16 April 2018

Securities & Exchange Commission
Secretariat Building, PICC Complex
Roxas Blvd, Metro Manila

Philippine Stock Exchange
Disclosure Department
3/F PSE Plaza, Ayala Triangle Plaza
Makati City, Metro Manila

Philippine Dealing & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Ave. corner Paseo de Roxas
Makati, 1226 Metro Manila, Philippines

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Market and Securities Regulation Department
Securities & Exchange Commission

Mr. Jose Valeriano B. Zuño III
Head - Disclosure Department
Philippine Stock Exchange

Ms. Erika Grace C. Alulod
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen and Madam:

We are herewith submitting our SEC Form 17-A Annual Report for period ended 31 December 2017 in accordance with the Securities regulations Code and the Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

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Trunkline: +63 (82) 235-8888
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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 2017
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	1,431,538,232
PREFERRED	25,000,000

Amount of Debt Outstanding as of December 31, 2017:	Php **32,519,210,369.00**
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

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, 2017 and 2016.

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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 41.14% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's made its Initial Public Offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The Parent Company is engaged in trading of petroleum products on wholesale basis and operating oil depots, storage facilities and other allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

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

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

The company has a total of 530 completed retail service station and a total of 8 service stations under construction as of December 31, 2017.

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 2017	Percentage of Ownership 2016
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100.00%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	**100.00%**	100.00%

PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	**100.00%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI) 1	(e)	**100.00%**	-
Duta, Inc.(Duta) 1	(f)	**100.00%**	-

Notes:

1 New Subsidiaries
2 Wholly-owned Subsidiary of Duta
3 Duta and Kaparangan, collectively known as Duta Group

All the subsidiaries were organized and incorporated in the Philippines except for PNX SG which was organized in Singapore.

(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) 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.

(d) Incorporated on October 30, 2012 and started operations in October 2017. It is the regional trading arm of the company. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its better requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products. It is formerly known as Petronas Energy Philippines, Inc.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

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.
PNX SG	– 350 Orchard Road, #17-05 / 06 Shaw House, Singapore
PLPI	– Phoenix Petroleum Corporate Headquarters, Stella Hizon reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	– 15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati

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.

Operational Highlights

2017 was a landmark year for Phoenix Petroleum, as the company acquired new businesses and laid the groundwork for regional expansion. The Company ended the year with its best performance yet: triple all-time highs in sales volume, revenues, and net income.

Across retail, commercial, and industrial channels, sales volume of its fuels and lubricants increased by 17% to 1.76 billion liters as the Company reached more customers and launched key programs.

Strengthening our retail network

Retail volume increased by 9% as the Company opened new stations, increased same-store sales, and upgraded more stations to a new look. The new design features a clean, modern, and sleek style – reflecting the Company's aspiration to become the next generation fuel company catering to the needs of next generation drivers. A hundred stations now sport the refreshed design, and this has increased volume sales per station by an average of 9% after upgrade.

With 530 stations in the network, the Company is establishing new standards for operational excellence and customer service to deliver a better experience for every motorist.

Customers enjoyed innovative promotions, such as the groundbreaking 10 pesos per liter promo, the Summer Combo Panalo which gave away Php 500,000 to lucky winners, Scratch-a-Prize which raffled off latest gadgets as prizes, and the collectible Justice League self-stirring mugs. The Company also partnered with Uber, Grab, and Lazada for promos in select stations.

On April, the Phoenix Tsuper Club was launched as a way to reward loyal customers. The program is open to professional drivers nationwide and offers many benefits. With every fuel and lubricants purchase at a Phoenix station, Phoenix Tsuper Club members earn points and redeem rewards.

Serving major industries

Sales volume to commercial and industrial businesses grew by 15% and aviation by 13%, as the Company firmly establishes itself as the third major player in the commercial and industrial segment, counting as customers the country's biggest companies.

With depots and terminals in key locations across the country, and with affiliate companies in shipping with their own vessels and tugboats, the Company is able to ensure supply capability and reliability to its customers, so they can run their businesses without worrying about fuel.

From our first client, Cebu Pacific – which we continue to serve as their logistics provider in Mindanao and in more airports – the Company has expanded to serve more businesses across the country. This year, we gained new key accounts and won bids to supply companies in the land transport, construction, mining, power, manufacturing, marine, fishing, and shipping industries.

We also showed our decisiveness, reliability, and quick action when we were able to deliver the urgent requirements of power companies in the Visayas when their major suppliers could not.

Added support such as Technical Services ensures the quality of products and the productivity of customers' fleet and equipment.

These technical assistance and initiatives come in the form of industry and in-house trainings, technical visits, lubricant surveys, product matching and application, issue resolution, and after sales services such as emission tests and engine analysis. The Company's quality assurance and product development services include product testing, formulation issuance, quality control, development of new products, and formulation optimization.

Growing the lubricants business

Lubricants volume rose by 49% as the Company continued to open new stations, serve more commercial accounts, introduce new products, and strengthen our distributor network.

New products introduced were All Purpose Oil, Cyclomax Scooter Gear Oil, Cyclomax 4T 200mL, HT2 Grease, Hydraulic Premium 68, and Turbine Oil 68, all of which delivered fresh volume for the business.

Supporting expansion is the completion of our distributor network, where we appointed partners in key areas in Luzon, Visayas, and Mindanao.

We also improved our efficiency and fulfilment time with our new Lube Oil Blending Plant, which manufactures and services our locally blended products nationwide.

On the racing front, our Phoenix Cyclomax Racing Team continued to dominate the racing scene, ending 2017 with a total of 115 podium finishes. To further support the brand, the Company sponsored major events such as the Inside Racing Bikefest, National Slalom Series, and NAsFOR- Maxxis 4x4 Cup.

Safety, Operations, Logistics

The Company accomplished milestones in safety, operations, and logistics in the continued pursuit of safety and efficiency.

On June 2017, we commissioned and inaugurated our new depot in Consolacion, Cebu. With a capacity of 18 million liters, the depot is our largest in the Visayas and our ninth facility in the country. Our own depot enables us to more reliably and efficiently serve the fuel and lubricant needs of our growing retail network and various customers in the shipping, airlines, construction and other industries in the greater Visayas.

At the Company's largest terminal in Calaca, Batangas at the Calaca Industrial Seaport Park (formerly Phoenix Petroterminals and Industrial Park), we commissioned additional storage tanks to increase storage capacity, and extended the cargo line to provide scheduling flexibility in vessel receiving and loading.

We also broke ground for the improvement of our marine facility in our Calapan depot in Misamis Oriental.

Our Road Transport group increased their profitability and efficiency by optimizing the fleet of lorries, increasing the volume delivered by our own tankers, and overhauling aviation refueler trucks in various airports nationwide. The new motorpool facility in Calaca has also improved efficiency in repairs and availability of our units.

Affirming these accomplishments is the achievement of a new safety milestone: 4.4 million safe man-hours without lost time incident. This is a new record for the Company, reached in the period between January 2015 to December 2017, as we continue to prioritize safety.

In addition, new subsidiary, Petronas Energy Philippines, Inc. now Phoenix LPG Philippines, Inc., achieved a safety record of 3 million safe man-hours without incident for its Iligan plant – a milestone achieved over 20 years since the plant was first commissioned on June 1997.

These milestones are a testament to the Company's commitment to safety and health. In support of this is the development of our Environmental Management System, a framework that helps the organization achieve our environmental goals through consistent review, evaluation, and improvement of our environmental performance.

Our Health, Safety, and Environment group is at the forefront of ensuring that safety is a priority and becomes part of our culture. This year, they conducted several trainings on industrial first aid, CPR and AED operations, disaster preparedness, live fire handling, construction occupational safety and health, emergency preparedness, and sharing of best safety practices. Terminals and depots are also audited for operational excellence and process improvements.

People Development

Employees takes pride in being part of the country's most dynamic oil company and contributing to that growth. A sense of energy and excitement permeates the team, inspiring people with a passion to perform.

To support the company's big ambitions, a key program is developing competencies and building the right culture. A Competency Framework was established to help people perform their work effectively. We also rolled out programs for people development such as trainings, workshops, and mentoring. With a mix of seasoned veterans and young talents, there are many opportunities to teach and learn from the experienced and new.

As part of the Company's culture-building efforts, we reinforced our shared values and internal communications. Our Values Matter at Work workshops nationwide underline the importance of the Phoenix core values – Teamwork, Excellence, Stewardship, Service, Innovation, and Integrity – which distinguish us from the rest. The Company has also stepped up its internal communications to increase employee engagement and pride in what we are accomplishing.

This year also marked the first year of the vesting of our Employee Stock Options Plan in the five-year period. Over the one year since the launch of the ESOP to the vesting, the PNX stock price more than doubled – a manifestation of the team's collective efforts bearing fruit.

Team Phoenix strives to exemplify our core values as we achieve our goals with the valuable contribution of each and every team member.

Corporate Social Responsibility

As the Company grows, so too our commitment to the communities we serve. Since the first CSR activity in 2007, the Phoenix Philippines Foundation Inc. has been an active partner of people and institutions to develop, protect, alleviate, educate, and empower our less privileged members of society. We champion our communities by giving back to them through initiatives designed to elevate and preserve their quality of life.

