	P 23,007,131
Accumulated amortization	(5,371,470)	(230,062)	(5,601,532)
Net carrying amount	P 16,590,039	P 815,560	P 17,405,599

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2015 and 2014 is shown below.

	Computer Software Licenses	Software Development Costs	Total
Balance at January 1, 2015, net of accumulated amortization	P 83,323,085	P 3,114,071	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 31, 2015, net of accumulated amortization	**P 69,537,240**	**P 2,847,221**	**P 72,384,461**
Balance at January 1, 2014, net of accumulated amortization	P 16,590,039	P 815,560	P 17,405,599
Additions	79,227,754	3,206,022	82,433,776
Amortization expense for the year	(12,494,708)	(907,511)	(13,402,219)
Balance at December 31, 2014, net of accumulated amortization	P 83,323,085	P 3,114,071	P 86,437,156

14. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents the Group's unsold land properties and certain land development costs (see Note 19) in Phases 2 and 3 of the Park that are intended for sale or for lease once developed.

15. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

15.1 Investment in an Associate

The Group has an outstanding balance in its Investment in an Associate account amounting to P2.3 million as of December 31, 2014, which the management considered to be immaterial to the Group. In 2015, the Group disposed all of its interest ownership in the associate.

15.2 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 company that shall operate a terminal and storage facility in the Park for liquefied petroleum gas (LPG) and LPG-related products. The joint venture company, 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. 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 (see Note 17). 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. In addition, PPIPC has no significant commitments relating to SPI.

Presented below are the unaudited financial information of SPI as of December 31, 2015:

Total assets	P	2,824,435,552
Total liabilities		2,517,012,820
Total equity		307,422,732
Net loss		32,620,735

Below is the movement of the investment in a joint venture as of December 31, 2015:

Acquisition cost	P	175,000,000
Less: Equity in net loss during the year	(	16,310,368)
Net book value	**P**	**158,689,632**

The management assessed that its investment in a joint venture is not impaired as SPI is still on its early stage of operations and is expected to generate revenues in the near future.

16. GOODWILL

Goodwill amounting to P84.5 million as of December 31, 2015 and 2014, 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. In 2013, the Parent Company assessed that the goodwill pertaining with PGMI is impaired, hence, full impairment loss amounting to P1.3 million was recognized.

17. OTHER NON-CURRENT ASSETS

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

	Notes	2015	2014 (As Restated - see Note 2)
Drydocking costs – net		**P 160,258,939**	P 58,281,453
Refundable rental deposits	27.3	**138,171,724**	149,761,741
Deferred minimum lease payments		**37,341,915**	34,379,811
Restricted deposits	6	**1,276,848**	1,263,795
Advances for future investment in a joint venture	15	**-**	67,750,000
Others		**1,223,248**	2,208,763
		P 338,272,674	P 313,645,563

Presented below is a reconciliation of the carrying amount of drydocking costs at the beginning and end of 2015 and 2014.

	Notes	2015	2014
Balance at beginning of year		**P 58,281,453**	P 46,588,245
Transfer from construction in progress	12	**146,304,846**	53,328,043
Amortization during the year	21.2, 22	**(93,932,334)**	(49,764,310)
Additions		**49,604,974**	8,229,538
Disposal		**-**	(100,063)
Balance at end of year		**P 160,258,939**	P 58,281,453

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

Drydocking costs are being amortized over two years or until the occurrence of the next drydocking, whichever comes earlier.

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 P2.1 million in 2015 and P0.6 million both in 2014 and 2013 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, P1.1 million and P0.8 million in 2015, 2014 and 2013, 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.

The advances for future investment in a joint venture as of December 31, 2014 represents the PPIPC's payment to the co-venturer for PPIPC's partial share in the investment in future joint venture per memorandum of agreement entered into with the said third party. PPIPC and the third party, through the future joint venture, are committed to construct a terminal and storage facility. In 2015, the joint venture agreement was finalized (see Note 15.1).

18. INTEREST-BEARING LOANS AND BORROWINGS

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

	2015	2014
Current:		
Liabilities under LC and TR	**P 5,117,764,514**	P 3,640,151,291
Term loans	**4,469,169,919**	2,522,754,250
Liabilities under short-term commercial papers	**1,248,738,021**	1,942,752,503
Bank loans	**898,278,303**	364,293,475
Obligations under finance lease	**4,480,716**	7,462,297
Mortgage payable	**2,266,683**	1,611,934
	P 11,740,698,156	P 8,479,025,750
Non-current:		
Term loans	**P 5,240,331,888**	P 5,356,539,577
Mortgage payable	**1,781,034**	5,671,371
Obligations under finance lease	**1,187,762**	1,406,699
	P 5,243,300,684	P 5,363,617,647

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 3.80% and 5.00% per annum in 2015 and 2014, 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 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 2015	Outstanding Balance 2014
China Banking Corporation (CBC) and Pentacapital	*(a), (m)*	1 month to 5 years	3.50% - 7.75%	**P 2,683,744,644**	P 2,576,198,373
BDO Unibank, Inc. (BDO)					
i. Notes Facility Agreement	*(b), (m), (n)*	5 years	7.74%	**980,000,000**	985,000,000
ii. Omnibus Loan and Security Agreement (OLSA) – MT Chelsea Donatela	*(c)*	5 years	5.30%	**525,256,362**	595,063,873
iii. OLSA – MT Chelsea Thelma	*(d)*	7 years	one-year LIBOR plus 3.50%	**327,791,111**	394,457,331
iv. OLSA – MT Chelsea Denise II	*(e)*	5 years	6.46%	**288,460,000**	-
				2,121,507,473	1,974,521,204
Multinational Investment Bancorporation (MIB)	*(f), (m)*	1 to 6 months	3.50% - 4.50%	**1,639,959,424**	1,311,017,181
Maybank International, Ltd.	*(b), (g), (m)*	2 months to 5 years	5.50% - 7.74%	**880,623,600**	975,228,786
Robinsons Bank Corporation (RBC)	*(b), (h), (m)*	1 month to 5 years	3.49% - 8.08%	**848,000,000**	200,500,000
Development Bank of the Philippines (DBP)					
i. Notes Payable	*(m)*	1 month	4.25%	**500,000,000**	-
ii. Term Loan Agreement	*(i)*	2 years	5.00%	**164,000,000**	300,000,000
				664,000,000	300,000,000
Union Bank of the Philippines (UBP)	*(m)*	2 months	4.50%	**300,000,000**	-
Chinatrust Commercial Bank (CTBC)	*(m)*	1 month	4.50%	**200,000,000**	195,000,000
Philippine Bank of Communication (PBCOMM)					
i. Notes Payable	*(m)*	1 month	4.50%	**200,000,000**	75,000,000
ii. OLSA	*(j)*	3 years	9.50%	**-**	17,939,394
				200,000,000	92,939,394
Maybank Philippines, Inc.	*(k)*	5 years	6.00%	**105,000,000**	165,000,000
Asia United Bank (AUB)	*(l)*	5 years	7.00%	**66,666,666**	88,888,889
				P 9,709,501,807	P 7,879,293,827

(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.

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, 2015 and 2014 amounted to P2,483.7 million and P2,476.5 million, respectively.

As of December 31, 2015 and 2014, the Parent Company has complied with its debt covenants. As of December 31, 2015 and 2014, the Parent Company is in compliance with such 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:

	2015	2014
BDO	**P 480,000,000**	P 485,000,000
Maybank International, Ltd.	**192,000,000**	194,000,000
RBC	**48,000,000**	48,500,000
	P 720,000,000	P 727,500,000

(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 million and P1,093.9 million as of December 31, 2015 and 2014, respectively.

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 and 2014, PNX – Chelsea is in compliance with such covenant requirements.

(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 and P1,108.1 million as of December 31, 2015 and 2014, respectively (see Note 12.4). 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 and P1.4 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 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 and 2014, CSC is in compliance with its loan covenant with BDO.

(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.

(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 4.50% and will mature on 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 P264.1 million and P451.2 million, translated into Philippine Peso using the closing rate as of December 31, 2015 and 2014, 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, 2015, the loan stood at US$9.0 million or P424.5 million using the closing rate as of reporting period.

As of December 31, 2015 and 2014, the Parent Company has complied with its debt covenants.

(h) TLA with Robinsons Bank Corporation

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 5.79% and is payable in twenty equal quarterly installments.

(i) TLA with Development Bank of the Philippines

On September 12, 2007, CSC entered into a MOA with China Shipbuilding & Exports Corporation for the construction of one unit of oil tank (MT Chelsea Cherylyn) in the amount of US$15.0 million. In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with DBP, the proceeds of which shall be exclusively used to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (P159.0 million) and US$9.1 million (P432.5 million), respectively. The loan is payable over five years in equal quarterly principal installments, with one quarter grace period on principal, commencing November 2009 and was subject to 10.50% interest rate per annum. The loan was fully settled in 2014.

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 Resolute, 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 and P975.6 million as of December 31, 2015 and 2014, respectively (see Note 12.4). 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).

(j) OLSA with PBComm

On February 10, 2012, CSC entered into a loan agreement with PBComm amounting to P107.0 million to partly finance the double hulling and drydocking of a vessel owned by the Group. In February and May 2012, PBComm released the loan amounting to P65.0 million and P42.0 million, respectively. The loan is subject to annual interest rate of 9.50% and is payable in 36 equal monthly installments with one quarter grace period from date of each release. The loan was fully settled in 2015.

The loan is secured by a chattel mortgage on MT Chelsea Resolute and MT Ernesto Uno with net carrying amount of P347.6 million as of December 31, 2014. The loan is also secured by collateral on certain receivables under the Group's Assignment of Charter Party with PBComm (see Note 7).

The loan agreement requires CSC to maintain a debt-to-equity ratio of not more than 4:1. As of December 31, 2014, CSC has complied with its loan covenants with the bank.

(k) 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 Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

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

The outstanding balance of the loan as of December 31, 2015 and 2014 amounted to P105.0 million and P165.0 million, respectively.

As of December 31, 2015 and 2014, the Parent Company has complied with its debt covenants.

(l) TLA with Asia United Bank

In 2013, FTC obtained interest-bearing loans from AUB to partially finance the acquisition of tugboats amounting to P100 million. The loan bears fixed interest rate at 7.00% for the first three years from the initial drawdown date, and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018. The interest-bearing loans amounted to P66.7 million and P88.9 million as of December 31, 2015 and 2014, respectively.

Certain trade receivables amounting to P25.2 million and P20.2 million as of December 31, 2015 and 2014, respectively, 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 and P154.9 million as of December 31, 2015 and 2014, respectively, are being collateralized to secure the loans (see Note 12.4).

(m) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 3.50% to 4.50% per annum and normally has a tenor of less than a year. These loans are clean and unsecured.

The total outstanding balance of the various promissory notes as of December 31, 2015 and 2014 are P4,060.0 million and P2,163.0 million, respectively.

(n) Convertible Notes Facility Agreement with BDO

On July 11, 2012, the Parent Company executed a Convertible Notes Facility Agreement with BDO worth P500.0 million with warrants offering amounting to P180.0 million. The loan was subjected to an annual interest rate of 7.60% and is payable quarterly in arrears over its three years term. The issuance of the convertible note is part of the Parent Company's plan to raise long-term capital, to refinance short-term debt and finance capital expenditures.

BDO was granted the option to convert all or any portion of the unpaid principal amount of the notes held by it into the Company's shares exercisable at any time upon written notice by BDO to the Parent Company specifying the time and date of the conversion. Also, BDO had the option to elect one nominee to the Parent Company's BOD which option may be exercised any time after signing date and on or before conversion date.

For and in consideration of the subscription of BDO to the convertible notes issued by the Parent Company, the latter also granted the former the right to subscribe to the warrants to be issued by the Parent Company and convertible into common shares of the Parent Company up to the aggregate principal amount of P180.0 million. The availment of the convertible note and the issuance of the warrant were approved by the Parent Company's stockholders during a special stockholders' meeting held on September 6, 2012. The Parent Company's stockholders also authorized the execution, delivery and performance of Subscription Agreement between the Parent Company and BDO in relation to the issuance of the warrants.

The exercise price of the option to convert the note to the Parent Company's common stock and the warrant is equivalent to a determined price base plus a premium of 15.00%. The exercise price base used was the 30-day volume-weighted average price of the Parent Company's share on the PNX PM Equity HP page of Bloomberg from May 24, 2012 to July 5, 2012 which is equal to P8.3 per share. The exercise period consists of a two-year period commencing on the third anniversary date of the convertible notes issue date and expiring five years thereafter.

Considering that a fixed number of shares will be issued for options and warrants, the warrants and options may qualify as an equity instrument to be recorded as a separate component in the equity in the consolidated financial statements. The Parent Company's management, however, assesses that at the date of the initial recognition, the equity component has no value since the interest rate charged by BDO on the convertible note with warrants is similar to the interest rate of the note had it been issued without conversion options and warrants. As such, the fair value of the hybrid convertible note and the host debt instrument is the same resulting in the nil value of the equity component at the date of initial recognition.

Minimum financial ratios to maintain are as follows: (i) debt-to-equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 1.5:1.

The outstanding balance of the principal of the note as of December 31, 2015 and 2014 amounted to nil and P500.0 million, respectively. As of December 31, 2014, the Parent Company is in compliance with its debt covenants.

18.3 Liabilities under Short-term Commercial Papers

On October 23, 2014, the SEC approved the registration, licensing and issuance of STCP up to P2.0 billion. The STCP bear annual interest rates ranging from 4.00% to 4.50%, deducted in advance from the proceeds, and will mature on various dates until October 31, 2015. In 2014, the Parent Company fully issued and received the proceeds of the P2.0 billion STCP, which were used to finance the Group's working capital requirements. The net outstanding balance of the STCP as of December 31, 2014 amounted to P1.9 billion.