EDUCATION

Our educational programs aim to empower people to build a bright future. We support teachers, provide free pre-school and livelihood education to students, and help schools build a better library of books. In doing so, we help others help themselves.

Adopt-A-School

The Foundation continues to support 23 adopted schools across the country. From the first school in 2008 in Davao City, we have reached out to more schools – 6 in Luzon, 7 in Visayas, and 10 in Mindanao. Their pre-schoolers are able to study for free, as we shoulder the monthly salaries of 14 teachers. These adopted pre-school and elementary schools have produced close to 8,000 young graduates over the nine years since we started – a support that helps give them a head start in life.

Phoenix Library

To encourage wonder and curiosity – keys to a lifelong interest in learning – the Foundation has established Phoenix libraries in seven adopted schools. This year, we donated books, learning materials, television sets, and library furnishings to 18 schools in Luzon, Visayas, and Mindanao. With big and colorful books and engaging materials, children enjoy learning and exploring.

Alternative Learning System

Out-of-school youths, the unemployed, and those looking to learn new skills are given a chance to contribute to society through the Alternative Learning System. The ALS is a free livelihood education program of the Department of Education, implemented with the support of private institutions to sustain the project.

The Foundation now supports two ALS schools – the F. Bangoy Central Elementary School in Davao City and the Banisil Central Elementary School in General Santos City. We sponsor the salaries of 7 instructors and provide training facilities and equipment. This allows students to study for free the various courses such as Welding, Plumbing, Electrical Installation, Maintenance, Computer Servicing, and Beauty Culture and Hairstyling.

Since we started the program in 2009 up to this year, 1,857 ALS students have graduated. Some of them proceed to take the assessment and certification from the Technical Education and Skills Development Authority (TESDA), a government system to determine whether the person has the competencies required of a middle-level skilled worker. We are proud to report that our ALS has produced 100% TESDA passers since 2013. After finishing the program, graduates find work here or abroad, or embark on their own business, armed with their new skills.

Brigada Eskwela

This year, the Foundation helped clean and refurbish 10 schools around the country as part of Brigada Eskwela, the Department of Education's annual school clean-up drive. Team Phoenix painted classrooms, and donated painting and construction materials to schools.

ENVIRONMENT

We work to preserve our natural habitat so that future generations can enjoy the environment as we do. Our programs span the circle of life: from planting seedlings of trees that will grow to protect and nourish, to ensuring that seas are clean, to taking care of endangered animals that play a vital role in the ecosystem. These, so nature can continue to nurture life.

Plant and Save A Tree: Tree-Growing Program

This year, the Foundation went to 12 watersheds, parks, and mangroves around the country to plant 17,500 seedlings. These watersheds include those in Mt. Talomo-Lipadas in Malagos, Davao City, Taguibo River in Butuan City, Mahuganao in Cagayan de Oro City, Lusaran in Cebu City, Upper Caliban Imbang in Bacolod City, and Maasin in Iloilo.

Since 2009, we have planted 49,500 trees. By doing so, we help protect and ensure the health of watersheds, which sustain life by providing clean water for drinking, agriculture, manufacturing, and are home to a variety of plants and animals.

Coastal Cleanups

Team Phoenix helped clean 11 coastlines and waterways across the country in the Coastal Cleanup drive. Our annual participation in the clean-up helps rehabilitate and clean coastal areas, seas, and waterways from trash and debris that damage marine life and ecosystems.

Adoption of Philippine Eagle

Since 2012, the Company has adopted a Philippine Eagle named “Phoenix” at the Philippine Eagle Foundation (PEF) in Davao City. Our support is used to care for the eagle, the operation and maintenance of the eagle's breeding facility, and the associated conservation research and campaign of PEF.

Phoenix and his pair Marikit – together for seven years now – are only one of five natural pairs at the Philippine Eagle Center. As PEF seeks to increase the dwindling population of the Philippine Eagle, the pair play a critical role in the center’s captive breeding efforts.

The Philippine Eagle *(Pithecophaga jefferyi)* is the country’s national bird and is one of the rarest, largest, and most powerful eagles in the world. It is also critically endangered – with an estimated population of only 400 pairs. It is endemic to the Philippines, and found on the islands of Luzon, Samar, Leyte, and Mindanao.

Build A Reef

This year, the Company launched its first Build A Reef project – making and laying artificial domes to replace damaged reefs and serve as new sanctuary for hundreds of species of fish and other marine organisms.

Team Phoenix and partners from the Philippine Coast Guard and Philippine Coast Guard Auxiliary built 30 artificial reefs. These were then successfully laid in the marine-protected areas within Barangay Vicente Hizon, Lanang, and Barangay Centro Jerome, Agdao, in Davao City.

The reefs will help protect fishes from destructive fishing practices and increase their population – resulting in healthier marine life.

HEALTH

The Company shows its care to partner communities by ensuring their health and wellness through various programs.

Medical and Dental Missions

This year, the Foundation served over 3,000 in medical and dental missions around the country. Since 2010 when we started the program, 16,078 have benefited from the free check-ups and medicines that we provide in partnership with local institutions.

Every Drop Fuels Life Bloodletting Program

In the 10 years since we started the project in coordination with the Philippine Red Cross, we have collected 7,011 blood bags, of which 1,841 were donated in 2017. Our employees, partners, and volunteers support our regular bloodletting activities in various areas in Luzon, Visayas, and Mindanao. These blood donations help save lives, as well as benefiting the donors by increasing their cardiovascular health and decreasing the chances of cancer.

Fueling the country's largest humanitarian ship

The Company donated Php 25 million worth of fuels, lubricants, and technical services for the maintenance of M/V Amazing Grace, the Philippines' first and largest humanitarian vessel.

Commissioned by the Philippine Red Cross on May 2017, M/V Amazing Grace serves as a hospital ship, relief supply transport ship, sea rescue vessel, mobile command center, cargo transport for trucks and ambulances, and mass evacuation ship, among others. Its full-scale facilities will help ensure that life-saving supplies and services will immediately reach those who need it the most.

OUTREACH

The Company is always ready to lend a hand to those who need it the most.

Christmas Gift-Giving for Kids

Since 2007, the Company has made it an annual event to share the joy of Christmas to children through our Christmas Gift-Giving for Kids. They receive bags, school supplies, toys, slippers, and other gifts from Phoenix. This year, we played Santa to close to 4,000 kids as we also held a party for them. Throughout a decade of this program, we have given gifts to 16,146 children.

Relief Operations

When natural calamities and disasters strike, we organize relief operations to help the victims. On December 2017, when tropical storm Vinta hit Davao, we quickly distributed relief goods to 1,020 families, relieving them in our own way during the Christmas season.

PINOY TSUPER HERO

The third season of "Pinoy Tsuper Hero" continues the advocacy program in search of the most outstanding driver.

The program is presented by Phoenix Petroleum Philippines in partnership with ABS-CBN Lingkod Kapamilya Foundation Inc. and Bayan Academy for Social Entrepreneurship and Human Resource Development. It aims to bring out the "superhero" in every driver and promote driving as a noble profession.

On its latest season, Pinoy Tsuper Hero received a record-high 32,532 nominations, as we went on a nationwide caravan and launched the Phoenix Tsuper Club.

Regional finalists are selected from drivers who register at Phoenix stations. Selected candidates attend trainings about road safety, environment protection, financial literacy, and leadership. The top 10 finalists are called in for training and mentoring by industry experts, as they also present their own advocacy to pursue if they win.

The third Pinoy Tsuper Hero will be named on May 2018.

LIFE FUND

As the Company marked its 10th Listing Anniversary, we announced the creation of the LIFE Fund with a seed money of Php 100 million, to support the families of soldiers who fought in Marawi City.

Phoenix Philippines Foundation and UDENNA Foundation initiated the LIFE Fund to help beneficiaries secure sustainable **L**ivelihoods, achieve **I**ndependence, sustain their **F**amilies, and provide **E**ducation to their children.

The LIFE Fund is a mutual fund designed to give back to the brave men and women who risk their lives for the protection of the citizens of our country. It is a private sector initiative that aims to provide long-term financial aid and livelihood development for members of the Armed Forces and their families.

Awards and Recognitions

The Company received several awards this year for its leadership, brand, and marketing.

2017 ASEAN Business Awards: Young Entrepreneur of the Year

The Company's founder, President, and CEO, and UDENNA Corporation Chairman Dennis Uy was recognized in the 2017 ASEAN Business Awards as the Young Entrepreneur of the Year. The award cites "outstanding business owners below the age of 45 who have demonstrated significant success through leadership, market positioning and company performance."

2017 Franchise Excellence Awards: Outstanding Filipino Franchise in Retail-Large Scale

Phoenix Petroleum was named Outstanding Filipino Franchise in Retail-Large Store Category in the 2017 Franchise Excellence Awards (FEA), our second time to receive the prestigious award.

Phoenix Petroleum was recognized for continuing to be committed to deliver world-class services and products; for empowering people through our various advocacies; and for inspiring the entrepreneurial spirit of Filipinos.