In February 2015, the Parent Company issued another P1.5 billion STCP bearing an annual interest rate ranging from 3.75% to 4.13%, deducted in advance from the proceeds, and will mature on February 22, 2016. The net outstanding balance of the STCP as of December 31, 2015 amounted to P1.2 billion.

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 details of the CSC's bank loans are as follows:

	Security	Term	Interest Rates	Outstanding Balance 2015	2014
MayBank Philippines, Inc.	Unsecured	90-120 days	5.90%	**P 508,000,000**	P 100,000,000
MIB	Unsecured	30 days	3.80% to 5.00%	**227,314,667**	176,893,475
PBComm	MT Resolute, MT Ernesto Uno	360 days	5.00%	**99,363,636**	-
RBC	MT Chelsea Denise I	360 days	6.30%	**44,800,000**	56,800,000
United Coconut Planters Bank	MT Chelsea Intrepid, MT BMI Patricia	90 days	7.50% to 14.00%	**18,800,000**	30,600,000
				P 898,278,303	P 364,293,475

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 and P195.8 million as of December 31, 2015 and 2014, respectively (see Note 12.4), and by certain stockholders (see Note 27.6).

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 2015 and 2014 and with terms ranging from 18 months to 36 months. There are no unpaid interests as of December 31, 2015 and 2014, respectively, and outstanding balance, if any, is presented as part of Accrued expenses under the Trade and Other Payables in the consolidated statements of financial position (see Note 19).

These loans are secured by certain transportation equipment with carrying amount of P5.5 million and P3.0 million as of December 31, 2015 and 2014, respectively (see Note 12.4).

18.7 Credit Line

The Parent Company has an available credit line of P16,300.0 mllion under LC/TR. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit line is secured by the following:

- *(a)* 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 P1.1 billion.

18.8 Interest Expense

Interest expense for 2015, 2014 and 2013 presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P786.9 million, P728.2 million and P617.5 million (see Note 23.1), respectively, net of the capitalized borrowing cost of P61.9 million, P70.7 million and P71.4 million as of December 31, 2015, 2014 and 2013, respectively (see Note 12.3).

19. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2015	2014 (As Restated - see Note 2.1)
Current:			
Trade payables:			
Third parties		**P2,382,759,862**	P 3,014,088,240
Related parties	27.2, 27.3	**347,071**	9,156,631
		2,383,106,933	3,023,244,871
Accrued expenses	27.3	**433,657,701**	211,559,670
Liability for land development	14, 21	**151,401,563**	-
Income tax payable		**79,801,573**	4,236,452
Retention payable		**78,475,599**	42,699,144
Advances from locators		**14,759,998**	44,395,082
Non-trade payables		**1,491,844**	2,986,179
Others	27.8, 31.7	**117,777,535**	69,837,707
		3,260,472,746	3,398,959,105
Non-current:			
Advances from locators		**317,810,700**	335,610,890
		P3,578,283,446	P 3,734,569,995

Trade payables are non-interest bearing and are generally settled within 30-60 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.

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 Note 21).

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

Advances from 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 amounted to P33.6 million in 2015 and nil in both 2014 and 2013, and are presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

Other payables include the claim of CSC's customer for alleged contamination of its cargo. CSC recognized the related loss amounting to P6.9 million in 2010. No additional loss was recognized in the succeeding years.

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	**2015**	2014
Security deposits		**P 188,023,313**	P 158,325,351
Post-employment defined benefit obligation	24.2	**47,820,206**	76,396,973
Unearned rent		**10,583,427**	48,922,071
Others		**823,734**	-
		P 247,250,680	P 283,644,395

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P4.8 million, P1.0 million and P0.8 million in 2015, 2014 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 P5.9 million, P1.5 million and P0.8 million in 2015, 2014 and 2013, 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:

	Notes	2015	2014 (As Restated - see Note 2.1)	2013 (As Restated - see Note 2.1)
Cost of fuels and lubricants sold	21.1	**P 23,980,285,783**	P 30,469,681,329	P 39,741,915,319
Cost of services	21.2	**1,125,034,323**	658,586,006	460,109,294
Cost of real estate sold	19, 22	**163,531,057**	15,725,034	2,433,131
	22, 27.2	**P 25,268,851,163**	P 31,143,992,369	P 40,204,457,744

21.1 Cost of Fuels and Lubricants Sold

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

	Note	2015	2014 (As Restated - see Note 2.1)	2013 (As Restated - see Note 2.1)
Inventories at beginning of year		**P 2,870,829,069**	P 3,812,532,673	P 3,688,759,676
Net purchases during the year		**23,748,071,402**	29,527,977,725	39,865,688,316
Goods available for sale		**26,618,900,471**	33,340,510,398	43,554,447,992
Inventories at end of year	8	**(2,638,614,688)**	(2,870,829,069)	(3,812,532,673)
		P 23,980,825,783	P 30,469,681,329	P 39,741,915,319

21.2 Cost of Services

Details of cost of services are shown below.

	Notes	**2015**	2014	2013
Charter hire fees		**P 343,889,275**	P 69,693,786	P 34,795,266
Depreciation and amortization	12, 17	**340,311,738**	251,458,416	194,146,483
Salaries and employee benefits		**110,723,141**	72,059,949	50,522,176
Bunkering		**95,822,033**	42,813,138	11,540,954
Repairs and maintenance		**62,261,852**	49,642,029	24,474,791
Port expenses		**59,642,363**	45,644,274	23,934,889
Insurance		**38,754,243**	36,861,986	34,095,778
Service fees	27.5	**27,706,457**	33,584,854	20,611,959
Taxes and licenses		**17,855,083**	11,384,037	11,593,974
Outside services		**16,253,168**	1,772,671	1,487,408
Security services		**3,147,040**	1,755,920	1,644,570
Fuel, gas and lubricants		**232,507**	119,716	4,798,629
Professional fees		**-**	38,960,794	43,989,983
Others		**8,435,423**	2,834,436	2,472,434
		P 1,125,034,323	P 658,586,006	P 460,109,294

22. COSTS AND EXPENSES BY NATURE

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

	Notes	2015	2014 (As Restated - see Note 2.1)	2013 (As Restated - see Note 2.1)
Cost of sales:				
Fuels		**P 23,766,923,613**	P 30,282,615,890	P 39,528,114,232
Lubricants		**213,992,170**	187,065,439	213,801,087
Depreciation and amortization	12, 13, 17	**821,733,247**	660,281,915	528,400,077
Freight and trucking charges		**584,007,627**	277,312,084	368,001,553
Rent	17, 27.3, 31.3	**526,618,286**	390,370,058	364,369,594
Salaries and employee benefits	24.1	**407,249,233**	329,362,174	287,613,201
Charter hire fees		**342,164,745**	69,693,786	34,795,266
Taxes and licenses		**184,277,952**	149,610,326	118,231,983
Cost of real estate sold	21	**163,531,057**	15,725,034	2,433,131
Repairs and maintenance		**125,914,426**	117,868,813	69,675,294
Rebates		**125,006,776**	112,198,227	49,470,808
Service fees		**124,781,797**	105,133,477	81,910,722
Advertising and promotions		**84,319,851**	123,571,860	176,373,387
Insurance		**83,349,159**	85,836,811	62,357,917
Security fees		**72,585,144**	45,583,946	33,738,550
Utilities		**61,064,494**	51,773,260	49,221,472
Bunkering		**45,456,098**	42,813,138	13,420,044
Port expenses		**44,900,055**	45,644,274	23,559,968
Professional fees		**39,967,826**	49,116,948	92,185,195
Travel and transportation		**39,522,659**	40,475,571	40,005,732
Fuel, oil and lubricants		**25,663,464**	54,440,905	33,792,075
Outside services		**17,358,889**	31,638,406	6,853,856
Office supplies		**10,843,835**	10,052,801	10,668,819
Representation		**9,873,984**	16,729,142	18,658,934
Deficiency taxes		**6,335,281**	-	-
Sales incentives		**5,371,974**	5,491,456	17,133,225
Miscellaneous	27.10	**60,944,232**	20,924,371	14,840,100
		P 27,993,757,874	P 33,321,330,112	P 42,239,626,222

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

	Note	2015	2014 (As Restated - see Note 2.1)	2013 (As Restated - see Note 2.1)
Cost of sales and services	21	**P 25,268,851,163**	P 31,143,992,369	P 40,204,457,744
Selling and administrative expenses		**2,724,906,711**	2,177,337,743	2,035,168,478
		P 27,993,757,874	P 33,321,330,112	P 42,239,626,222

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	2015	2014	2013
Interest expense on bank loans and other borrowings	18.8	**P 786,929,274**	P 728,178,099	P 617,451,997
Impairment losses on trade and other receivables	7	**79,208,744**	40,077,464	17,959,002
Foreign currency exchange losses – net		**37,827,699**	19,247,244	27,100,014
Interest expense on advances from locators	19	**33,555,541**	-	-
Bank charges		**11,184,239**	9,455,061	3,343,182
Day-one loss on installment contract receivable	7	**10,197,054**	-	-
Interest expense from security deposits	20	**4,849,042**	984,592	762,178
Interest expense from post-employment defined benefit obligation – net	24.2	**3,665,593**	2,296,995	2,413,691
Loss on settlement of insurance claims	7	**-**	3,898,441	-
Others		**1,265,121**	-	-
		P 968,682,307	P 804,137,896	P 669,030,064

23.2 Finance Income

	Notes	2015	2014	2013
Interest income from cash in banks	6	**P 2,826,295**	P 2,459,049	P 7,512,300
Interest income on amortization of rental deposits	17	**2,138,101**	644,746	649,974
Interest income from amortization of instalment contract receivable	7	**2,012,838**	-	-
Interest income from restricted deposits	10	**576,599**	291,048	319,303
		P 7,553,833	P 3,394,843	P 8,481,577

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2015	2014	2013
Short-term benefits:				
Salaries and wages		**P 341,168,526**	P 283,624,069	P 225,401,424
13^{th} month pay and bonuses		**29,144,952**	11,618,034	10,645,506
Employee welfare and other benefits		**25,627,077**	23,142,795	42,348,608
Post-employment defined benefit	24.2	**11,308,678**	10,977,276	9,217,663
	22	**P 407,249,233**	P 329,362,174	P 287,613,201

On January 24, 2013, the BOD of the Parent Company approved the employees' stock option plan (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. As of December 31, 2015, 2014 and 2013, there are no stock options granted yet to the employees, hence, there are no share option benefits expense recognized for those years.

24.2 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 5 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 2015 and 2014.

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:

	2015	2014
Present value of obligation	**P 74,572,352**	P 88,610,880
Fair value of plan assets	**(26,752,146)**	(12,213,907)
	P 47,820,206	P 76,396,973

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

	2015	2014
Balance at beginning of year	**P 88,610,880**	P 51,100,685
Current service cost	**11,308,678**	10,977,276
Interest expense	**4,559,397**	2,751,078
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(37,016,344)**	6,981,384
Experience adjustments	**25,371,878**	14,461,165
Changes in demographic assumptions	**-**	3,643,648
Benefits paid	**(18,262,137)**	(1,304,356)
Balance at end of year	**P 74,572,352**	P 88,610,880

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

	2015	2014
Balance at beginning of year	**P 12,213,907**	P -
Contributions to the plan	**12,716,625**	18,661,947
Return on plan assets (excluding amounts included in net interest)	**6,472,239**	(6,131,556)
Benefits paid	**(5,544,429)**	(770,567)
Interest income	**893,804**	454,083
Balance at end of year	**P 26,752,146**	P 12,213,907

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

	2015	2014
Cash and cash equivalents	**P 6,655,150**	P 100,624
Quoted equity securities:		
Telecommunications	**2,360,000**	2,460,120
Manufacturing	**5,639,075**	2,449,440
	7,999,075	4,909,560
Unit investment trust funds (UITF)	**12,097,921**	7,203,723
	P 26,752,146	P 12,213,907

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

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

	Notes	**2015**	2014	2013
Reported in profit or loss:				
Current service cost	24.1	**P 11,308,678**	P 10,977,276	P 9,217,663
Net interest expense	23.1	**3,665,593**	2,296,995	2,413,691
		P 14,974,271	P 13,274,271	P 11,631,354
Reported in other comprehensive income:				
Actuarial losses (gains) arising from changes in:				
Financial assumptions		**(P 37,016,344)**	P 6,981,384	P 7,880,254
Experience adjustments		**25,371,878**	14,461,165	37,016,452
Demographic Assumptions		**-**	3,643,648	(41,748,870)
Return on plan assets (excluding amounts included in net interest expense)		**(6,472,239)**	6,131,556	-
		(P 18,116,705)	P 31,217,753	P 3,147,836

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:

	2015	2014	2013
Discount rates	**4.89% to 5.20%**	4.49% to 4.78%	4.60% to 5.32%
Expected rate of salary increases	**5.00% to 8.00%**	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:

	2015		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 4,867,280)**	**P 12,125,333**
Salary increase rate	**+/- 1.00%**	**11,371,496**	**(4,363,902)**

	2014		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 8,001,285)	P 9,813,193
Salary increase rate	+/- 1.00%	8,761,574	(7,364,342)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated 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, 2015 is allocated to UITF.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2015, the plan is underfunded by P47.8 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 P1.9 million to the plan during the next reporting period.

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

	2015	2014
Within one year	**P 13,938,126**	P 18,890,357
More than one year to five years	**20,579,442**	21,183,125
More than five years to ten years	**58,524,556**	39,055,703
	P 93,042,124	P 79,129,185

The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 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.