The Company received its first Outstanding Filipino Franchise award in 2015, where we were cited for being a successful and fast-growing homegrown company in an oil industry dominated by major players.

Our second win in the FEA places us in the awards' **Hall of Fame**, given to businesses which win twice in the same award category.

Gawad Kaagapay Awards: Outstanding Large Corporation II for Non-Agri-Based Category, 2nd place

Phoenix Petroleum won second place as Outstanding Large Corporation II under the Non-Agri-Based Category in Landbank's Gawad Kaagapay Awards 2017.
Land Bank of the Philippines recognized our company's contribution to priority sectors like small and medium enterprises which promote countryside development.

2017 ICE Awards: Bronze in Single Medium Category

Our "Goku" TVC for our Phoenix Cyclomax brand of lubricants won a Bronze ICE award given last September by the Media Specialists Association of the Philippines (MSAP). Award entries are judged according to insights, creativity, and effectiveness.

2017 Franchise Asia Philippines Awards: Best Booth Design for Non-Food Franchisor Category

Phoenix Petroleum won the Best Booth Design award under the Non-Food: 108 sqm. category during the Franchise Asia Philippines 2017 – the company's fifth time to receive such recognition.

The Phoenix booth, which featured our station's new look and an auto lounge for visitors and potential business partners, was recognized for its impressive design. The Franchise Asia Philippines 2017, dubbed as Asia's Biggest 4-in-1 Franchise Show, showcased more than 500 homegrown and international brands in the food, retail, and service sectors on July 2017.

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.

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:

In 2017, the Company attained a Total Revenue of **₱44.426** billion, in which **₱44.051** billion or 99.16% was accounted for by the sales of petroleum products, and the balance accounts for the revenue on fuel service, storage income and other income. For 2017, the non-petroleum revenue accounted for 0.84% compared to 3.61% in 2016. The reduction on non-petroleum revenue is also due to the sale of the two subsidiaries, CSC and PPIPC during the last last quarter of 2016.

iii) Other products or services:

In 2017, the company added LPG to its business.

iv) Competition:

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, other multinational 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, and end-users who import directly most of their requirements.

The three major players are estimated by the Department of Energy (DOE) to have a cumulative market share of 54.6% of the total Philippine market as of December 31, 2017 while the balance of 45.5% is shared among the aforementioned multinational players, the independent players, and importers including Phoenix Petroleum. The Company was reported to have 6.2% of the market, while the rest shares the remaining 39.2%, making Phoenix the strongest and leading independent oil company.

Specific to the LPG business, Phoenix main competitors are Petron with 29.8% market share, Liquigaz 23.8%,South Pacific 13.7%, Prycegas 12.7% and Isla Gas 12.3%. Phoenix, on the other hand, has 4.5% market share, making it the number 5 player in the LPG business.

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 of 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 were 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.

The company's trading arm based in Singapore started its operation in October of 2017, allowing the company to have better access to suppliers.

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 UDENNA 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 sold CSC on November 2016.

vii) Patents, trademarks, licenses, franchises

The Company uses its registered trademark *PHOENIXFuelsLife*TM to identify its brand. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products like Diesel, Super Regular 91 Gasoline, Premium 95 Gasoline, Premium 98 Gasoline, and Phoenix JET A1.

Below are the approved Trademarks by the Intellectual Property Philippines (IPP) through the Trademark Department.

PRODUCT	**REGISTRATION NO.**	**Date of Registration**	**Term**
NEST Necessities for Life	4-2008-012149	Feb.9,2009	10yrs, until 2-9-2019
CAGE Free ur Spirit	4-2008-012148	Feb.9,2009	10yrs, until 2-9-2019
PHOENIX Fuels Life	4-2009-000918	April27,2009	10yrs,until 4-27-2019
PHOENIX Facing East	4-2009-000917	April27,2009	10yrs,until 4-27,2019
PHOENIX Flame Kerosene	4-2008-005929	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX JetA-1	4-2008-005934	Oct.27,2008	10yrs,until 10-27-2018
PHOENIX Magma Diesel	4-2008-005936	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX Raptor X Premium	4-2008-005932	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX Regular	4-2008-005931	Oct.13,2008	10yrs,until 10-13-2018

PHOENIX Glide Super Unleaded	4-2008-005933	Oct.13,2008	10yrs,until 10-13-2018
ACCELERATE Supreme	4-2012-005161	July26,2012	10yrs,until 7-26-2022
ZOELO Extreme Heavy Duty Engine Oil	4-2012-005162	April27,2012	10yrs,until 8-2-2022
PHOENIX Cyclomax Motorcycle Oils 4T Force	4-2012-005164	April27,2012	10yrs,until 8-16-2022
ZOELO Diesel Oil	4-2012-005163	Aug.16,2012	10yrs,until 8-16-2022
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	Jan.03,2013	10yrs,until 1-3-2023
ACCELERATE Vega Fully Synthetic Motor Oil	4-2012-005169	Jan.03,2013	10yrs,until 1-3-2023
CYCLE Fork Oil	4-2012-00005168	June14,2013	10yrs,until 6-14-2023
2T2-Stroke Motorcycle Oil	4-2012-00005167	Sept.27,2013	10yrs,until 9-27-2023
2T MAX	4-2012-00005166	Sept.12,2013	10yrs,until 9-12-2023
PHOENIX Premium 98	4-2014-002029	June12,2014	10yrs,until 6-12-2024
PREMIUM 98	4-2014-002028	June12,2014	10yrs,until 6-12-2024
PHOENIX Trip natin'to	4-2016-00000999	August 25, 2016	10yrs,until 8-25-2026
Ikaw, Ano'ng Trip mo?	4-2016-00001000	August 25, 2016	10yrs,until 8-25-2026
Trip natin'to	4-2016-00001001	August 26, 2016	10yrs,until 8-25-2026
PHOENIX Accelerate	4-2016-00002282	May 19, 2016	10yrs,until 05-19-2026
PHOENIX Accelarators	4-2016-0002722	June 10,2016	10yrs,until 6-10-2026
PHOENIX ZOELO	4-2016-00002286	July 21,2016	10yrs,until 7-21-2026
PHOENIX FuelMasters	4-2016-00002723	July 7, 2016	10yrs,until 7-7-2026
PHOENIX Zoelo Extreme Heavy Duty Diesel Engine Oil	4-2016-00002287	August 18, 2016	10yrs,until 8-18-2026
PHOENIX Tsuper Club	4-2016-00014745	March 24,2017	10yrs,until 3-24-2027
PHOENIX Premium 98 High Performance Gasoline Fuel with Engine Rejuvenator Additives	4-2016-00014739	April 20, 2017	10yrs,until 4-20-2027
With Era Engine Rejuvenator Additive	4-2016-00014740	April 13, 2017	10yrs,until 4-13-2027
With Active Cyclo Booster	4-2016-00014742	April 13, 2017	10yrs,until 4-13-2027
With Speed Booster	4-2016-00014743	April 13, 2017	10yrs,until 4-13-2027
PHOENIX FuelMasters	4-2016-00014744	April 13, 2017	10yrs,until 4-13-2027

With HDD Formula	4-2016-0001474 1	May 4, 2017	10yrs,until 5-4-2027
PHOENIX Super LPG	4-2017-0000962 5	October 5, 2017	10yr,until 10-5-2027

viii) Total number of employees

The Company has a total of 810 employees as of December 31, 2017 from 650 employees in December 31, 2016. This is broken down as follows:

	2017	2016
Chairman	1	1
President / CEO	1	1
Vice President	4	4
Assistant Vice President	16	14
Senior Manager	3	3
Managers	88	73
Supervisor	289	203
Rank and File	408	351
	810	650

The increase number of employees is due to the inclusion of the employees of the newly acquired subsidiaries, PLPI and Duta Group.

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. The initial offering date of ESOP was July 1, 2016 as approved by the BOD.

Major Risks Involved

Risk Factors

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

An integral part of its risk management process involves the establishment of a Credit Committee, Pricing Committee, an Internal Audit Department, and organization of special teams to conduct financial analysis, planning and evaluation of company projects / plans and other business activities.

Monthly Business Unit reviews are conducted to identify risks, threats and opportunities, and to ensure that concerned units manage or promptly address identified risks.

Major Risks

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

Volatility of Prices of Fuels.

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

Intense Competition.

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

Material Disruptions in the Availability or Supply of Fuel.

As a trading concern, the Company largely depends on its ability to find stable sources of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market.

In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

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

The Company, at certain levels, depends on some third party providers for various aspects of its business. As such, it runs the risk that suppliers and service providers may fail to honor their contractual obligations.

The Company relies on suppliers of fuel to regularly provide it with its inventory. Shipping companies and charter tankers are contracted to transport fuel oil, diesel oil, and blend components from suppliers' facilities to service centers.

The failure of these third parties to fulfill their obligations or to perform the services they have agreed to provide could affect the Company's relationships with its customers or may lead to its not being able to honor its own contractual obligations to other parties.

Regulatory Risk.

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

Risk Management and Mitigants

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARY

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

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

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for more than 99% of the Company's total cost of goods sold.

A number of domestic and international factors influence the price of petroleum products, including but not limited to the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.

International crude oil prices have been volatile, and are likely to continue being volatile going forward. International crude oil prices in 2016 recorded gradual increase.

Brent spot crude oil ended to under US$55/bbl in December 2016 and went up to US$66/bbl in December 2017 or a 20% increase. Though the prices were more stable, it was the highest end of the year since 2013. Mean of Platts-Singapore (MOPS) followed the increase, thereby affecting local petroleum prices.

In this year, the market has been a more stable compared to the prior years. The MOPS for GASOIL started at an average of about US$65 /barrel in January and ended at an average of US$75/barrel. There were inconsistencies on demand and supply mismatch worldwide but prices fluctuation was less compared to the prior year. There is no clear sign and/or assurance that prices will remain stable over the near- and medium-term.

The Company holds about twenty (20) to forty (40) 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.

A Dealer Selection Panel of senior management interviews the dealer-applicants and awards the dealership. The Capital Expenditure proposal are reviewed by dedicated finance analysts prior to the approval of the authorized senior management team.

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 markets 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 affect its business, results of operations, and financial condition.

Even though the local downstream oil industry is a deregulated industry, the Government has historically intervened to limit and restrict increases in the prices of petroleum products. On October 2, 2009, a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng" was called by former President Gloria Macapagal - Arroyo. Executive Order 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. The recent imposition of TRAIN LAW increased the excise taxes imposed on Petroleum products. Such taxes, duties, and tariffs may or may not change going forward, that could result to a material and adverse effect 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 affect 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 5.3% of the Company's total sales for 2017. 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 contractor 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 in 2012 for BOI registration with corresponding income tax holidays for its Cagayan de Oro City (Phividec) and Bacolod depots which expired in 2017. New income tax holidays for Villanueva expansion, Tayud and Calapan depots were granted in 2017. 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 42.85% of the Company's outstanding common equity as of December 31, 2016. 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 offices pace. 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, 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 HongKong 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 HongKong with 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) seized Zamboanga City that resulted to a more than a week-long 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.

The 2016 Presidential election signified a major change not only in the political but even in the social and economic aspect for the country. President Rodrigo Duterte is the first President from Mindanao. The present administration's 10-point socioeconomic agenda aims to make the country more globally competitive, attract more investors, reduce general poverty, and ensure inclusive growth. The President's strong leadership is not a 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 2017, a war broke out in Marawi City, thereby the government declared the entire island of Mindanao under martial law until now. The triumph of the government against the ISIS/MAUTE rebels is not a guarantee that no similar war will occur in the future. The war may adversely affect the business and assets of the company.

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 black-outs 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 maybe 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.

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 2017 to 31 December 2019, 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 less or 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 anytime, 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 there on 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 is 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 often (10) to twenty (20) years, subject to renewal upon such terms and conditions as maybe 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, coffeeshops, 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 have been **dismissed** by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

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 docketed as **CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division.** On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

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

On 4 April 2017, we received a copy of the Petition for Review on Certiorari dated 27 March 2017 filed by petitioner docketed as GR No. 229705, SC, Manila, 3rd Division. To date, we are still awaiting for the Supreme Court to issue a resolution directing us to file COMMENT to the PETITION FOR REVIEW.

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

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

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

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

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 2017 are here under shown:

	Highest Close	Lowest Close
Period(2017)	**Price**	**Price**
First Quarter	8.47	5.53
Second Quarter	11.68	8.10
Third Quarter	13.26	9.50
Fourth Quarter	13.36	10.90

As of December 31, 2017, the market capitalization of the Company, based on the closing price of P13.00, was approximately P18,609,997,016.00

(2) Top 20 Stockholders As of January 31, 2018

#	NAME OF STOCKHOLDER	NO. OF SHARES	% OWNERSHIP
1	PHOENIX PETROLEUM HOLDINGS INC.	588,945,630	41.1408
2	ES CONSULTANCY GROUP, INC.	340,270,980	23.7696
3	TOP DIRECT INVESTMENTS LIMITED.	142,000,000	9.9194
4	UDENNA CORPORATION	117,245,918	8.1802
5	PCD NOMINEE CORPORATION -(FILIPINO)	109,844,749	7.6729
6	PCD NOMINEE CORPORATION -(NON-FILIPINO)	107,206,416	7.4889
7	UDENNA MANAGEMENT & RESOURCES CORP.	11,661,195	0.8146
8	JOSELITO R. RAMOS	4,812,600	0.3362
9	DENNIS A. UY	3,991,811	0.2788
10	UDENCO CORPORATION	1,614,787	0.1128
11	DENNIS A.UY &/ OR CHERYLYN C. UY	1,098,060	0.0767
12	DOMINGO T. UY	645,919	0.0451
13	ERIC U. LIM OR CHRISTINE YAO LIM	319,000	0.0223
14	MARJORIE ANN LIM LEE OR PAULINE ANN LIM	300,000	0.0210
15	EDWIN U. LIM OR GENEVIEVE LIM	300,000	0.0210
16	JOSE MANUEL ROQUE QUIMSON	173,039	0.0121
17	ZENAIDA CHAN UY	149,058	0.0104
18	REBECCA PILAR CLARIDAD CATERIO	148,453	0.0104
19	SOCORRO ERMAC CABREROS	103,316	0.0072
20	ROSITA G. ARTOS	82,000	0.0057

(3) Dividends

The Company’s dividend policy is to declare at least 30% of its prior year’s net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings subject to statutory limitations. Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company’s dividend policy. The Company’s current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital.

History of Dividend Income Payment

1. Company

   a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
January 25, 2017	Cash Dividend of ₱0.10 per share	March 30, 2017	April 27, 2017	₱136,468,719.08
March 18, 2016	Cash Dividend of ₱0.08 per share	April 05, 2016	April 29, 2016	₱114,302,178.56
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60

   b. Cash Dividend on Preferred Shares

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

1st Tranche				
Date Declared	Dividend Rate	Record	Payment Date	Total Amount

		Date		
December 5, 2013	₱2.875 per share	N/A	December 20, 2013	₱14,375,000.00
September 5, 2013	₱2.875 per share	N/A	September 21, 2013	₱14,375,000.00
June 5, 2013	₱2.875 per share	N/A	June 21, 2013	₱14,375,000.00
Mar 5, 2013	₱2.875 per share	N/A	March 21, 2013	₱14,375,000.00
December 5, 2012	₱2.875 per share	N/A	December 21, 2012	₱14,375,000.00
September 5, 2012	₱2.875 per share	N/A	September 21, 2012	₱14,375,000.00
June 4, 2012	₱2.875 per share	N/A	June 21, 2012	₱14,375,000.00
March 05, 2012	₱2.875 per share	N/A	March 21, 2012	₱14,375,000.00
December 1, 2011	₱2.875 per share	N/A	December 21, 2011	₱14,375,000.00
August 12, 2011	₱2.875 per share	N/A	September 21, 2011	₱14,375,000.00
May 12, 2011	₱2.875 per share	N/A	June 21, 2011	₱14,375,000.00
March 11, 2011	₱2.875 per share	N/A	March 21, 2011	₱14,375,000.00
September 21, 2010	₱2.875 per share	N/A	December 21, 2010	₱14,375,000.00

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

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
Nov. 6, 2017	₱2.0625 per share	Nov. 23, 2017	Dec. 20, 2017	₱10,312,500.00
Aug 3, 2017	₱2.0625 per share	Aug. 24, 2017	Sept 20, 2017	₱10,312,500.00
May 4, 2017	₱2.0625 per share	May 24, 2017	June 20, 2017	₱10,312,500.00
Feb 6, 2017	₱2.0625 per share	Feb 22, 2017	March 20, 2017	₱10,312,500.00
Nov 7, 2016	₱2.0625 per share	Nov 2016	December 2016	₱10,312,500.00

Aug 10, 2016	₱2.0625 per share	Aug 24, 2016	Sept 20, 2016	₱10,312,500.00
May 11, 2016	₱2.0625 per share	May 26, 2016	June 20, 2016	₱10,312,500.00
March 10, 2016	₱2.0625 per share	Feb 23, 2016	March 21, 2016	₱10,312,500.00
Nov 10, 2015	₱2.0625 per share	November 26, 2015	Dec 20, 2015	₱10,312,500.00
Aug 10, 2015	₱2.0625 per share	August 25, 2015	Sept 21, 2015	₱10,312,500.00
May 12, 2015	₱2.0625 per share	May 12, 2015	June 22, 2015	₱10,312,500.00
Feb 6, 2015	₱2.0625 per share	February 24, 2015	March 20, 2015	₱10,312,500.00
N/A	₱2.0625 per share	N/A	Dec 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	Sept 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	June 20, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	March 20, 2014	₱10,312,500.00

(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, 2016 and December 31, 2015, the Company treasury shares have cumulative costs of ₱330.7 and ₱-0-, respectively. No re-acquisitions of shares were made in 2009 to 2015. A total of 54,393,300 shares were re-acquired in 2016.