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.

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 filling of application for registration of new investment.

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, 2012.

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, 2012.

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 expense as reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

	2015	2014	2013
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00%	**P 172,469,409**	P 32,174,095	P 28,432,954
Minimum corporate income tax (MCIT) at 2.00%	**6,093,000**	3,998,694	1,822,943
Final tax at 20.00% and 7.50%	**712,198**	610,696	1,509,944
	179,274,607	36,783,485	31,765,841
Deferred tax expense (income) relating to origination and reversal of temporary differences	**6,568,943**	(33,992,758)	(30,386,688)
	P 185,843,550	P 2,790,727	P 1,379,153
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 13,304,602**	P 29,334,251	P 1,109,855

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:

	2015	2014	2013
Tax on pretax profit at 30.00%	**P 327,513,679**	P 185,746,110	P 199,931,027
Adjustment for income subjected to lower income tax rates	**(356,902)**	(330,316)	(839,537)
Tax effects of:			
Adjustment for income and expenses under ITH	**(158,876,440)**	(189,717,081)	(201,393,953)
Non-deductible expenses	**14,333,891**	2,554,185	3,633,628
Reversal of net operating loss carry over (NOLCO)	**4,320,436**	1,097,619	-
Non-taxable income	**(1,245,283)**	(102,149)	-
Reversal of MCIT	**88,177**	673,510	-
Derecognition of previously unrecognized deferred tax assets (DTA)	**65,992**	2,812,324	-
Unrecognized DTA	**-**	56,525	47,988
Tax expense reported in consolidated profit or loss	**P 185,843,550**	P 2,790,727	P 1,379,153

The net deferred tax liabilities as of December 31, 2015 and 2014 pertain to the following:

	Consolidated Statements of Financial Position		**Consolidated Statements of Comprehensive Income**					
			Profit or Loss			**Other Comprehensive Income (Loss)**		
	2015	2014	**2015**	2014	2013	**2015**	2014	2013
Deferred tax assets:								
Post-employment benefit obligation	**P 19,105,222**	P 27,678,252	**P 9,514,862**	P 2,982,720	P 3,453,825	**(P 5,435,012)**	P 9,365,325	P 944,352
NOLCO	**17,905,480**	43,156,706	**(25,034,417)**	29,494,509	(3,210,247)	**-**	-	-
MCIT	**14,609,080**	10,520,288	**5,791,267**	7,824,266	1,441,695	**-**	-	-
Impairment losses	**13,461,170**	12,748,029	**713,140**	1,803,568	1,033,927	**-**	-	-
Accrued loss on contamination	**2,057,831**	2,057,831	**-**	-	-	**-**	-	-
Unamortized past service cost	**294,650**	-	**(25,855)**	-	-	**-**	-	-
Accrued rent	**-**	65,992	**(65,992)**	-	-	**-**	-	-
Others	**7,100,257**	-	**(5,410,097)**	-	-	**-**	-	-
	74,533,690	96,227,098	**(14,517,092)**	42,105,063	2,719,200	**(5,435,012)**	9,365,325	944,352
Deferred tax liabilities:								
Revaluation reserves of tankers	**(154,672,684)**	(154,508,434)	**7,559,066**	7,000,145	5,310,393	**(7,869,590)**	(38,699,576)	(2,054,207)
Capitalized borrowing cost	**(7,581,606)**	(7,901,832)	**320,345**	320,344	320,345	**-**	-	-
Unrealized foreign currency gains – net	**(5,992,313)**	(5,689,016)	**68,738**	(16,643,856)	21,681,377	**-**	-	-
Unamortized debt issuance cost	**-**	-	**-**	1,211,062	355,373	**-**	-	-
	(168,246,603)	(168,099,282)	**7,948,149**	(8,112,305)	27,667,488	**(7,869,590)**	(38,699,576)	(2,054,207)
Net deferred tax liabilities	**(P 93,712,913)**	(P 71,872,184)						
Net deferred tax income (expense)			**(P 6,568,943)**	P 33,992,758	P 30,386,688	**(P 13,304,602)**	(P 29,334,251)	(P 1,109,855)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2015	P 6,413,951	P 1,924,185	2018
2014	47,668,380	14,300,514	2017
2013	5,602,602	1,680,781	2016
	P 59,684,933	P 17,905,480	

Deferred tax asset on NOLCO of PGMI amounting to P0.1 million and P0.2 million as of December 31, 2014 and 2013, respectively, was not recognized since management assessed that this is not recoverable as PGMI does not expect any taxable income in the coming years.

The Group is subject to the MCIT which is computed at 2.00% 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 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.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2015	P -	P 6,092,999	P 6,092,999	P 6,092,999	2018
2014	-	3,740,683	3,740,683	3,740,683	2017
2013	-	4,775,398	4,775,398	4,775,398	2016
	P -	P 14,609,080	P 14,609,080	P 14,609,080	

In 2015, 2014 and 2013, 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, 2015 and 2014, and for the years ended December 31, 2015, 2014 and 2013 is presented in the next page.

Related Party Category	Notes	Amount of Transactions 2015	2014	2013	Outstanding Balance 2015	2014
Other related parties under common ownership						
Sale of goods	7, 27.1	**P 22,168,571**	P 1,473,214	P 39,139,112	**P 25,076,202**	P 25,524,583
Purchases of services	27.2	**4,566,971**	-	-	**101,425**	-
Advances to suppliers	7, 27.2	**(24,800)**	10,024,800	-	**10,000,000**	10,024,800
Rentals	19, 27.3	**73,702,144**	59,019,917	36,644,263	**245,646**	7,145,631
Due from related parties	27.4	**1,887,086**	7,625,362	(5,552,006)	**12,260,843**	10,373,356
Due to related parties	27.4	**-**	(46,956,518)	(21,390,502)	**-**	17,204,725
Donations	27.10	**100,000**	200,000	1,500,500	**-**	-
Udenna Corporation						
Advances to suppliers	7, 27.2	**378,294,800**	-	-	**378,294,800**	-
Rentals	19, 27.3	**7,654,678**	7,378,335	6,475,537	**6,972,043**	-
Associate						
Technical ship Services	21.2, 27.5	**-**	33,584,854	15,842,825	-	2,011,000
Joint Venture - SPI						
Sale of real estate	7, 27.7	**402,192,000**	-	-	**309,909,206**	-
Port revenues	7, 27.7	**1,473,920**	-	-	**595,280**	-
Key management personnel						
Salaries and employee benefits	27.8	**63,672,432**	54,692,790	50,027,748	**-**	-

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 2015, 2014 and 2013 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, 2015 and 2014.

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 2015, 2014 and 2013 amounted to P7.7 million, P7.4 million and P6.5 million, respectively. The outstanding rental payable amounting to P0.4 million and P7.1 million in 2015 and 2014, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

b. Udenna Development (UDEVCO) Corporation – of which total rent expense in 2015, 2014 and 2013 amounted to P54.8 million, P47.3 million and P28.5 million, respectively. Rental deposit for the lease amounted to P13.7 million and P6.4 million as of December 31, 2015 and 2014, 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).

c. Valueleases, Inc. (VLI) – of which total rent expense in 2015, 2014 and 2013 amounted to P16.3 million, P11.7 million and P8.1 million, respectively. Refundable rental deposits amounted to P10.0 million and P6.1 million as of December 31, 2015 and 2014, 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 and Due to Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2015 and 2014, the outstanding receivable and payable balances from these advances are shown as Due From a Related Party and Due to Related Parties, respectively, in the consolidated statements of financial position. Due from a Related Party and Due to Related Parties - current are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

Due from a related party represents outstanding advances to PhoenixPhilippines Foundation, Inc. (PPFI), a foundation created by the Group, amounting to P12.3 million as of December 31, 2015.

The movement of due from a related party as of December 31 is as follows:

	2015	2014
Balance at beginning of year	**P 10,373,356**	P 2,747,994
Additions	**5,448,932**	7,625,362
Collections	**(3,561,445)**	-
Balance at end of year	**P 12,260,843**	P 10,373,356

No impairment loss is recognized in 2015, 2014 and 2013 related to advances to related parties.

The movement of Due to Related Parties in 2015 and 2014 follows:

	2015	2014
Balance at beginning of year	**P 17,204,725**	P 64,161,243
Payments	**(17,204,725)**	(46,956,518)
Balance at end of year	**P -**	P 17,204,725

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 the liabilities under LCs and TRs [see Note 18.2*(j)* and 18.4].

(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 P300.9 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.

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.

27.8 Key Management Compensations

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

	2015	2014	2013
Salaries and wages	**P 51,522,286**	P 43,955,837	P 40,724,453
13th month pay and bonuses	**6,479,132**	5,567,610	4,586,418
Honoraria and allowances	**5,362,224**	4,894,118	4,447,058
Post-employment benefits	**308,789**	275,225	269,819
	P 63,672,431	P 54,692,790	P 50,027,748

27.9 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, 2015 and 2014 are presented in Note 24.2. As of both December 31, 2015 and 2014, 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.

27.10 Others

The Group has made donations amounting to P1.0 million in 2013 to PPFI, while none for both 2015 and 2014. The Group also granted donations totalling P0.1 million, nil and P0.2 million in 2015, 2014 and 2013, respectively, to Udenna Foundation, Inc., a non-stock, non-profit organization, established by the ultimate parent company. 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		
	2015	2014	2013	**2015**	2014	2013
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**10,000,000**	10,000,000	5,000,000	**P 10,000,000**	P 10,000,000	P 5,000,000
Issuance during the year	**20,000,000**	-	5,000,000	**20,000,000**	-	5,000,000
Balance at end of year	**30,000,000**	10,000,000	10,000,000	**30,000,000**	10,000,000	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	**25,000,000**	5,000,000	5,000,000	**P 25,000,000**	P 5,000,000	P 5,000,000

	Shares			Amount		
	2015	2014	2013	**2015**	2014	2013
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,428,777,232**	1,428,777,232	906,059,416	**P 1,428,777,232**	P1,428,777,232	P 906,059,416
Issuance during the year	**-**	-	193,000,000	**-**	-	193,000,000
Stock dividends	**-**	-	329,717,816	**-**	-	329,717,816
Balance at end 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
				P 1,453,777,232	P1,433,777,232	P 1,433,777,232

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and 50.0 million preferred shares with par value of P1 per share into P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the preferred shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends on the Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

On December 18, 2015, the Group issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

(a)	Dividend rates:	PNX3A PNX3B	7.43% per annum 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 Company's BOD.	
(c)	Debt-to-equity ratio:	The 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 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 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 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:

	2015	2014	2013
Common	**66**	62	63
Preferred			
a) First tranche	**-**	-	7
b) Second tranche	**1**	6	6
c) PNX 3A	**2**	-	-
d) PNX 3B	**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.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Total		**2,550,000,000**				**P1,453,777,232**

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 171.250 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.

	Property, Plant and Equipment	Defined Benefit Obligation	Total
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	174,475,154	12,681,693	187,156,847
Balance as of December 31, 2015	**P 582,398,557**	**(P 23,103,291)**	**P 559,295,266**
Balance as of January 1, 2014	P 286,554,327	(P 13,932,556)	P 272,621,771
Remeasurements of defined post-employment obligation	-	(31,217,753)	(31,217,753)
Revaluation of tankers	180,637,550	-	180,637,550
Depreciation transfer to retained earnings – revalued tankers	(29,384,140)	-	(29,384,140)
Other comprehensive income (loss) before tax	151,253,410	(31,217,753)	120,035,657
Tax expense	(29,884,334)	9,365,325	(20,519,009)
Other comprehensive income (loss) after tax	121,369,076	(21,852,428)	99,516,648
Balance as of December 31, 2014	P 407,923,403	(P 35,784,984)	P 372,138,419

28.6 Retained Earnings

On March 4, 2015, the BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million as of record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2nd 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 2nd tranche preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

On March 8, 2013, the stockholders ratified the BOD approval of 30.00% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P146.7 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to 1st tranche preferred stockholders amounted to P14.4 million in 2013.

Based on its plans, the BOD will also declare and distribute cash dividends in 2016 out of the Company's retained earnings as of December 31, 2015.

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:

	2015	2014
Total liabilities	**P 20,903,245,879**	P 17,949,934,696
Total equity	**10,023,362,183**	7,050,226,099
Debt-to-equity ratio	**2.09 : 1.00**	2.55 : 1.00

The increase of the total liabilities in 2015 is the result of the additional borrowings for the procurement of petroleum and construction of depot facilities, tankers and retail stations. The increase in equity is due to the net profit in 2015 and additional amount in other comprehensive income mostly related to the revaluation of tankers.

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:

	2015	2014	2013
a) Net profit pertaining to common shares	**P 861,146,033**	P 575,112,972	P 608,047,331
b) Net profit attributable to common shares and potential common shares	**861,146,033**	575,112,972	608,047,331
c) Weighted average number of outstanding common shares	**1,428,777,232**	1,428,777,232	1,357,005,010
d) Weighted average number of outstanding common and potential common shares	**1,428,777,232**	1,428,777,232	1,357,005,010
Basic EPS (a/c)	**P 0.60**	P 0.40	P 0.45
Diluted EPS (b/d)	**P 0.60**	P 0.40	P 0.45

There are no convertible notes that have attached options and warrants as of December 31, 2015. The options and warrants attached on the convertible notes as of December 31, 2014 and 2013 do not have dilutive effect since the average market price of the common shares of the Parent Company during the year does not exceed the exercise price of the options or warrants.