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 December 31, 2016, total outstanding common shares, with voting rights, is 1,399,383,932 Preferred share issued by the Company as of December 31, 2016 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 was July 01, 2016 as approved by the Board of Directors. The initial offer was a total of 24,493,620 shares at a subscription price of P5.68/share. The ESOP was awarded to all eligible employees at all job levels as of July 01, 2016.

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, 2016 and 2015. 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, 2017 and 2016.

The Company's financial statements were audited by Punongbayan & Araullo for 2017 and 2016, in accordance with Philippine Financial Reporting Standards.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2017 vs. December 31, 2016.

Revenues

The Group generated total revenues of ₱46.326 billion in 2017, 52% higher than 2016's ₱30.577 billion, on the back of a 17% increase in sales volume and fuel prices. This includes addition of LPG revenue of ₱3.4 billion and Pnx SG revenue to third party customers of ₱ 250 million. The group reported ₱44.426 billion net of the pre-acquisition revenues, 45% higher than 2016.

Sales revenues from trading and distribution of petroleum products increased by 56% from ₱29.472 billion in 2016 to ₱45.879 billion in 2017. **Excluding the LPG's pre-operating revenue, net increase is 49% amounting to ₱44.051 billion**. Retail volume (station sales) increased by 9% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 15%, while aviation volume grew by 13%. Lubricants volume also grew by 49% from the prior year.

The Parent has built five hundred five (530) Phoenix retail service stations as of December 31, 2017 compared to four hundred forty-seven (505) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2018.

The Group generated revenues of ₱ 375 million from fuel service, storage, and others in 2017, down from ₱1.104 billion in 2016. The 66% year-on-year decline was mainly because 2016 includes shipping, port and real estate revenues from the spun-off subsidiaries. Excluding the revenue from CSC and PPIPC in 2016, fuel services, storage and other revenue increased by 6%.

Cost and expenses

The Group recorded cost of sales and services of ₱39.298 billion as of December 2017, an increase of 56% from ₱25.124 billion in 2016. Net of the pre-acquisition cost of sales of the LPG business, the group reported ₱37.909 billion, a net increase of 51%. This was due to higher product costs compared to last year, reflecting increasing global oil prices. The 17% increase in volume is also a factor in the increase cost of sales.

Selling and administrative expenses increased by 32%, driven by higher operating expenses for completed expansions, expected growth impact and newly acquired subsidiaries.

Net Income

The Group's net income for 2017 grew to ₱1.792 billion from ₱1.092 billion in 2016. This includes one-time gain coming from the excess of fair value over acquisition cost of the newly - acquired subsidiary, Duta,Inc amounting to ₱ 650 million and the pre-acquisition profit of PLPI and Duta, Inc. amounting to ₱ 279 million. Excluding non-recurring income, core business net income grew by 30% to ₱1.421 billion, driven primarily by 17% increase in sales volume and additions from the new business, particularly LPG.

The Parent was registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted to the Davao Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on November 25, 2015.

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

The Parent Company also obtained new approvals with the BOI for its four (4) new facilities. Expansions of Cagayan de Oro City and Calaca, Batangas facilities were registered and issued certification by the BOI on November 24, 2017 and December 22, 2017, respectively. New facilities in Tayud, Cebu and Calapan, Mindoro were likewise registered and issued certification by the BOI on September 9, 2017 and October 12, 2017, respectively, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition
(As of December 31, 2017 versus December 31, 2016)

Total resources of the Group as of December 31, 2017 stood at ₱44.471 billion, higher by 68% compared to the ₱26.538 billion as of December 31, 2016. This is due to the acquisition of PLPI and Duta, Inc., higher fuel prices, increase in inventory, completion of new retail stations and increase of delivery and storage assets.

Cash and cash equivalents this year decreased by 22% from ₱2.339 billion in December 31, 2016 to ₱1.831 billion as a result of increased operating, acquisition and expansion requirements.
Trade and other receivables decreased by 15% from ₱8.789 billion as of December 31, 2016 to ₱7.510 billion as of December 31, 2017, due to the intensified collection of credit sales and other receivables.

Inventories increased to ₱12.970 billion as of December 30, 2016 from ₱2.999 billion as of December 31, 2016. The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for IFO by the power sectors also contributed to the higher inventory levels.

Due from related parties decreased to ₱518 million as of December 2017 from ₱1.507 billion as of December 2016. The receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC was settled and reclassification of the non-trade receivable from Chelsea Shipping Group Corp. amounting to ₱500 million.

As of December 31, 2017, the Group's property and equipment, net of accumulated depreciation, increased to ₱13.401 billion compared to ₱9.002 billion as of December 31, 2016 due to the acquisition of PEPI and Duta, Inc. as well as the completion of the new retail stations, additional delivery and storage assets and various facility expansion of the group.

Loans and Borrowings, both current and non-current, increased by 114% from ₱13.184 billion as of December 31, 2016 to ₱28.171 billion as of December 31, 2017. The increase of ₱14.987 billion was from the acquisition of PEPI and Duta, Investment in PNX Singapore, increased inventory value and other capital expenditures of the group.

Trade and other payables increased by 20% from ₱3.333 billion as of December 31, 2016 to ₱3.863 billion as of December 31, 2017 due to longer supplier credit term.

Total Stockholders' Equity increased to ₱11.952 billion as of December 31, 2017 from ₱9.762 billion as of December 31, 2016, resulting from the earnings generated in 2017 net of cash dividend declared and paid during the period for both common shares and preferred shares. The sale of treasury shares and the employee stock also contributed to the increase. The sale of treasury shares increased the Additional paid in capital by ₱367 million while the employee stock option increased the common shares by ₱2.761 million and the additional paid in capital by ₱21.351 million.

Key Performance Indicators and Relevant Ratios

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

	December 31, 2017	December 31, 2016
Current Ratio[1]	1.22 : 1	1.17:1
Debt to Equity Ratio[2]	2.72 : 1	1.72:1
Return on Equity [3]	17%	11%
Net Book Value per Share[4]	6.60 : 1	5.08:1
Debt to Equity Interest-Bearing[5]	2.36 : 1	1.35:1
Earnings per Share[6]	1.16	0.64
Earnings per Share (net of one-time gain)[6]	0.89	0.64

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
7 - Period or Year Net Income after tax (net of one-time gain) divided by weighted average number of outstanding common shares

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

The Group's debt to equity (DE) ratio for 2017 is higher at 2.72: 1 due to increased liability used for the acquisition of PEPI and Duta, Inc, investment in PNX Singapore, capital expenditures for various expansions and increased inventory requirement.

Material Changes to the Group's Balance Sheet as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

22% decrease in Cash and Cash Equivalents
A result of increased operating, acquisition and expansion requirements. The Cash and cash equivalent is within the maintained minimum level to support the operating requirement of the group.

15% decrease in trade and other receivables
Due to the intensified collection of credit sales and other receivables.

333% increase in inventory

The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for IFO by the power sectors also contributed to the higher inventory levels.

66% decrease in due from a related party
Collection of the receivable balance from UDEVCO for the sale of PPIPC amounting to ₱50 million and reclassification of the ₱500 million to Non-Trade receivable for the CLC for the sale of CSC.

141% increase in net input vat
Due to increase in inventory purchases.

49% increase in property, plant and equipment
Due to the acquisition of PEPI and Duta, Inc. as well as the completion of the retail stations and expansion of various facilities.

100% increase in Investment Property
Due to the acquisition and appraisal of the fair value of the investment properties of Duta Inc. and Kaparangan.

38,941% increase in Goodwill
Due to the acquisition of PEPI and Duta, Inc.

402% increase in Deferred Tax Assets
Due to the additions from the newly-acquired subsidiaries.

39% decrease in Other Non-Current Assets
Due to additions from the newly-acquired subsidiaries.

49% increase in Current Interest-bearing loans
Due to the increase in inventory requirement

20% increase in Trade Payable
Due to the extended supplier credit terms.

492% increase in Non-current Interest-bearing loans
Used for the acquisition of PEPI and Duta Inc., investment in PNX SG and various capital expenditure requirements.

93% Increase in Other Non-Current Liabilities
Increase in security deposit from new customers especially with the additions from LPG business.

30% increase in Capital Stock
Due to the sale of treasury shares and the employee stock option plan.

7% increase in Additional Paid-in Capital
Due to the sale of treasury shares and the employee stock option plan.

36% increase in Retained Earnings
Due to earnings generated in 2017 net of the dividends paid both to common and preferred shares.

Material changes to the Group's Income Statement as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

49% increase in sale of goods
Due to the increase in volume, increase in fuel prices, addition of the LPG Business and sale coming from PNX SG

66% decrease in fuel service, shipping, storage income, and other revenue
There are no more charter fees, sale of real estate and port revenues after the spin-off of CSC and PPIPC.

51% increase in Cost of Sales
As a result of the increase in revenue, volume and fuel prices

32% increase in selling and administrative expenses
Driven by the Group's expansion and acquisition program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses and professional fees.