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, 2015, 2014 and 2013 and certain asset and liability information regarding industry segments as of December 31, 2015 and 2014 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
TOTAL REVENUES															
Sales to external customers	**P 28,723,892**	P 34,103,750	P 43,170,295	**P 180,273**	P 48,566	P 78,080	**P 556,576**	P 410,649	P 220,471	**P 593,098**	P 171,419	P 83,140	**P 30,053,839**	P 34,734,384	P 43,551,986
Intersegment sales	**2,457,071**	4,048,147	3,698,798	**-**	14,227	1,123,486	**954,180**	488,312	539,099	**27,747**	-	-	**3,438,998**	4,550,686	5,361,383
Total revenues	**31,180,963**	38,151,897	46,869,093	**180,273**	62,793	1,201,566	**1,510,756**	898,961	759,570	**620,845**	171,419	83,140	**33,492,837**	39,285,070	48,913,369
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	**29,289,175**	35,695,544	45,040,855	**169,360**	938,107	1,610,067	**907,624**	481,417	352,475	**259,345**	82,981	60,307	**30,625,504**	37,198,049	47,063,704
Depreciation and amortization	**364,440**	345,953	148,288	**113,146**	30,330	176,743	**317,677**	230,906	180,284	**26,470**	53,093	2,740	**821,733**	660,282	508,055
	29,653,615	36,041,497	45,189,143	**282,506**	968,437	1,786,810	**1,225,301**	712,323	532,759	**285,815**	136,074	63,047	**31,447,237**	37,858,331	47,571,759
SEGMENT OPERATING PROFIT (LOSS)	**P 1,527,348**	P 2,110,400	P 1,679,950	**(P 102,233)**	(P 905,644)	(P 585,244)	**P 285,455**	P 186,638	P 226,811	**P 335,030**	P 35,345	P 20,093	**P 2,045,600**	P 1,426,739	P 1,341,610
ASSETS AND LIABILITIES															
Segment assets	**P 24,923,978**	P 15,310,682	P 20,369,077	**P 2,507,178**	P 6,659,753	P 719,749	**P 5,529,930**	P 4,659,316	P 3,597,560	**P 1,686,257**	P 1,224,925	P 1,085,589	**P 34,647,343**	P 27,854,676	P 25,771,975
Segment liabilities	**20,362,691**	16,837,053	14,181,969	**-**	662,143	2,603,665	**3,359,457**	2,696,325	1,987,929	**808,120**	537,057	423,976	**24,530,268**	20,732,578	19,197,539

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).

	2015	2014	2013
Revenues			
Total segment revenues	**P33,492,837**	P 39,285,070	P 48,913,369
Elimination of intersegment revenues	**(3,438,998)**	(4,550,686)	(5,361,383)
Revenues as reported in profit or loss	**P30,053,839**	P 34,734,384	P 43,551,986
Profit or loss			
Segment operating profit	**P 2,045,600**	P 1,426,739	P 1,341,610
Other unallocated income	**16,311**	-	-
Other unallocated expense	**(9,070)**	(6,842)	(14,625)
Operating profit as reported in profit or loss	**2,052,841**	1,419,897	1,326,985
Finance costs	**(968,682)**	(804,138)	(669,030)
Finance income	**7,554**	3,395	8,482
Profit before tax as reported in profit or loss	**P 1,091,713**	P 619,154	P 666,437
Assets			
Segment assets	**P34,647,343**	P 27,854,676	
Elimination of intercompany accounts	**(3,720,735)**	(2,854,515)	
Total assets reported in the consolidated statement of financial position	**P30,926,608**	P 25,000,161	
Liabilities			
Segment liabilities	**P24,530,268**	P 20,732,578	
Deferred tax liabilities - net	**93,713**	71,872	
Elimination of intercompany accounts	**(3,720,735)**	(2,854,515)	
Total liabilities as reported in the consolidated statement of financial position	**P20,903,246**	P 17,949,935	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2015, 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 454 operating retail service stations as of December 31, 2015. An additional of 51 retail service stations are under various stages of completion as of December 31, 2015

In 2015, 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, 2015 and 2014, the Parent Company has unused LCs amounting to P8,500.8 million and P7,131.7 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:

	2015	2014
Within one year	**P 457,946,272**	P 306,965,591
After one year but not more than five years	**1,660,099,393**	1,019,563,212
More than five years	**6,607,081,229**	3,054,218,327
	P 8,725,126,894	P 4,380,747,130

Total rent expense for the years 2015, 2014 and 2013 amounted to P526.6 million, P390.4 million and P364.4 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:

	2015	2014
Within one year	**P 121,833,813**	P 77,559,213
After one year but not more than five years	**504,705,684**	241,175,866
More than five years	**37,857,953**	2,254,311
	P 664,397,450	P 320,989,390

Rent income in 2015, 2014 and 2013 amounting to P94.5 million, P47.5 million and P54.3 million, respectively, is presented as part of Rent and Storage Income account in the consolidated statements of comprehensive income.

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:

	2015		2014	
	Future MLP	**PV of NMLP**	Future MLP	PV of NMLP
Within one year	**P 4,654,654**	**P 4,480,716**	P 8,284,913	P 7,462,297
After one year but not more than five years	**1,293,363**	**1,187,762**	5,926,834	5,671,371
	5,948,017	**5,668,478**	14,211,747	13,133,668
Amounts representing finance charges	**(279,539)**	**-**	(1,078,079)	-
Present value of MLP	**P 5,668,478**	**P 5,668,478**	P 13,133,668	P 13,133,668

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

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 consolidated statements of financial position (see Note 19). No additional loss was recognized related to this claim in the succeeding years.

31.8 Others

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. The Petition for Certiorari, with Docket No. CA-G.R. SP No. 06500-MIN, is now pending with the Court of Appeals.

There is also a pending Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN.

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 the Group 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, 2015 and 2014, 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

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, 2015, on which we have rendered our report dated February 17, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 17, 2016

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015

2016 FEB 24 P 3:04

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
DECEMBER 31, 2015

Description	*Carrying Value*		*Fair Value*	
Loans and receivables:				
Cash and cash equivalents	P	1,631,788,201	P	1,631,788,201
Trade and other receivables - net*		9,848,695,601		9,848,695,601
Due from a related party		12,260,543		12,260,543
Restricted deposits		72,249,055		72,249,055
Refundable rental deposits		138,171,724		138,171,724
	P	**11,703,165,124**	**P**	**11,703,165,124**

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, 2015

					Ending Balance		
Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Non-current*	*Balance at end of period*
P-H-O-E-N-I-XPhilippines Foundation, Inc.	P 10,373,356	P 5,448,932	P 3,561,445	P -	P 12,260,843	P -	P 12,260,843

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, 2015

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.								
Advances to Subsidiaries	Chelsea Shipping Corp.	P 207,993,359	P 4,500	P 200,000,000	P -	P 7,997,859	P -	P 7,997,859
	PFL Petroleum Management, Inc.	27,564,867	1,136,065	13,559	-	28,687,373	-	28,687,373
	P-H-O-E-N-I-X Global Mercantile, Inc.	2,857,781	84,902	-	-	2,942,683	-	8,078,260
	Phoenix Petroterminals & Industrial Park Corp.	368,794	60,188,940	557,733.49	-	60,000,000	-	63,046,721
		P 238,784,800	**P 61,414,406**	**P 200,571,292**	**P -**	**P 99,627,915**	**P -**	**P 107,810,213**
P-H-O-E-N-I-X Petroleum Philippines, Inc.								
Trade and Other Receivables	Chelsea Shipping Corp.	P 336,307,900	P 95,464,112	P 82,554,164	P -	P 349,217,848	P -	P 349,217,848
	Philippine Global Mercantile, Inc.	-	2,670,001	1,993,685	-	676,315	-	676,315
	Phoenix Petroterminals Industrial Park Corp.	48,885,736	25,950,246	11,499,254	-	63,336,728	-	63,336,728
	PFL Petroleum Management, Inc.	75,565,226	125,177,085	132,280,491	-	68,461,820	-	68,461,820
	Subic Petroleum Trading & Transport Phils., Inc.	97,097,173	92,077,311	189,174,484	-	-	-	-
	Bunkers Manila Inc.	8,986,106	48,040	9,034,146	-	-	-	-
	Fortis Tugs Corporation	-	14,047,591	10,756,766	-	3,290,825	-	3,290,825
	PNX- Chelsea Shipping Corporation	-	51,347,893	8,424,936	-	42,922,958	-	42,922,958
	Michael Incorporated	22,302,158	22,485,575	15,584,737	-	29,202,995	-	29,202,995
		P 589,144,299	**P 429,267,854**	**P 461,302,663**	**P -**	**P 557,109,490**	**P -**	**P 557,109,490**
PFL Petroleum Management, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 2,282,797	P 5,112,600	P 5,658,147	P -	P 1,737,250	P -	P 1,737,250
		P 2,282,797	**P 5,112,600**	**P 5,658,147**	**P -**	**P 1,737,250**	**P -**	**P 1,737,250**
Subic Petroleum Trading & Transport Phils., In	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P 171,926,064	P 1,862,653,279	P 1,375,703,908	P -	P 658,875,435	P -	P 658,875,435
	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Advances to Paren*	2,000,000	434,000,000	196,000,000	-	240,000,000	-	240,000,000
	Chelsea Shipping Corp.	797,017	-	-	-	P 797,017	-	P 797,017
		P 171,926,064	**P 1,862,653,279**	**P 1,375,703,908**	**P -**	**P 658,875,435**	**P -**	**P 658,875,435**
Phoenix Petroterminals Industrial Park Corp.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 10,146,036	P 29,039,523	P 32,503,926	P -	P 6,681,633	P -	P 6,681,633
	Chelsea Shipping Corp.	4,186,107	494,483	192,102	-	4,488,487	-	4,488,487
	Bunkers Manila Inc.	122,444	-	-	-	122,444	-	122,444
	PNX- Chelsea Shipping Corporation	193,359	599,093	513,688	-	278,764	-	278,764
	Fortis Tugs Corporation	199,980	338,405	345,149	-	193,237	-	193,237
		P 14,847,926	**P 30,471,504**	**P 33,554,865**	**P -**	**P 11,764,565**	**P -**	**P 11,764,565**
Chelsea Shipping Corp.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 43,263,327	P 593,430,971	P 445,283,530	P -	P 191,410,769	P -	P 191,410,769
	Phoenix Petroterminals Industrial Park Corp.	-	3,126,857	2,000,202	-	1,126,655	-	1,126,655
	Subic Petroleum Trading & Transport Phils., Inc.	912,694	2,928,966	2,928,966	-	912,694	-	912,694
		P 44,176,021	**P 599,486,795**	**P 450,212,699**	**P -**	**P 193,450,117**	**P -**	**P 193,450,117**
Michael Incorporated	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 28,013,963	P 23,383,655	P -	P 4,630,308	P -	P 4,630,308
		P -	**P 28,013,963**	**P 23,383,655**	**P -**	**P 4,630,308**	**P -**	**P 4,630,308**
Fortis Tugs Corporation	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 300,000	P 902,143	P 834,543	P -	P 367,600	P -	P 367,600
		P 300,000	**P 902,143**	**P 834,543**	**P -**	**P 367,600**	**P -**	**P 367,600**
PNX- Chelsea Shipping Corporation	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 6,576,408	P 276,638,010	P 209,338,714	P -	P 73,875,704	P -	P 73,875,704
		P 6,576,408	**P 276,638,010**	**P 209,338,714**	**P -**	**P 73,875,704**	**P -**	**P 73,875,704**

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, 2015

			Deductions			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Other Non-Current assets						
Goodwill	P 84,516,663	P -	P -	P -	P -	P 84,516,663
Software cost	86,437,156	27,672,355	41,725,050	-	-	72,384,461
TOTAL	**P 170,953,819**	**27,672,355.00**	**41,725,050.00**	-	-	**P 156,901,124**

Explanation:
Charged to cost and expenses pertains to the annual amortization.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2015

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Terms*
Mortgage Payable	P -	P 2,266,683	P 1,781,034	Interest rates ranging from 7.51% to 11.37% per annum with terms ranging from 18 to 36 months, secured by certain transportation equipment
Installment, notes and loans payable				
Foreign-currency denominated				
Maybank Philippines, Inc.	$ 10,000,000	P -	P 424,494,000	Interest rate of 6.81%, five-year term, due on April 30, 2020
BDO Unibank, Inc.	14,000,000	104,306,782	420,949,580	Interest rate of 5.30%, secured by MT Chelsea Donatela, five-year term, maturing on August 29, 2018
Maybank Philippines, Inc.	14,000,000	-	264,129,600	Interest rate of 6.5%, five-year term, due on Dec. 20, 2017
BDO Unibank, Inc.	14,500,000	100,521,492	227,269,619	Interest rate of one-year LIBOR plus 3.50%, secured by MT Chelsea Thelma and MT Vela, seven-year term, maturing on September 28, 2018
	$ 52,500,000	204,828,274	1,336,842,799	
Peso-denominated				
China Banking Corporation	P 2,500,000,000	P -	P 2,483,744,644	Interest rate of 7.75%, five-year term, maturing on November 12, 2017
Robinsons Bank Corporation	500,000,000	-	500,000,000	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
BDO Unibank, Inc.	300,000,000	46,160,000	242,300,000	Interest rate of 6.66%, five-year term, secured by MT Chelsea Denise II, maturing on March 30, 2020
Maybank Philippines, Inc.	300,000,000	-	105,000,000	Interest rate of 5.5%, five-year term, due on July 26, 2017
Development Bank of the Philippines	300,000,000	136,000,000	28,000,000	Interest rate of 5.00%, secured by MT Chelsea Cherylyn, two-year term, maturing on May 28, 2017
Asia United Bank	100,000,000	22,222,222	44,444,444	Interest rate of 7.00%, secured by trade receivables, MT Fortis I and II, five-year term, maturing on November 6, 2018
BPI Leasing Corporation	30,902,278	4,480,716	1,187,762	Interest rates ranging from 6.93% to 10.25% per annum with terms of 60 months.
Maybank Philippines, Inc.	200,000,000	194,000,000	-	Interest rate of 7.74%, five-year term, maturing on August. 24, 2016
BDO Unibank, Inc.	500,000,000	477,500,000	-	Interest rate of 7.74%, five-year term, maturing on August. 24, 2016
Robinsons Bank Corporation	50,000,000	48,500,000	-	Interest rate of 5.79%, five-year term, maturing on September 12, 2020
Total Installment, notes and loans payable	P 5,280,902,278	928,862,938	3,904,676,851	
TOTAL		**P 1,135,957,895**	**P 5,243,300,684**	