16% decrease in Finance Costs
Most of the financing transactions were made towards the latter part of the year to fund acquisitions and investments. Moreover, a material portion of the 2016 finance cost were from the spun-off subsidiaries.

73% decrease in Finance Income
The decrease is on account of the depreciation of foreign exchange at year-end which resulted in lower forex gain.

100% decrease in Equity share in Net Loss of a Joint venture
The joint venture was part of the spun-off subsidiary in 2016.

100% increase in Excess of Fair Value over acquisition cost
Due to the acquisition of Duta Inc. which has investment properties with higher appraisal value versus the acquisition cost inclusive of its novated advances from Petronas in favor or PPPI.

640% Increase in other income
Due to other income coming from PLPI and Duta, Inc. related to reversals of previously recognized impairments and allowances.

Recognition of Pre-acquisition Profit
This refers to the Income of PEPI and Duta, Inc. from January to July 2017, prior to the completion of the acquisition.

19% increase in income tax

Due to additions from the newly-acquired subsidiaries, expiration of certain ITH certificates net of the effect of the new approvals.

8% decrease in re-measurement of post-employment benefit obligation
Due to the sale of CSC and PPIPC net of the increase from PLPI.

100% increase in Translation adjustment
This comes from the forex translation of PNX SG to Philippines Peso.

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, 2017, 2016 and 2015.
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 (3) fiscal years for professional services rendered by the Company's external auditors.

Audit and Related Fees				
		Amount in Thousands Php		
Particulars	Nature	2015	2016	2017
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2010 –Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries			

Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries	**3,064.46**		
Punongbayan and Araullo	Audit of FS for the year 2015 - Parent and Subsidiaries	**2,107.17**	**1,638.18**	
Punongbayan and Araullo	Audit of FS for the year 2016 - Parent and Subsidiaries		**2,608.84**	**1,920.00**
Punongbayan and Araullo	Audit of FS for the year 2017 - Parent and Subsidiaries			**2,728.00**
Sub-total		**5,171.63**	**4,247.02**	**4,648.00**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	138.36	155.07	120.18
Sub-total		**138.36**	**155.07**	**120.18**
All Other Fees				
Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities		187.5	1,526.63
Punongbayan and Araullo	Professional Fee for Special Audit, Transfer Pricing, tax Compliance for PLPI and Due Diligence Engagement			5,557.75
Sub-total			**187.5**	**7,084.38**
GRAND TOTAL		**5,309.99**	**4,589.59**	**11,852.56**

Audit Committee and Policies

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

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

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, Domingo T. Uy, Carolina Inez Angela S. Reyes and Justice Consuelo Ynares Santiago (Independent Director) as members.

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

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

Changes In and Disagreements With Accountants

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

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

(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

Directors

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

Domingo T. Uy
Chairman

Mr. Domingo T. Uy, Filipino, 71 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 a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy
Director, President and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 44 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Founder, Chairman, and President of UDENNA Corporation, the parent company, which has businesses in the petroleum, shipping, logistics, real estate development, tourism, education, and service industries. He is Chairman of Chelsea Logistics Holdings Corporation, which listed on the Philippine Stock Exchange on August 2017. Mr. Uy is the Chairman and President of UDENNA Development Corporation, which develops and manages real estate projects such as Clark Global City, Calaca Industrial Seaport Park, UDENNA Tower, and The Emerald in Mactan, Cebu under development. He is the Chairman of 2GO Group Inc., the country's largest logistics provider. Mr. Uy is also Chairman of Phoenix Philippines Foundation and UDENNA Foundation. He serves as independent director of Apex Mining Corp. and is a member of the Young Presidents Organization's Philippine chapter. Since November 2011, he has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential

Adviser on Sports. Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Vice Chairman

Mr. Romeo B. De Guzman, Filipino, 68 years old, was elected Director of the Company in 2009. He is the Vice Chairman and Senior Strategic Adviser, and previously was Chief Operating Officer of the Company, bringing over 40 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 December 2006. He was with the said company holding various management and executive positions. Prior to that, he worked at Getty Oil Philippines Inc. for 10 years. Mr. De Guzman is also the Chairman of the Board of Directors of Mirait Philippines, Inc. He holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

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

Atty. J.V. Emmanuel A. De Dios, Filipino, 53 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director, Chief Finance Officer

Mr. Joseph John L. Ong, Filipino, 58 years old, is the Chief Finance Officer of the Company. He is also a member of the Board of Directors of Phoenix LPG Philippines, Inc., Philippine FamilyMart CVS, Inc., and 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.

Frederic T. DyBuncio
Director

Mr. Frederic C. DyBuncio, Filipino, 57 years old, was elected as a Director of the Company on May 27, 2017. He is the President of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Premium Leisure Corp., 2GO Group, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and completed a Master's degree in Business Management from the Asian Institute of Management.

Cherylyn C. Uy
Director

Ms. Cherylyn Chiong-Uy, Filipino, 38 years old, is one of the pioneers and incorporators of UDENNA Corporation, the ultimate parent company of Phoenix Petroleum, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of UDENNA Corporation and is an Executive Director of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is also the Corporate Treasurer of Chelsea Logistics Holdings Corporation and UDENNA Management and Resources Corporation. Ms. Uy is a graduate of Business and Finance from Ateneo de Davao University.

Carolina Inez Angela S. Reyes
Director

Carolina Inez Angela S. Reyes, Filipino, 56 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of more than 50 barbecue-focused restaurants founded by her husband, Francisco Reyes. Before taking charge at Reyes Barbecue in 2008, Ms. Reyes spent 20 years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands. From 1994 to 1999, she held the following positions in La Tondeña Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation. She took her Masters in Business Administration from De La Salle University Graduate

School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

Stephen T. CuUnjieng
Director

Stephen T. CuUnjieng, Filipino, 58 years old, was elected as a Director of the Company on January 15, 2018, after being a long-time adviser to the Board. He is Chairman of Evercore Asia Limited, and has substantial and wide experience in investment banking. He has acted as Financial Adviser to several financial transactions of companies involving initial public offerings, major and strategic acquisitions, and mergers of various companies from various industries. He is a member of the Executive Advisory Board for Asia of the Wharton School of Business, and an Independent Director of Century Properties Group and Aboitiz Equity Ventures. He has received several awards and distinctions, such as the Best Independent Advisory Firm in Asia in 2016 for Evercore, and Deals of the Year for various acquisitions. He graduated from Ateneo de Manila University and Ateneo School of Law, and completed an MBA in Finance from the Wharton School of Business.

Consuelo Yñares-Santiago*
Independent Director

Ms. Consuelo Ynares-Santiago, Filipino, 78 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is the Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a Legal Officer of the Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional Trial Court judge, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

Monico V. Jacob*
Independent Director

Monico V. Jacob, Filipino, 72 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; and of Philippine Life Financial, Inc., a 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.

** Independent director – the Company is compliant with the Guidelines set forth by the Securities Regulation Code (SRC)) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

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 January 15, 2018	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
Joseph John L. Ong	2013 to present	1 year
Monico V. Jacob	2008 to present	1 year
Consuelo Ynares Santiago	2013 to present	1 year
Carolina Inez A. S. Reyes	2016 to present	1 year
Stephen T. CuUnjieng*	January 15, 2018 to present	1 year
Frederic C. DyBuncio	May 27, 2017 to present	1 year

* *Incoming Director*
***Outgoing Director*

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.	Independent Director

	South Luzon Tollway Corp. Top Frontier Investment Holdings, Inc.	
Monico V. Jacob	Jollibee Foods Corporation Lopez Holdings, Inc. Rockwell Land Corporation STI Educations Systems Holdings, Inc. Asian Terminals, 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 22, 2018.

Certificates of Attendance of Directors for 2017 and Compliance with the Provisions of the Manual of Corporate Governance

Copies of the Corporate Secretary's Sworn Certifications on the attendance of Directors for the year 2017 and compliance with the Provisions of the Manual of Corporate Governance are attached hereto as **Annexes "C"** and **"D"**, respectively.

Executive Officers

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

Henry Albert R. Fadullon, Filipino, 50 years of age, was appointed Chief Operating Officer of the Company on April 17, 2017. Prior to this, he served Shell Shared Services (Asia) B.V. as General Manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which were spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in Retail and B2B performing a variety of frontline and functional roles leading into General Management positions. He completed his BS Industrial Management Engineering, minor in Mechanical Engineering, from De La Salle University.

Alan Raymond T. Zorrilla, Filipino, 48 years of age, is the Vice President for External Affairs, Business Development, and Security of the Company. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil

Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in litigation practice with Pangilinan, Britanico, Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies in its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

William M. Azarcon, Filipino, 71 years old, is currently the Vice President for Business Development for Terminals and Depots. 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.

Socorro T. Ermac-Cabreros, Filipino, 53 years old, is concurrently the Asst. Vice President for Corporate Legal and Corporate Secretary of the Company. She is also the Corporate Secretary Phoenix Petroleum Holdings, Inc. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002.