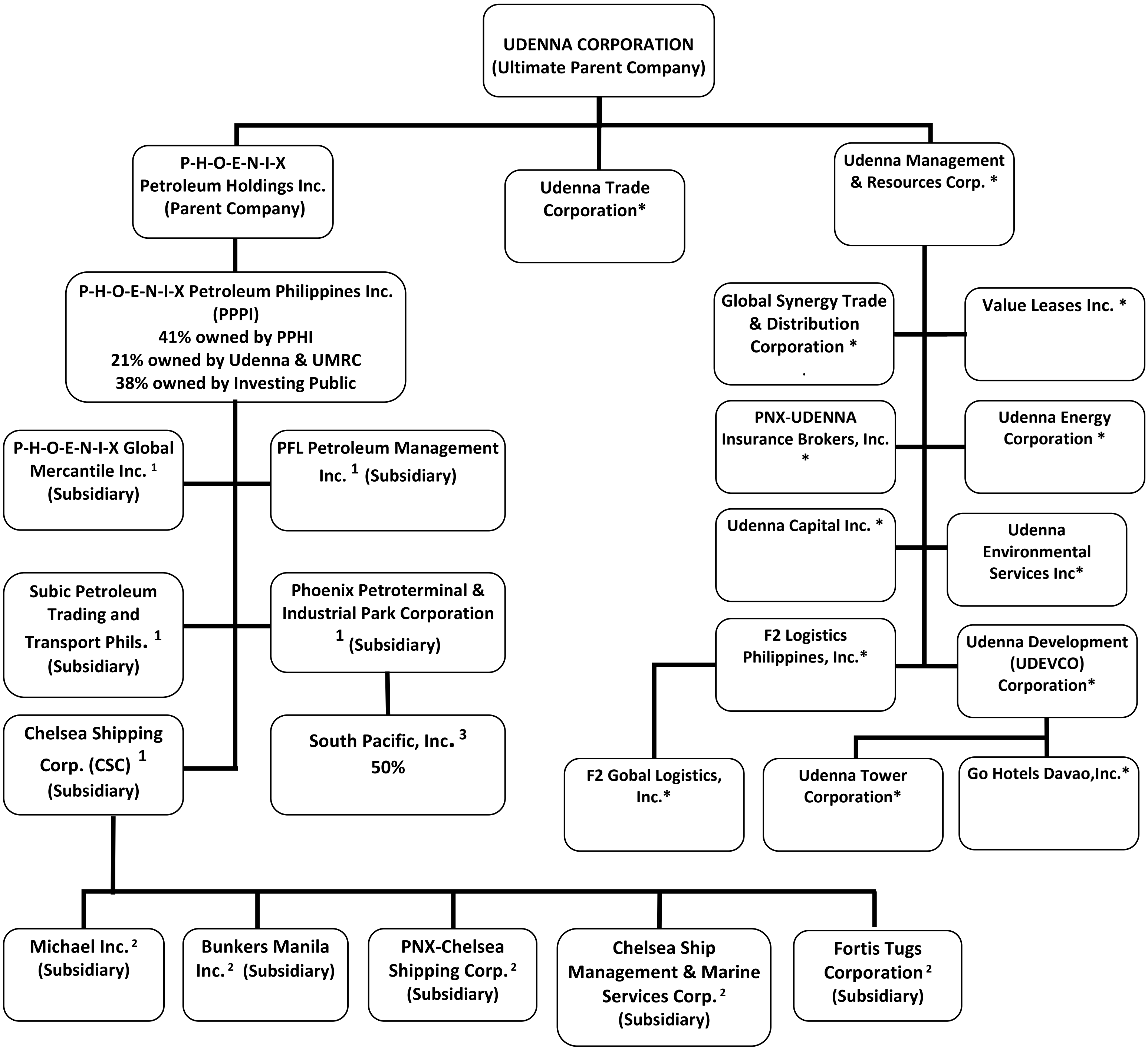
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2015

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Preferred shares - P1 par value						
Non-voting, non-participating,						
non-convertible into common shares						
Issued and outstanding - 25,000,000	50,000,000	25,000,000	-	-	-	25,000,000
Common shares - P1 par value						
Issued and outstanding - 1,428,777,232	2,500,000,000	1,428,777,232	-	901,540,936	1,797,165	525,417,131

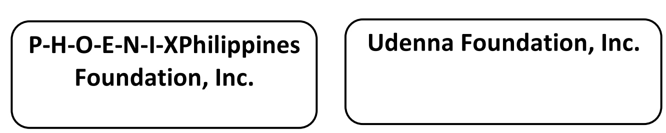
P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2015

UNAPPROPRIATED RETAINED EARNINGS, BEGINNING			P	1,543,936,215
Net Profit based on the audited Statement of Comprehensive Income	P	613,365,723		
Less: Non-actual/unrealized income net of tax				
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents		(12,556,621)		
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument		(1,760,259)		
Subtotal		(14,316,880)		
Add: Non-actual losses				
Other unrealized gains or adjustment to retained earnings as a result of day one loss on financial instrument		4,849,043		
Net income actually earned during the period		603,897,886		603,897,886
Add/Less:				
Dividend declarations during the period:				
Common shares cash dividends		(71,438,862)		
Preferred shares cash dividends		(41,250,500)		(112,689,362)
Treasury shares				(5,000,000)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING			**P**	**2,030,144,739**

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE
DECEMBER 31, 2015



FOUNDATIONS



** Related Party Under Common Control*
[1] 100% owned-subsidiary of PPPI
[2] 100% owned-subsidiary of CSC
[3] Joint venture of PPIPC

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

Schedule K - Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as at December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		✓
	Amendments to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the End of the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment ro PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions* *(effective July 1, 2014)*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective january 1, 2016)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes **	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies**	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**			✓
SIC-32	Intangible Assets - Web Site Costs**			✓

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Group.

** These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in all years presented.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
December 31, 2015

	Amount		Ratio	
	2015	2014 (As Restated)	**2015**	2014 (As Restated)
A) LIQUIDITY RATIOS				
1 Current Ratio:				
Current Assets	17,039,531,659	13,484,230,883	**1.14**	1.13
Current Liabilities	15,001,170,902	11,895,189,580		
2 Quick Ratio:				
Current Assets - Inventories	14,400,916,971	10,613,401,814	**0.96**	0.89
Current Liabities	15,001,170,902	11,895,189,580		
3 Cash Ratio:				
Cash and Cash Equivalents	1,631,788,201	555,508,720	**0.11**	0.05
Current Liablities	15,001,170,902	11,895,189,580		
B) SOLVENCY RATIOS				
1 Solvency Ratio:				
After Tax Net Profit + Depreciation	1,727,601,960	1,276,644,887	**0.08**	0.07
Long term liabilities + Short term Liabilities	20,903,245,879	17,949,934,696		
2 Debt to Equity Ratio:				
Total Liablities	20,903,245,879	17,949,934,696	**2.09**	2.55
Equity	10,023,362,183	7,050,226,099		
3 Debt Service Coverage Ratio				
Net Operating Income	2,585,284,077	2,007,613,713	**1.91**	5.02
Net Interest Expense + Long-term repayments	1,352,697,696	400,085,615.00		
C) ASSET TO EQUITY RATIO				
Total Assets	30,926,608,062	25,000,160,795	**3.09**	3.55
Equity	10,023,362,183	7,050,226,099		
D) INTEREST RATE COVERAGE RATIO				
Earnings Before Interest and Taxes	1,878,641,537	1,347,331,798	**2.39**	1.85
Interest Expense	786,929,274	728,178,099		
E) PROFITABILITY RATIOS				
1 Gross Profit Margin:				
Sales - Cost of Goods Sold	4,789,783,460	3,590,392,127	**0.16**	0.10
Sales	30,053,839,144	34,734,384,496		
2 Return on Assets:				
Net Income	1,112,926,036	736,448,518	**0.04**	0.03
Total Assets	30,926,608,062	25,000,160,795		
3 Return on Equity:				
Net Income	1,112,926,036	736,448,518	**0.11**	0.10
Equity	10,023,362,183	7,050,226,099		

COVER SHEET

ANNEX "A"

A	2	0	0	2	0	7	2	8	3

S.E.C. Registration Number

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

P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

STELLA HIZON REYES RD.
BO. PAMPANGA LANANG
DAVAO CITY

(Business Address: No. Street City / Town / Province)

Socorro Ermac Cabreros
Contact Person

(082) 235-8888
Company Telephone Number

1 2	3 1	**Annual Corporate Governance Report**	3	**last Friday** XX
Month	Day	FORM TYPE	Month	Day
Fiscal Year Ending			Annual Meeting	

N/A
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

PHOENIX
Fuels Life

28 June 2013

Hon. Justina F. Callangan
Director, Corporate Finance Department
Securities & Exchange Commission
EDSA, Greenhills
Mandaluyong City

Dear ***Dir. Callangan:***

Pursuant to SEC Memorandum Circular No. 5, Series of 2013, we would like to submit herein the Annual Corporate Governance Report as of December 31, 2012 of our Company.

Thank you and warm regards.

5145 '13 JUN 28 A8 37

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2013**

2. Exact Name of Registrant as Specified in its Charter..... **PHOENIX PETROLEUM PHILIPPINES, INC.**

3. **Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City**
   ....
   Address of Principal Office

   ...... 8000..........
   Postal Code

4. SEC Identification Number ....**A200207283**........................ 5. [ ] (SEC Use only)
   Industry Classification Code

6. BIR Tax Identification Number .... **TIN 006-036-274 V**

7. (082) 233-0168/ (082) 235-8888
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

5146 '13 JUN 28 A9:11

TABLE OF CONTENTS

ANNUAL CORPORATE GOVERNANCE REPORT
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

This ACGR is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 5, Series of 2013 issued on March 20, 2013.

A. Board Matters

1) Board of Directors

Number of Directors per Articles of Incorporation	11
Number of Directors per Amended AI on Nov. 2012	11

Actual number of Directors for the year 2012-2013	9

a) Composition of the Board

Director's Name	Type [Executive (ED), Non-Executive (NED), Independent (ID)]	If nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years as served as ID)	Elected when (Annual/Special Meeting	Number of years served as director
Domingo T. Uy	ED						Since incorporation to present
Dennis A. Uy	ED						Since incorporation to present
Jose Manuel R. Quimson	ED						2007 to present
Romeo B. De Guzman	ED						Since 2009 to present
Socorro T. Ermac Cabreros	ED						2006 to present (except 2009, 2010)
J.V. Emmanuel A. de Dios	NED						2007 to present
Paul G. Dominguez	NED					March 8, 2013 Annual Stockholders' Meeting	2013 to present
Cherylyn C. Uy	NED					March 8, 2013 Annual Stockholders' Meeting	2013 to present
Joseph John L. Ong	ED					March 8, 2013 Annual Stockholders' Meeting	2013 to present
Justice (Ret.) Consuelo Ynares-Santiago	ID					March 8, 2013 Annual Stockholders' Meeting	2013 to present
Monico V. Jacob	ID					March 8, 2013, Annual Stockholders' Meeting	2008 to present

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Disclosure and transparency to promote equitable treatment of shareholders and the rights and interests of other stakeholders are among the fundamental corporate governance policies that the Board has adopted and strictly adhere to.

(c) How often does the Board review and approve the vision and mission?

Every five (5) years

(d) Directorship in Other Companies

(i) Directorship in
(ii) the Company's Group

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Name of Director	Name of Reporting Company	Position Held
Ricardo S. Pascua	Boulevard Holdings, Inc.	Independent Director
Monico S. Jacob	Jollibee Foods Corporation	Independent Director
	Chemrez Technologies, Inc.	

(iii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Name of Director	Name of Reporting Company	Position Held
Ricardo S. Pascua	Boulevard Holdings, Inc.	Independent Director
Monico S. Jacob	Jollibee Foods Corporation	Independent Director
	Chemrez Technologies, Inc.	

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Domingo T. Uy	Dennis A. Uy	By consanguinity within the first civil degree
Dennis A. Uy	Cherylyn Uy	Spouses

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **None.**

In particular, is the limit of five board seats in other publicly listed companies imposed and observed?