Jonarest Z. Sibog, Filipino, 37 years old, is the Asst. Vice President for Comptrollership. She joined the company in 2006, starting her career in Procurement which she headed for seven years before moving to Finance. She is a graduate of Ateneo de Davao University with a degree in Bachelor of Science in Accountancy. She finished her Masters in Business Administration at the University of Mindanao where she also earned a few units in LLB. She is a Certified Public Accountant and is currently a Board of Director of the Association of CPAs in Commerce and Industry (ACPACI) - Davao City Chapter

Richard C. Tiansay, Filipino, 54 years old, is the General Manager for Pricing and Demand. Mr. Tiansay has more than 22 years of experience in the oil industry covering domestic and international operations. His last position in Royal Dutch Shell is as Global SAP IT Order to Cash Team Lead in London, U.K. This after being assigned to various key managerial positions not limited in the Philippines but as well as in a number in Asia Pacific and other countries. Mr. Tiansay completed his Bachelor of Science in Mechanical Engineering degree from the University of San Carlos, Cebu City.

Roy O. Jimenez, Filipino, 55 years of age is currently the General Manager for Commercial and Industrial 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.

Joselito G. de Jesus, Filipino, 62 years old, is the General Manager for Business Development, Strategies and Portfolio Unit. Prior to joining the Company, Mr. de Jesus was the Assistant Vice-President for Reseller Trade of Petron Corporation. He joined the oil industry in late 1970's when became a Corporate Planning Analyst, then later on Corporate Planning Manager/Coordinator, of the Philippine National Oil Company (PNOC). Mr. de Jesus also became a Manager in the Corporate Planning Department of PNOC Shipping and Transport Corporation and at the same time, he was also an assistant to the Chairman of PNOC. In the late 90's, Mr. de Jesus transferred to Petron Corporation and stayed with said Company for almost 17 years. He is a graduate of Bachelor of Science in Business Administration Major in Marketing and Finance from the University of the Philippines and holds a Masters in Business Administration from the Ateneo Graduate School of Business.

Ericson S. Inocencio, Filipino, 43 years old, is the General Manager for Retail Business. Eric has more than 20 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 and as concurrent National Fleet Cards Sales Manager. He has exposure in marketing support function in charge of developing and executed local & global process/programs which includes profitability modelling. 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, 47 years of age, is the General Manager for Lubricants Sales and Distribution Business. He joined Phoenix last May 4, 2015. He brought with Him twelve and a half years of pure lubricant experience from a major petroleum company holding various positions in sales, business development and marketing handling both B2C and B2B.Within those years, he had 2 years assignment in the Asia Pacific Region doing Channel Development Specialist work.

Ignacio B. Romero, Filipino, 73 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, 58 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, 53 years old, is presently the Asst. Vice President for Brand and Marketing Group of the Company. Ms. Matias has more than 25 years of expertise on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and McCann Erickson and had worked with local Ad Agency as partner. She handled over 25 local and global brands across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & Public Relations in Assumption College.

Debbie A. Uy-Rodolfo, Filipino, 38 years old, is presently the Asst. Vice President for Customer Service Unit and Corporate Communications of the Company. Before joining the Company, she gained a decade of experience in publishing and journalism as editor and writer at a local paper and in custom publications such as books, magazines, brochures, and websites. 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, 51 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, 50 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, 41 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, 55 years old, is currently the Asst. Vice President for - Information Technology of the Company. Mr. Reyes has been in the oil industry for the past 28 years. He worked in Pilipinas Shell Petroleum for 24 years in various management roles, regional and global, in retail and IT, his last position being Retail Lead GSAP Implementation for both Philippines and Indonesia. Prior to joining Phoenix he had a brief stint in Northgate Arinso as a Project Manager implementing HR SAP. Since joining the Company, he has overseen the SAP ERP and MSD CRM Systems which are anchoring Phoenix's aggressive sales growth with retail and commercial accounts.

Ignacio Raymund S. Ramos, Jr., Filipino, 55 years old, is the AVP for Engineering. He has more than 25 years of specialized practice in the fuel industry. He previously worked with Shell Philippines (1985 to 2003) and worked his way up to key positions like Special Projects Manager, Head Retail Construction, Retail Engineering Manager and Field Facilities Engineering Manager. He also worked in Enmar Construction Inc. (2004-2009) where his role as General Manager propelled the business in the field of construction and maintenance of bulk oil terminal facilities and equipment for major petroleum companies. Among the projects he managed from 2006-2017 were: SMART Pigging (Intelligent Inspection of Pipelines) Shell Guam Inc.; In Indonesia: Pulau Laut Terminal bulk storage & distribution and jetty facility' PT Banten Energy for the construction of Refrigerated LPG Terminal, New IBT Barge Fuel

Loading facility and in Singapore the construction of Lube Oil & Grease Manufacturing Plant. He finished Civil Engineering from the University of the Philippines.

Bernard C. Suiza, Filipino, 52 years old is the Assistant Vice President for NFRB, Network Development & Capital Investments.Bernard has 30 years of experience in network planning, marketing, and operations, having worked in industries from fuel to food. He joined Phoenix in 2017, and was previously with San Miguel Foods as its Area Sales Manager for North Luzon. He was formerly marketing director of Prominex Ventures, and General Manager of Emerging Channels Inc. where he handled marketing and distribution of food and non-food products. He spent 11 years in Pilipinas Shell Petroleum Corp. in various roles in retail, finance, network planning, and non-fuels retailing. He graduated from the University of the Philippines with a degree in Business Administration, and obtained his MBA from UP in 2017.

Chryss Alfonsus V. Damuy, Filipino, 44 years old, is the Treasurer 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.

Period of Service in the Company

Name	**Period of Service**
Henry Albert R. Fadullon	April 17, 2017 to present
Joseph John L. Ong	November 3, 2010 to present
Socorro Ermac Cabreros	July 2, 2006 to present
Jonarest Z. Sibog	March 27, 2006 to present
Reynaldo A. Phala	October 16, 2008 to present
Alan Raymond T. Zorrilla	April 1, 2009 to present
William M. Azarcon	June 1, 2009 to present
Joselito G. De Jesus	March 15, 2011 to present
Richard C. Tiansay	March 1, 2013 to present
Ericson S. Inocencio	February 15, 2014 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

Alfredo E. Reyes	April 6, 2011 to present
Chryss Alfonsus V. Damuy	January 13, 2008 to present
Ignacio Raymund Ramos, Jr.	January 16, 2018 to present
Bernard C. Suiza	August 16, 2017 to present

(a) Nominations of Directors and Independent Directors for the term 2018-2019

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 2018 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. Joseph John L. Ong
6. Cherylyn C. Uy
7. Carolina Inez Angela S. Reyes (Independent Director)
8. Consuelo Ynares-Santiago (Independent Director)
9. Monico V. Jacob
10. Frederic C. DyBuncio
11. Stephen T. CuUnjieng

The term of Mr. Jacob as Independent Director has reached its full term of 9 years. He is currently nominated as a regular member of the Board of Directors.

To replace him, Ms. Carolina Inez Angela S. Reyes is nominated to become an Independent Director of the Company based on the following qualifications:

1. Ms. Reyes has no transaction, affiliations or relations with the Issuer/Corporation
2. Her current business activities such as in the food industry are different from the current business activities of the Corporation. Thus, her credentials adds to the diversity in the business backgrounds of the Board of Directors
3. She has always maintained independent judgment and views with the Board of Directors
4. Except for the 1 share, Ms. Reyes does not own any shares in the Corporation
5. She possesses none of the disqualification of an Independent Director.

Carolina Inez Angela S. Reyes

Carolina Inez Angela S. Reyes, 56 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of more than 50 barbecue-focused restaurants founded by her husband, Francisco Reyes.

Before taking charge at Reyes Barbecue in 2008, Ms. Reyes spent 20 years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands. From 1994 to 1999, she held the following positions in La Tondeña Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation. She took her Masters in Business Administration from De La Salle University Graduate School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

Retired Supreme Court Justice Consuelo Ynares-Santiago was nominated as Independent Director by Atty. J.V. Emmanuel A. de Dios. On the other hand, Ms. Carolina Inez Angela S. Sanchez was nominated by Ms. Cherylyn C. Uy. Atty. de Dios and Ms. Cherylyn C. Uy or any of the nominated directors is not related to either Retired Justice Santiago or Ms. Reyes by consanguinity or affinity and has no professional or business dealings with them. Retired Justice Santiago and Ms. Reyes 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.Reyes hold only one (1) share each in the Company. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

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

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code ("SRC") and the Company's amended By-laws and New Code 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.

(b) Significant Employees

No single person is expected to make a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

The Company's Independent Director, 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 have been **dismissed** by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

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 docketed as **CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division.** On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

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

On 4 April 2017, we received a copy of the Petition for Review on Certiorari dated 27 March 2017 filed by petitioner docketed as GR No. 229705, SC, Manila, 3rd Division. Todate, we are still awaiting for the Supreme Court to issue a resolution directing us to file COMMENT to the PETITION FOR REVIEW.