	Guidelines	Maximum Number of Directorship in other Companies
Executive Director		
Non-Executive Director		
CEO		

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Members of the Board of Directors as of 2012-2013

Name of Director	Number of Direct Shares	Number of Indirect Shares/ (name of record owner)	% of Capital Stock
Dennis A. Uy Dennis A. Uy &/or Cherylyn C. Uy	3,070,624 884,662		0.33% 0.09%
Domingo T. Uy	496,861		0.05%
Romeo B. De Guzman	54,600		0.01%
Socorro T. Ermac-Cabreros	79,474		0.01%
Jose Manuel R. Quimson	273,031		0.02%
J.V. Emmanuel De Dios	1		0.00%
Diana Pardo Aguilar	1		0.00%
Monico V. Jacob	1		0.00%
Ricardo S. Pascua	1		0.00%
TOTAL:	4,859,256		0.51%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [/] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Domingo T. Uy
CEO	Dennis A. Uy

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Roles	▪ Presides at the meetings of the stockholders ▪ Receives the nominations for the vacant seats of the board	▪ Initiator and developer of corporate objectives ▪ Supervisor and manager of corporate business operations, affairs and properties of the corporation ▪ Corporate representative in all functions and proceedings ▪ Signatory of certificates of stocks
Accountabilities	▪ Facilitation of all meetings of stockholders	▪ Implementation of the administrative and operational policies of the corporation ▪ Preparation of the budgets and statements of accounts of the corporation ▪ Execution of all contracts, agreements and other instruments entered into by the board ▪ Organizational procedural controls of the corporation
Deliverables	▪ Agenda of the meetings of stockholders ▪ Election of Independent Directors at the stockholders' meeting ▪ Qualitative and timely lines of communication and information between the Board and Management	▪ Reports to the Board and to the stockholders

3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Aside from the Company's Nomination Committee which screens the nomination and election of its directors, the shareholders are given equal opportunity under the By-Laws to nominate individuals based on the number of shares voted.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

None. The By-Laws does not impose additional qualifications for directorship other than the basic citizenship, residency and share requirements. This setup is consistent with the Board's intent to open its membership to every shareholder regardless of background or expertise. Currently, however, the membership of the Board is characterized by the diverse background, professional experience and expertise of individuals comprising it.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

No. There is no express policy for non-executive directors to possess requisite experience from any particular sector or industry, but there is an apparent preference for those with relevant exposure and/or experience in the same sector or industry the Company belongs to.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The executive directors are directly involved in the management of the Company such as the day to day operations necessary and incidental to the operations.	Provide guidance and assists in the directions and objectives of the Company	Reivews significant related party transactions
Accountabilities	Has more accountablilities in the Board due to their functions in the Company. They monitor the operations and implement the directions and objective of the Company		
Deliverables	Implement the projected targets set the start of the year		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

In terms of directorship, the By-Laws define "independence" in negatives as follows:

(a) Not being a director, officer or substantial stockholder of the Corporation or of its related companies or any of its substantial shareholders
(b) Not being a relative of any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders.
(c) Not acting as nominee or representative of a substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
(d) Has not been employed in any executive capacity by the Corporation, any of its related companies or by any of its substantial shareholders within the last five (5) years;
(e) Not retained professional adviser by the Corporation, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm; and
(f) Has not engaged or does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a Corporation of which he is a director or a substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company follows the minimum requirement imposed by SEC. The independent director has a term of 5 years after which the Company appoints another independent director. Should the independent director be re-appointed, it is the rule of the Company that after one year of hiatus, he may be appointed for another 2 years which should be the last and final term.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Ricardo A. Pascua	Independent Director	March 7, 2012	Expiration of 5 years

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nomination Committee procedure is followed	Professional background, work performance provided the nominee has none of the disqualification
(ii) Non-Executive Directors	Nomination Committee is followed	Professional background, work performance provided the nominee has none of the disqualification
(iii)Independent Directors	Nomination Committee procedure is followed	Professional background, work performance provided the nominee has none of the disqualification
b. Re-appointment	Same	Same
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		
c. Permanent Disqualification		
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		

c. **Temporary Disqualification**		
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		
d. **Removal**		
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		
e. **Re-instatement**		
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		
f. **Suspension**		
(i)Executive Directors		
(ii)Non-Executive Directors		
(iii)Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Cherylyn C. Uy	969,558,252 Shares (88.22%)
Paul G. Dominguez	969,558,252 Shares (88.22%)
Joseph John L. Ong	969,558,252 Shares (88.22%)
Justice (Ret.) Consuelo Ynares-Santiago	969,558,252 Shares (88.22%)

6) Orientation and Education Program

a) Disclose details of the company's orientation program for new directors, if any.

There is no clear and established policy on board and directors development program although all directors are encouraged to attend trainings and seminars that are offered to the Company from time to time by respectable and reputable institutions.

b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:

1. ***Annual disclosure programs by the Securities Exchange Commission;***
2. ***ASEAN Corporate Governance Scorecard 2013***

c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training/Institution
	March 20, 2013		Institute of Corporate Directors

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Although the Company develops and nurtures a culture of ethics, the Company has yet to establish a Code of Business Conduct & Ethics for its directors.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest			
(b) Conduct of Business & Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-Public Information			
(f) Use of Company Funds, Assets & Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action			
(i) Whistle Blower			
(j) Conflict Resolution			

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

N/A

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

N/A

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Develop and disclose a policy governing the company's transactions with related parties

	Define the thresholds for disclosure and approval of RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. Aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval. Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings Independent Directors or audit committee review significant RPTs Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
(2) Joint Ventures	None
(3) Subsidiaries	Independent Directors or audit committee review significant RPTs Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
(4) Entities Under Common Control	Independent Directors or audit committee review significant RPTs Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
(5) Substantial Stockholders	Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
(6) Officers including spouse/children/siblings/parents	Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
(7) Directors including spouse/children/siblings/parents	Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders,

	directors or management
(8) Interlocking director relationship of Board of Directors	Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management

(b) Conflict of Interest - **NONE**

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

N/A

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Develop and disclose a policy governing the company's transactions with related parties Define the thresholds for disclosure and approval of RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. Aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval. Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings Independent Directors or audit committee review significant RPTs Transparent and consistent in reporting RPTs such that summary of such transactions are published in the company's annual report Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Phoenix Petroleum Holdings, Inc.	Majority Shareholder	
Udenna Management & Resources Corp.	Shareholder	
PPCD Nominee Corporation	Shareholder	
Udenna Corporation	Shareholder	

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

n/a

Name of Shareholders	Type of Relationship	Brief Description

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock Affected (Parties)	Brief Description of the Transaction
Phoenix Petroleum Holdings, Inc.	17.5604%	Subscription of 193,000,000 common shares of Phoenix Petroleum Philippines, Inc.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The Board has yet to establish and maintain an alternative dispute resolution system in the corporation. So far there are no known conflict that exist or has ever existed and experienced with the Company and stockholders.

For conflict with third parties, conflicts are privately and amicably resolved at the first level and those that cannot be resolved, the Company observes the judicial arbitration procedure that follows after all extrajudical means are exhausted.

	Alternative Dispute Resolution System
Corporation & Stockholders	
Corporation & Third Parties	
Corporation & Regulatory Offices	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

At the beginning of the year and every quarter thereafter.

2) Attendance of Directors

Board	Name	Date of Election	Number of Meetings Held During the Year	Number of Meetings Attended	%
Chairman	Domingo T. Uy	8 Mar 2012	**5**	5	100%
President	Dennis A. Uy	8 Mar 2012	5	5	100%
Member	Jose Manuel R. Quimson	8 Mar 2012	5	5	100%
COO	Romeo B. De Guzman	8 Mar 2012	5	5	100%
Corp. Sec.	Socorro Ermac Cabreros	8 Mar 2012	5	5	100%
Member	J.V. Emmanuel A. De Dios	8 Mar 2012	5	5	100%
Member	Diana Pardo Aguilar	8 Mar 2012	5	4	80%
Member	Ricardo S. Pascua	8 Mar 2012	5	5	100%
Member	Monico V. Jacob	8 Mar 2012	5	4	80%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? *If* yes, how many times?

No

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes for those corporate actions that need 2/3 vote but for quorum most, majority rules.

5) Access to Information

(a) How many days in advance are board papers for board of directors meetings provided to the board?

Five days before

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes. The corporate secretary is an officer of the corporation, a member of the Board of Directors and part of its management team.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☐ No ☑

As a practice, it is the Corporate Secretary who furnishes them with the information pertaining to the meeting and the Company. Any other information needed is still coursed through the Corp. Sec.

Committee	Details of the Procedures
Executive	
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details: **None**

Procedures	Details

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

None

Existing Policies	Changes	Reason

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed Remuneration	Industry standard but on the low	Industry standard but on the low up to mid
(2) Variable Remuneration	N/A	N/A
(3) Per diem allowance	Standard Company Travel Policy	Standard Company Travel Policy
(4) Bonus	Aligned with Company Performance Bonus Policy which multiple is the same as that of any other Company Officers and Staff	Aligned with Company Performance Bonus Policy which multiple is the same as that of any other Company Officers and Staff

(5) Stock options and other financial instruments	Aligned with Company Performance Bonus Policy which multiple is the same as that of any other Company Officers and Staff	Same application as that of other officers and rank and file under the ESOP policy
(6) Others (specify)	Same application as that of other officers and rank and file under the ESOP policy	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	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 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.	
Non-Executive Directors	Member of the Board of Director who are not employees of the Company are elected for a period of one (1) year. They receive a reasonable per diem on a per meeting participation.	Member of the Board of Director who are not employees of the Company are elected for a period of one (1) year. They receive a reasonable per diem on a per meeting participation.	

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(a) Fixed Remuneration	17,900,839.91	3,411,764.90	
(b) Variable Remuneration	185,400,00.00	223,529.41	164,705.88
(c) Per Diem Allowance			
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others (specify)	2,019,748.02		
Total:			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
a) Advances			
b) Credit granted			
c) Pension Plans/Contributions			
d) Pension Plans, Obligations incurred			
e) Life Insurance Premium	27,600	9,200	
f) Hospitalization Plan	23,667.87	7,889.29	
g) Car Plan			
h) Others (specify)			
Total:			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

None. The Company has an approved Employees' Stock Option Plan (ESOP) but the same has yet to be implemented

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

N/A

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Joseph John L. Ong	Php 9,438,637
Alan Raymond Zorrilla	
Jose Victor Cruz	
Edgardo A. Alerta	
Chryss Alfonsus V. Damuy	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilites	Power
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				
Executive	4					Act on such specific matters within the competence of, and as may be delegated by, the Board of Directors Report to the Board in summary form all matters acted upon by it	
Audit	1	1	1			Financial Reporting Internal Control Internal Audit External Audit Compliance Regular Reports to the Board	
Nomination	3	1				Review and evaluation of the qualifications of all persons nominated to the Board of Directors Recommend qualified nominees for election to the Board	
Remuneration	3		1			Establish a procedure for development of executive remuneration packages Provide oversight over remuneration of senior management and other key personnel	
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Domingo T. Uy	8 Mar 2012	5	5	100%	
Member (ED)	Dennis A. Uy	8 Mar 2012	5	5	100%	
Member (NED)	Romeo B. de Guzman	8 Mar 2012	5	5	100%	
Member (ID)						
Member	Socorro Ermac Cabreros	8 Mar 2012	5	5	100%	

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Monico Jacob	100%	5	4	80%	
Member (ED)	Domingo T. Uy	100%	5	5	100%	
Member (NED)	J.V. Emmanuel De Dios	100%	5	5	100%	
Member (ID)						
Member						

Disclose the profile or qualifications of the Audit Committee members.

All members of the Audit Committee have significant experience and knowledge in business, audit and finance.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee ensures the integrity of the external auditor. It discloses all relevant information to it and makes certain that external auditor has adequate quality controls.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	J.V. Emmanuel De Dios	8 Mar 12	5	5	100%	
Member (ED)	Alan Raymond T. Zorrilla	8 Mar 12	5	5	100%	
Member (NED)	Diana Pardo Aguilar	8 Mar 12	5	4	80%	
Member (ID)						
Member	Jose Manuel R. Quimson	8 Mar 12	5	5	100%	

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dennis A. Uy	8 Mar 12	5	5	100%	
Member (ED)	Domingo T. Uy	8 Mar 12	5	5	100%	
Member (NED)						
Member (ID)	Ricardo S. Pascua	8 Mar 12	5	5	100%	
Member	Joseph John L. Ong	8 Mar 12	5	5	100%	

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

N/A

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Joseph John L. Ong	Election last March 8, 2013
Audit	Paul Dominguez	Election last March 8, 2013
Nomination	Cherylyn C. Uy Alan Raymond T. Zorrilla	Election last March 8, 2013
Remuneration	Justice Consuelo Ynares-Santiago	Election last March 8, 2013
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive		
Audit	Established an internal audit unit	
Nomination	Selected new sets of directors	
Remuneration	Reviewed remuneration packages	
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

None

Name of Committee	Planned Programs	Issues to be Addressed
Executive		
Audit		
Nomination		
Remuneration		
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

None. Risk management is currently undertaken by each business unit. The Company has yet to establish and institutionalize each internal procedures and processes. To deter, mitigate and essentially manage potential risks, the Company strictly requires transparency in all its affairs and dealings by making the following imperative before any corporate project or action obtains Board approval: full disclosure, assessment and evaluation through extensive deliberation.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Not Applicable

(c) Period covered by the review;

Not Applicable

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Not Applicable

(e) Where no review was conducted during the year, an explanation why not.

Not Applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Not applicable

Risk Exposure	Risk Management Policy	Objective

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Not applicable

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Share dilution

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring & Measurement Process)	Risk Management & Control (Structures, Procedures, Actions Taken)
Market Risk	Monitoring of non-Philippine peso cash flows Monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts	Manage the fluctutation of the fuel price
Credit Risk		Deal only with creditworthy counterparts
Liquidity Risk	Monitoring of scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business.	Maintain cash and cash equivalents Investment of excess cash in time deposits

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment (Monitoring & Measurement Process)**	**Risk Management & Control (Structures, Procedures, Actions Taken)**
Market Risk	Monitoring of non-Philippine peso cash flows Monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts	Manage the fluctutation of the fuel price
Credit Risk		Deal only with creditworthy counterparts
Liquidity Risk	Monitoring of scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a dat-to-day business.	Maintain cash and cash equivalents Investment of excess cash in time deposits

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Internal Control	• Provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation • Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security • Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses
	Internal Audit	• Review and approval of the Internal Audit Charter and subsequent revisions thereto • Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal

		• Review the annual internal audit plan to ensure its conformity with the objective of the Corporation • Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities • Perform oversight functions over its internal and external auditors • Review of reports of the Internal Auditors and regulatory agencies • Review the effectiveness of internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards*
	External Audit	• Recommend the appointment of External Auditor duly accredited by the SEC • Evaluate and determine the non-audit work, if any, of the External Auditor and review periodically the non-audit fees paid to the External Auditor and to the Corporation's overall consultancy expenses • Review of reports of the External Auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues • Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit • Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors • Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors • Ensure that the corporation's External Auditor should be rotated

		or the handling partner should be changed every five (5) years or earlier
	Compliance	• Coordinate, monitor and facilitate compliance with laws, rules and regulations • Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of compliance • Review the findings of any examinations by regulatory agencies and any auditor observations • Review the process for communicating the code of conduct to company personnel and for monitoring compliance therewith • Obtain regular updates from management and company legal counsel regarding compliance matters

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control refers to the processes designed to provide reasonable assurance about the realization of the following objectives of the Company:

- ***Reliability and Integrity of financial reporting;***
- ***Accomplishment of established goals and targets for Operations;***
- ***Effective and efficient use of resources;***
- ***Safeguarding of assets;***
- ***Compliance with relevant policies, procedures, laws and regulations.***

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

No review conducted by Board of Directors or Audit Committee yet. Audit report from inception (2010) up to December 2012 was submitted to the Audit Committee last March 8, 2013 during the Annual Stockholder's Meeting

(c) Period covered by the review;

n/a

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

n/a

(e) Where no review was conducted during the year, an explanation why not.

n/a

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/auditing Firm	Reporting Process
• Evaluating the Company's governance processes including ethics-related programs;	Company and subsidiaries	In-house	Audit Manager	Audit Committee
• Performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to control them;	Company and subsidiaries	In-house	Audit Manager	Audit Committee
• Systematically analyzing and evaluating business processes and associated controls;	Per business unit	In-house	Audit Manager	Reports sent to BU Head, CEO, Audit Committee
• Providing information, as appropriate, regarding instances of fraud, corruption, unethical behavior and irregularities	Per case	In-house	Audit Manager	Report sent to HR, Legal and BU Head

(b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. The Audit Committee Charter clearly states that it is the responsibility of the Audit Committee to organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes. The Audit Committee Charter also states that the Audit Committee has the responsibility to establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. The Internal Audit functionally reports directly to the Audit Committee. The Audit Committee also ensures that, in performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Adrian Lloyd Tan	Work Related Issues
Florence Fernandez	Career Shift
Muriel Lacida	Work Related Issues
Shara Mae Pontero	Career Shift

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Generally, audit activities are aligned with the plans set at the beginning of the fiscal year.
Issues	Major issue noted is that most of the company's business operations lack standard policies or manuals that would serve as guidelines in the day-to-day business operations
Findings	Some key controls or processes are not properly documented which sometimes led to the difficulty in validating if the controls are in place and was consistently applied.
Examination Trends	Recommendations were generally accepted with sufficient priority.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

6) Conduct of the foregoing procedures on a regular basis.)

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Annual Audit Plan and Risk Assessment	Implemented
Audit Process -Planning -Fieldwork -Reporting -Follow-up	Implemented
Governance and consulting Activities	For Implementation
Quality Assurance and Improvement Program -Quality Assurance Procedures -Professional Development -Administrative duties regarding records maintenance and retention	Implemented

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Audit Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose threat to his independence			
The Audit Committee shall review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company.			

including non-audit services, and discussing the relationships with the auditors			
Internal Auditor shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.			
An Internal Auditor must not perform audits under the following instances: -Any situation that involves a member of the auditor's immediate family - Any activity that the auditor previously performed or supervised unless a reasonable period (at least 1 year) has elapsed. - Any activity to which the auditor previously provided advisory services unless a reasonable period (at least 1 year) has elapsed. - Any activity that the auditor has authority over or has responsibility for any situation in which other conflict of interest or bias is present or may reasonably be inferred.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Company has comprehensive Customer Service Policy and Ethics	
Supplier/contractor selection practice	Company has a comprehensive Purchasing Policy and Ethics	
Environmentally-friendly value chain	The Company practices its Corporate Social Responsibility to adopted communities through the Company's Foundation	
Community interaction	Phoenix Philippines Foundation, Inc. works with communities to enhance their education, environment, well being, and dignity. We have initiated and supported programs that, in small but meaningful steps, improve the lives of people and preserve our natural resources. This commitment to fueling people's lives for better futures is exemplified through our programs that empower people, protect the environment, improve health, and reduce suffering. These initiatives, as well as future ones, are built on our vision to be an indispensable partner to everyone whose lives we touch.	**EDUCATION**: a. Adopt-a-School b. Phoenix Livelihood Training Program (ALS) c. Book Donations/Phoenix Library d. Scholarships to Phoenix Employees **HEALTH & SAFETY:** a. Blood-Letting b. Medical and Dental Missions c. Mindanao Heart Fund d. Donation to St. Luke's Medical Center e. Children's Ward and Phoenix Children's Play Corner f. Donation of Traffic Vests
Anti-corruption programmes and procedures	Company has in place a workplace development program that may deter possible corruption among stakeholders	
Safeguarding creditors' rights		

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The company provides HMO card for health benefits, annual sports fest, zumba/energy dance twice a week, basketball games every week, anti-flu vaccination every year, annual physical exam and drug testing. There are random blood sugar tests done quarterly and regular blood pressure monitoring for employees daily.

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees.

TRAINING PROGRAMS

Technical	No. of Hours	No. of Participants	Period
1. SGV Tax Updates Seminar	8	1	Jan-13
2. Effective Collection Strategies and Receivable Management	8	1	
3. Powerful Presentation Skills	24	1	Feb-13
4. Effective Performance Coaching	16	18	Feb-13
5. Training the Trainers	8	1	Feb-13
6. Credit Investigation Seminar	8	2	Mar-13
7. Brand Health Check Seminar	16	2	Mar-13
8. Expenditures Taxation: A Comprehensive Seminar to Achieve Tax Compliance in the Local Accounts Payable Process	8	3	Mar-13
9. Stock Trading Seminar: Mangun on Markets: The PSE Market Strategy	8	1	Mar-13
10. Import-Export Procedure and Documentation	8	2	Apr-13
11. Simplified and Shortcut Techniques on Financial Statement Analysis	8	3	May-13
12. Import-Export Procedure and Documentation	8	2	Apr-13
13. Simplified and Shortcut Techniques on Financial Statement Analysis	8	3	May-13
Total:	136	40	

Safety	No. of Hours	No. of Participants	Period
1. Safety & Security Orientation	8	160	January 2013
2. Defensive Driving	8	42	May 2013
3. Aviation Fuels Handling	8	22	May 2013
Total:	24	224	

Management	No. of Hours	No. of Participants	Period
1. Effective Performance Coaching	16	19	May 2013
2. MARINE FUEL MANAGEMENT COURSE	16	2	November 2012
3. Team Building/Training Development	24	3	December 2012
4. CORPORATE COMMUNICATION S	8	1	March 2013
5. Compensation and Benefits: Trends and Challenges (Re-run)	8	1	April 2013
6. Managing Change and Transition Workshop	16	21	June 2013
Total:	88	47	

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company grants Christmas bonus when company's performance is very good. In 2013, there was initial offer of stock options for all regular employees as of March 1, 2013. However, full implementation has yet to be made.

3) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Whenever an employee complains of illegal and unethical behavior, due process is followed by PPPI. A notice to explain is served to the concerned person and sufficient period is given for him/her to reply. Once the explanation is submitted, HR will schedule an admin hearing. The committee that will hear the case is composed of 3 Business Unit Heads (with rights to decide) and the presence of the concerned person's BU Head will also be there to validate or enlighten facts/documents. The complainant will be scheduled first and then the concerned employee later. Based on the merits of the case, the committee will endeavor to make a decision after the

meeting. Once a decision is made, the committee will explain to the accused that PPPI will protect the complainant from his/her retaliation by closely monitoring the work environment and random interviews.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Phoenix Petroleum Holdings, Inc.	390,035,100	43%	Phoenix Petroleum Holdings, Inc.
Udenna Management & Resources Corp.	196,093,649	22%	Udenna Management & Resources Corp.
PCD Nominee Corp (Fil)	188,163,535	21%	PCD Nominee Corp (Fil)
Udenna Corporation	98,129,821	11%	Udenna Corporation

Name of Senior Management	Number of Direct Shares	Number of Indirect shares/through name of record owner	% of Capital Stock
Joseph John L. Ong	282,525		0.03%
Chryss Alfonsus V. Damuy	54,600		0.01%
Edgardo A. Alerta	245,004		0.03%
Alberto D. Alcid	46,481		0.01%
Rebecca Pilar C. Caterio	114,195		0.01%
Gigi Q. Fuensalida	54,600		0.01%
Reynaldo A. Phala	27,300		0.00%
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the nondisclosure.

3[redacted]External Auditor's fee

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	2010	2011	2012
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	2,098		
Punongbayan and Araullo	Audit of FS for the year 2010 –Parent and Subsidiries		3,553.19	
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries		462.00	2,110.06
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries			630
Sub-total		**2,098**	**4,015.19**	**2,740.06**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	88	122.34	119.94
Sub-total		**88**	**122.34**	**119.94**
All Other Fees				

Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities	211.8		
Sub-total		211.8	-	
GRAND TOTAL		2,397.8	4,137.54	

4) Medium of Communication
List down the *models* of communication that the company is using for disseminating information.

The Company has a communications strategy to promote effective communication with shareholders. We have our company website: www.phoenixfuels.ph wherein Our stockholders can view disclosures, annual and quarterly reports, list of stations, events, products, management teams and CSR activities.

5) Date of release of audited financial report: ***April 12, 2013***

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business Operations	Yes
Financial statements/reports (current & prior years	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	No
Company's constitution (company's by-laws, memorandum and articles of association)	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

We are currently upgrading our system and such information are still in the process of being added to the website.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

- ***The Company develops and discloses a policy governing the company's transactions with related parties in the Notes to Financial Statements.***
- ***The Company established a voting system whereby a majority of non-related party shareholders approves specific types of related party transactions in shareholders meetings.***
- ***There is transparency and consistency in reporting its RPTs, the summary of which are published in the company's annual report***
- ***There is a clear policy in dealing with material non-public information by company insiders.***
- ***The Independent Directors play an important role in reviewing significant related party transactions.***
- ***Full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management***

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the outstanding capital stock must be present or represented

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting in person or in proxy
Description	

- Under the rule, voting may be done by ballots or viva voce.
- In both procedures, we have made the proper arrangement.
- Ballots are ready in case voting by ballots is necessary. Ballots shall be distributed upon registration.
- We used ID's with control numbers during voting instead of hand raising. Upon registration, all stockholders shall register their name and the votes they represent. They will be given IDs with control number. By the time the meeting starts, we shall

have determined the number of shares present and being represented either personally or by proxy.

- During the voting, stockholders will be asked to raise their ID's instead of hands. **Only negative votes and abstain votes shall be counted. External Audit will determine and take note of the control numbers who voted No and Abstained**. These votes shall be entered in a prepared template that automatically deducts the negative and abstain votes to get the positive votes.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

None

Stockholders' Rights under The Corporation Code	Stockholders' Rights NOT under The Corporation Code

Dividends

Dividend	Declaration Date	Record Date	Payment Date
Php 0.10 Cash Div.	February 8, 2012	March 23, 2012	April 23, 2012
50% Stock Div	February 8, 2012	March 26, 2012	April 26, 2013

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	3. Communication Procedure
4.	5.
6.	7.

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

Any changes in the matters below are taken up during the Annual Stockholders' Meeting. The changes in these matters are made known ahead of time through notices of agenda specifying the changes and sent individually via postage to each of the stockholder.

a. Amendments to the company's constitution
b. Authorization of additional shares
c. Transfer of all or substantially all assets, which in effect results in the sale of the company

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes.

a. Date of sending out notices: Feb/ 15, 2013
b. Date of the Annual/Special Stockholders' Meeting: March 8, 2013

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.(last 6 September 2013)

- A Stockholder requested elaboration on the decline of the net results for 2nd quarter of 2012 vs. the net results of the 2nd quarter of 2011. The Chairman referred the question to the Chief Operating Officer, Romeo de Guzman. Mr. de Guzman explained that the decline was attributed to the global decline of fuel price during the second quarter of this year. The decline of fuel prices ate up whatever was earned during the first quarter. There are also external factors to consider such as the Philippine economy as well as other foreign economies. However, the third quarter is expected to give good margins and if it continues until the fourth quarter, most likely, the year will end on a positive note.

- The Stockholder sought clarification that the figure or number pertaining to the beginning balance of the retained earnings for June 2012 which is Php 1,402,617,415.00 does not tally with the ending balance of the retained earnings of Jun3 2011 which is Php 1,565,711,759.00. Mr. Damuy pointed and clarified that comparative figures pointed have different basis for beginning balances such as: for June 2012, the basis for the beginning balance is January 2012 while the beginning balance for Jun 2011 had its basis on the beginning balance of January 2011. The comparative figures shown and prescribed by the SEC and the PSE is for June 2012 and June 2011 and not June 2012 and December 2011.

- A Stockholder inquired on the meaning of warrants and what are its advantages and effects to the particular transaction with BDO. The Chairman referred the question to Mr. Phala who explained that warrants under financial terms are derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time frame. Further, he explained that warrants are often included in a new debt issue as a "sweetener" to entice investors. Hence, he proceeded to point out that the advantages of warrants in this particular transaction is: (1)

the entry of the SM/BDO group will give the Company a seal of good housekeeping and improve credit standing in and access to the capital markets as well as possibly push up PNX price; (2) there are likewise potential synergies created due to possible access to best practices, revenues from the SM/BDO group.

- A Stockholder sought clarification if there was any due diligence conducted on Chelsea Shipping considering that the latter has a negative working capital. The Chairman referred the question to Mr. Damuy who confirmed that due diligence was conducted on Chelsea Shipping. In fact, this was part of the valuation process and included in the Fairness Valuation Report conducted and submitted, respectively, by Penta Capital. On the matter of the negative working capital, Mr. Damuy further explained that Chelsea Shipping was acquiring a number of vessels to add to its fleet which explains for the increase in its PPE(property, plant and equipment) entry. Mr. Damuy further justified that given the fact that Chelsea Shipping is a service company, working capital will be more focused or concentrated on fuels and services as against a trading company which will have to include huge inventories.

- A Stockholder inquired about further plans on Chelsea Shipping after the acquisition such as its dissolution and merging its operation with the Company and plans on its possible listing with the PSE. Mr. Damuy elaborated that Chelsea will be operating as a wholely owned subsidiary of Phoenix Petroleum as the intention is likewise to continue to serve other clients of Chelsea. On the matter of listing, Mr. Damuy clarified that listing with the PSE will depend on the opportunities in the future that will be presented to the company, Chelsea.

- A Stockholder inquired that since the investment is substantial what is the main plan behind the acquisition and also the reason behind the acquisition when Chelsea is already an affiliate. The Chairman again referred the question to Mr. Damuy who elaborated that acquisition of Chelsea will further strengthen the balance sheet of Phoenix Petroleum, increase the market capitalization enticing more local and possibly foreign investors to invest in the Company.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

	12. Resolution	13. Approving	14. Dissenting	15. Abstaining
a.	Proposed Amendment of Article II of the Articles of Incorporation	830,593,191 shares or 100% of present and entitled to vote	none	none
b.	Proposed Amendment of Article VI of the Articles of Incorporation and	830,593,191 shares or 100% of present and entitled to vote	none	830,593,191 shares of 100%

Amendment of Article III Section 1(a) of the Corporation's By-laws, both increasing the Composition of the Board of Directors from nine (9) to eleven (11) members			
c. Proposed Issuance of Php180,000,000.00 warrants in relation to the issuance of Php 500,000,000.00 Convertible Notes to BDO Unibank, Inc	827,601,191 shares or 100% of present and entitled to vote (Preferred shares of 2,992,000 was excluded	none	none
d. Proposed Acquisition of 100% shares of stock in Chelsea Shipping Corp.	830,593,191 shares or100% of present and entitled to vote		
e. Waiver of Rights offering requirement of the PSE among minority shareholders present or represented	74,849,540 shares or 100% present and entitled to vote (majority of the minority shareholders)	none	none

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason of Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board Members/ Officers Present	Date of Meeting	Voting Procedure(by poll, show of hands, etc.)	% of SH Attending in Person	% of SH Attending in Proxy	Total % of SH attendance
Special Stockholders Meeting	5	6 Sept 2012	Stockholders are given IDS with control numbers. The control numbers per ID has a corresponding entry in the database. Each ID are color coded: blue fonts represent the minority common and preferred	.58%	88.46%	89.04%

			sharesholders while the red fonts represent the major stockholders, affiliates, directors and officers. Thus, when a motion is under votation, the Chairman shall be asking the stockholders/proxies to raise the IDs and the external auditor, Punongbayan and Araullo shall be tasked to record the votes and count them.			

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

YES

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

***No.** Stockholders are given IDS with control numbers. The control numbers per ID has a corresponding entry in the database. Each ID are color coded: blue fonts represent the minority common and preferred sharesholders while the red fonts represent the major stockholders, affiliates, directors and officers. Thus, when a motion is under votation, the Chairman shall be asking the stockholders/proxies to raise the IDs and the external auditor, The external auditor shall be tasked to record the votes and count them. <u>Only negative votes and abstain votes shall be counted. External Audit will determine and take note of the control numbers who voted No and Abstained</u>. These votes shall be entered in a prepared template that automatically deducts the negative and abstain votes to get the positive votes.*

The stockholders of the Corporation shall have no pre-emptive right to subscribe to any issues or dispositions of shares of any class.

The new class of PREFERRED SHARES shall have the following features:

i) ***Non-convertible into common shares;***
ii) ***Non participating in any other corporate activities or other further dividends, non-voting except in cases specified by law;***
iii) ***No pre-emptive rights to any issue of the Company's share but shall enjoy preference over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The Board of Directors shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively;***

iv) ***The preferred shares shall be redeemable at the Company's option under such terms as the Board of Directors may provide at the time of issuance. It shall also be re-issuable when fully redeemed.***

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	
Notary	Not required to be notarized
Submission of Notary	Not required
Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	Invalidated when revoked by the stockholder at any time before the right granted is exercised or if the stockholder attends the meeting in person and expresses intention to vote in person.
Validation of Proxy	A forum for the validation of proxies chaired by the Secretary or Assistant Secretary and attended by the Stock Transfer Agent convened at least five (5) days before any meetings.
Violation of Proxy	

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Timely sending out of notices to stockholders	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	184 including beneficial owners
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	February 15, 2013
Date of Actual Distribution of Definitive Information Statement and Management Report held by Stockholders	February 15, 2013
State whether CD format or hard copies were distributed	Yes
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(k) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/ re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
One share, one vote principle	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights
Effective, secure and efficient voting system	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed.

The Company maintains a communications strategy promoting effective communication with all its stakeholders that is reviewed on a regular basis.

Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company has an External Corporate Affairs unit that reviews and approves all company announcements.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

Investor relations are usually coursed through the finance department particularly under the Office of the Chief Finance Officer. The CFO schedules a regular investors' briefing to update investors on the latest projects of the Company and these are usually disclosed ahead of time for the information of the investors and stakeholders.

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communication	
(4) Investors Relations Officer	

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Environment	
Kadayawan Tree Planting	Davao City Water District
Adopt an Eagle Program	Philippine Eagle Foundation, Inc.
Sea of Life	Local Government of Island Garden City of Samal
Mangrove Tree Planting	Residents of the coastal are of Brgy. Bunawan, Davao City
National Tree Planting	Residents of the Davao River
International Coastal Clean-up	Residents of coastal area in Coaco, Davao City
Tilapia Dispersal	Residents of coastal area in Coaco, Davao City
Supported the Earth Hour Activity held at	SM Lanang Premier Fountain Court
Tree Growing Activity with NBA Cares, 500 seedlings of narra woods	Davao City Water District
Bacolod Tree Growing, 500 seedlings	Residents of Brgy. Minoyan, Murcia, Bacolod City
Humanitarian	
5th Phoenix Bloodletting Activity	Red Cross of the Philippines
Joint Bloodletting with Toril Lodge # 208	Red Cross of the Philippines
Phoenix in Partneship with the Local Gov't of Zamboanga	Red Cross of the Philippines
Phoenix in Partnership with ABS-CBN in Dugong Kapamilya	Red Cross of the Philippines
Phoenix in Partnership with UMBN (True Blood)	Red Cross of the Philippines
Phoenix Joins and Supports Maritime Bloodletting Activity	Red Cross of the Philippines
Happy Trip Day	Tricycle Drivers and Operators in Tagum City
Operation Tuli	Teenagers in Bacolod City
Medical Mission to the Victims of Typhoon Pablo	Victims of Typhoon Pablo
Disaster Relief Operation to the Victims of Typhoon	Victims of Typhoon Pablo

Pablo	
Annual Christmas Gift-Giving	Indigent Children's in Bo. Obrero and Agdao
Phoenix Indigent Children's Heart Program	Indigent Children's with rheumatic heart problem
Phoenix Children's Corner	Pedia patients of SPMC
Medical and Dental Mission (gensan)	Residents of Brgy. Bawug, General Santos City
"Blood is Life" Blood Letting Activity at Gaisanon Mall	Red Cross of the Philippines
Supported the "Liter of Light Project" with JCI DAVAO	Residents of Brgy. Bucana, Davao City
Supported the "Deworming and Vit-A Project" with JCI DAVAO	Pupils of Palma Gil Elementary School
Turned Over of 200,000 worth of roofing material to Comval for the public schools with JCI DAVAO	Victims of Typhoon Pablo
Partnered with Davao Medical Society for the "run for your life"	Davao Medical Society
Supported and sponsored the Open Heart Surgerical Operation of Julio Azriel Cavan	Julio Azriel Cavan
2nd Kapamilya Blood Letting Activity with ABS CBN	Red Cross of the Philippines
Phoenix- Sakya Medical and Dental Mission	Residents of Brgy. Lapu Lapu, Davao City
Education	
Phoenix Libraries	Adopted Schools (Lapu-Lapu E.S., SPED Bangkal, San Roque E.S., V. Hizon E.S., Doña Asuncion E.S.)
Brigada Skwela	Adopted Schools (Lapu-Lapu E.S., SPED Bangkal, San Roque E.S., V. Hizon E.S., Doña Asuncion E.S.)
Phoenix Livelihood Program thru ALS	DepEd ALS at F. Bangoy Elementary School
Phoenix Araw ng Dabaw "Takbo para sa Kinabookasan" run	Adopted Schools (Lapu-Lapu E.S., SPED Bangkal, San Roque E.S., V. Hizon E.S., Doña Asuncion E.S.)
k-12 Nail Care Program	DepEd
Turned Over of Support to ALS (3 pcs welding machine, 2 set computers)	DepEd ALS at F. Bangoy Elementary School
Turned Over of books to SPED Bangkal Phoenix Library 20,000 worth of books	SPED Bangkal
Libreng Gupit Activity	F. Bangoy Elementary School Pupils
Supported the moving on program of DAHES and donated ribbons, certificates and medals to	Graduating pupils from Doña Asuncion Hizon Elementary School
Supported the moving on program of V. Hizon and donated ribbons, certificates and medals to	Graduating pupils from Vicente Hizon Elementary School
Supported the moving on program of San Roque and donated ribbons, certificates and medals to	Graduating pupils from San Roque Elementary School
Supported the moving on program of Lapu Lapu and donated ribbons, certificates and medals to	Graduating pupils from Lapu Lapu Elementary School
Supported and Sponsored the Bangkaton Race (2 boxes pnx Lubricants, 3 pack pnx buting, 25pcs pnx shirt, 500 liters of pnx diesel)	Resident of Brgy. Bucana, Davao City
Turned Over of Donation to SPED, SAN ROQUE, LAPU LAPU, DAHES, V. HIZON and F. Bangoy E.S.	Adopted Schools (Lapu-Lapu E.S., SPED Bangkal, San Roque E.S., V. Hizon E.S., Doña Asuncion E.S. and F. Bangoy)
Team Phoenix Annual Brigada Eskwela at F. Bangoy E.S.	Adopted School (F. Bangoy Elementary School)
Other Corporate Activity	
Supported the Phoenix Open Golf Tournament	for the advocacies of the Phoenix Philippines Foundation, Inc.
Supported the 5th Phoenix Marathon	for the advocacies of the Phoenix Philippines Foundation, Inc.
PHOENIX-DCPO 1st Tok Hang Cup	Davao City Police Office
Supported the "New Born Screening Awareness Fun RUn", Fun run of Bukidnon Provincial Hospital	Bukidnon Provincial Hospital
Supported and Sponsored the PNX-DCPO Summer Basketball Tournament 2013	Davao City Police Officers
Annual Support to Our Lady of Victory	Our Lady of Victory Parish
Supported and Sponsored the 29th PCGA National Convention	PCGA CGADSEM

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Director's Score Card	Performance based on the Company's business targets

Board of Committees	Selection procedure of the Nomination Committee	Criteria set by the committee
Individual Directors	Corporate Governance Scorecard	Performance based on the Company's business targets
CEO/President	Corporate Governance Scorecard	Performance based on the Company's business targets

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Davao on 28 June 2013.

SIGNATURES

DOMINGO T. UY
Chairman of the Board

DENNIS A. UY
Chief Executive Officer

CONSUELO YNARES-SANTIAGO
Independent Director

MONICO V. JACOB
Independent Director

SOCORRO ERMAC CABREROS
Corporate Secretary
(in lieu of Compliance Officer)

JUN 28 2013

SUBSCRIBED AND SWORN to before me this 28th day of 2013, affiant(s) exhibiting to me their ______________________, as follows:

NAME	ID NO./DATE OF ISSUE
DOMINGO T. UY	TIN: 140-162-193
DENNIS A. UY	TIN: 172-020-135
MONICO V. JACOB	TIN: 123-030-879
CONSUELO YNARES-SANTIAGO	TIN: 118-014-893
SOCORRO ERMAC CABREROS	TIN: 111-790-618

MYRA M. PRINCIPE
Notary Public Until December 31, 2014
SN 250-2013 / TIN 275-800-544
Phoenix Petroleum Philippines Inc.
Phoenix Bulk Depot, Lanang, Davao City
Roll of Attorney No. 59985
PTR No. 1326945/01-04-2013/Davao City
IBP No. 884576/01-04-2013/ Davao City

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