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

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

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

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

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

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

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

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

(e) Certain Relationships and Related Transactions

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

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

(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, 2017		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**40,412**	**3,368**	**43,779**
Henry Albert R. Fadullon	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			

Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
William M. Azarcon	VP-Business Development for Terminals and Depots			
All other officers and directors as a group unnamed		**25,452**	**2,121**	**27,573**

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

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended 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**

(C) Security Ownership of Certain Beneficial Owners and Management

As of **December 31, 2017**, 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	4,349,811 direct beneficial owner	Filipino	0.30%
Common	Dennis A. Uy &/or Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	1,098,099 direct beneficial owner	Filipino	0.08%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	645,919 direct beneficial owner	Filipino	0.05%
Common	Romeo B. De Guzman Hillsborough, Alabang Village, Muntinlupa City	1,425,746 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	1,300,819 direct beneficial owner	Filipino	0.09%

Common	Joseph John L. Ong 80 Pola Bay, Southbay Gardens, Paranaque City	520,836 direct beneficial owner	Filipino	0.04%
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	Frederic T. Dybuncio	1 direct beneficial owner	Filipino	0.00 %
Common	Carolina Inez Angela S. Reyes 135 F. Manalo St., Brgy. Kabayanan, San Juan	1 direct beneficial owner	Filipino	0.00 %

Senior Management:

Common	Gigi Q. Fuensalida 155 Brillantes St. 5th Avenue, Caloocan City	70,980 direct beneficial owner	Filipino	0.01%
Common	Reynaldo A. Phala Block 5 Lot 20 Pioneers Village	24,830 direct beneficial owner	Filipino	0.00%

Preferred

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			% of Ownership
		Number of Shares			
Directors:		**PNX3A**	**PNX3B**	**Total**	**% to total I/O shares**
Preferred	**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 & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	-	10,000 direct beneficial owner	10,000	0.05%
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; Ericson Inocencio-General Manager for Retail Business; Joselito De Jesus-General Manager for Business Development, Strategies and Portfolio Unit; William M. Azarcon – Vice President for Business Development for Terminal and Depot; Ma. Rita A. Ros – Asst. Vice President for Supply; Richard Tiansay-General Manager for Pricing and Demand, Roy Jimenez-General Manager for Commercial and Industrial Business; Celina I. Matias-AVP for Brand and Marketing, Celeste Marie G. Ong-AVP for Human Resources; Jonarest Z. Sibog, Asst. Vice President for Comptrollership; Debbie A. Uy-Rodolfo, Asst. Vice President for Customer Service Unit and Corporate Communications and Joven Jesus G. Mujar-General Manager for Lubricant Sales and Distribution Business own common shares in scripless form through the Company's Employees Stock Option Plan (ESOP) issued on July 26, 2017 and November 15, 2017 as follows:

Names	No. of Shares
Alan Raymond T. Zorrilla	89,000
Ericson S. Inocencio	57,000
Joselito G. De Jesus	59,000
William M. Azarcon	62,000
Ma. Rita A. Ros	57,000
Richard R. Tiansay	58,000
Roy O. Jimenez	51,000
Ma. Celina I. Matias	46,000
Celeste Marie G. Ong	39,000
Jonarest Z. Sibog	26,000
Debbie Uy-Rodolfo	32,000
Joven Jesus G. Mujar	44,000

However, some of the officers have disposed their shares through their respective brokers.

The numbers of aggregate shares for all directors and executive officers is Ten Million One Hundred Sixty Thousand Three Hundred Sixty (10,160,360) for common shares and Seventy Five Thousand (75,000) for preferred shares.

Other than those mentioned above, there are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report

Change in Control

On 22 May 2017, the Corporation was informed by its major stockholders, Udenna Corporation (UC) and Udenna Management & Resources Corp. (UMRC) of a joint block sale, using the Philippine Stock Exchange's (PSE) facilities, of a total of 340,270,958 common shares of the Corporation in favor of a certain ES Consulting Group, Inc. (ESGI), a consulting firm that is focused on financial strategy, capital mergers and acquisitions as well as joint ventures. This consists of about 23.77% of the Corporation's outstanding capital stock.

On 04 January 2018, the Corporation received a copy of SEC Form 18-A from a certain Top Direct Investments Limited (Top Direct Investments), a foreign corporation organized in the British Virgin Islands with registered office in Hongkong, SAR through a reporting person identified as Miguel Jose C. Valencia who is holding office at the PSE Center in Ortigas, Metro Manila. The form indicated that Top Direct Investments acquired about 142,000,000 shares in the Corporation representing about 9.92% of the total outstanding capital stock, through a special block sale crossed at the PSE at the price of Php15.00 per share. It further disclosed that the purpose of the acquisition of equity interest in the Corporation is for investment purposes in the petroleum industry and it does not intend to acquire shares of the Corporation for purposes of taking over the same.

(D) Certain Relationships and Related Transactions

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

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

a.) ***Rentals***

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. The total rent expense of the Company is presented as follows:

2014	2015	2016	2017	**TOTAL**
65,545,819.59	70,723,717.38	75,198,160.90	68,093,074.22	279,560,772

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

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

c.) ***Due to and Due from Related Parties***

The breakdown of due from related parties as of December 31, 2016 and 2017 is as follows:

	2016	**2017**
PPHI		
Balance at beginning of year		
Additions	-	-
Collections		
Balance at end of year	-	-

UMRC		
Balance at beginning of year		
Additions		
Collections		
Balance at year-end	-	-

UDEVCO		
Additions	50,000,000	-
Collections		(50,000,000)
Balance at end of year	**50,000,000**	**-**

CISC (formerly PPIPC)		
Additions	942,812,571	200,000,000
Collections		(645,996,472)
Balance at end of year	**942,812,571**	**496,816,099**

CSC Group Inc.		
Additions	500,000,000	951,417
Reclassifications		(500,000,000)
Balance at end of year	**500,000,000**	**951,417**

PPFI		
Balance beginning of the year	12,260,843	13,256,329
Additions	1,020,486	10,748,633
Collections	(25,000)	(3,764,980)
Balance at end of year	**13,256,329**	**20,239,982**

TOTAL		
Balance beginning of the year	12,260,843	1,506,977,925
Additions	1,494,782,082	211,697,447
Collections/Reclassifications	(25,000)	(1,199,761,452)
Balance at end of year	**1,506,997,925**	**518,913,926**

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

(E) Corporate Governance

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of eleven (11) members, two (2) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein which the relevant corporate issues may be raised for discussion and voted by the members of the Board.

Last March 07, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

Last January 30, 2008, the Company through the Corporate Secretary has submitted a document certifying the attendance of the members of the Board of Directors in all regular meetings for the year 2007 as well as the compliance to the provisions of the Manual of Corporate Governance prescribed by the SEC as adopted by the Company.
March 03, 2009 was the submission and compliance with the Certification of the Company's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

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

As part of the Corporate Governance, the Group works on the early disclosures of quarterly and annual reports tot SEC and PSE.

Internal Audit Group of the Company conducts regular internal audit review to both processes, compliance to Company policies and procedures and risk analysis. Reports and recommendations submitted for board review and actions.

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

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 2017
- 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 2017 up to April 6, 2018 which were duly supported by disclosure letters:

2017 Disclosures (including disclosures up to April 6, 2018):

2017 -2018 DISCLOSURES:

Report on the Number of Shareholders as of 31 March 2018
April 6, 2018

Foreign Ownership Report as of 31 March 2018
April 6, 2018

Press Release in relation to the Company's market share
April 03, 2018

Clarification of news articles published in Philstar on 26 March 2018
March 26, 2018

Change in Directors or Officers
March 26, 2018

Press Statement for New Appointments of Key Finance Officers in the Company
March 23, 2018

Results of the Organization Meeting of the Board of Directors
March 16, 2018

[Amend-1] Results of the 2018 Annual Stockholders' Meeting
March 16, 2018

Results of the 2018 Annual Stockholders' Meeting
March 16, 2018

Report on the Number of Shareholders as of 28 February
March 6, 2018

Foreign Ownership Report as of 28 February 2018
March 6, 2018

Stockholders record date 14 February 2018 who shall be entitled to vote and participate in the Company's Annual Stockholders Meeting on March 15, 2018 at 2:00 o'clock
February 20, 2018

Audited Financial Statement for period ended 31 December 2017
February 19, 2018

Definitive Information Statement
February 19, 2018

Press Release on the Company's Performance for period ended 31 December 2017
February 15, 2018

Clarification of News Article in Business World
February 14, 2018

Press Release regarding Phoenix PULSE Technology
February 14, 2018

General Information Sheet (GIS) that relates to the new information particularly the

new member of the Board in view of the resignation of the undersigned as member of the Company's Board of the Director which was disclosed in January 15 2018:
February 13, 2018

Clarification on the news article published in Manila Standard on Feb. 12, 2018
February 12, 2018

Preliminary Information Statement
February 08, 2018

[Amend-2]Notice of Annual or Special Stockholders' Meeting
February 06, 2018

Declaration of Cash Dividends 3rd tranche Series B(PNX3B) 1Q 2018
February 05, 2018

Declaration of Cash Dividends 3rd tranche series A(PNX3A) 1Q 2018
February 05, 2018

Foreign Ownership Report as of 31 January 2018
February 6, 2018

Report on the Number of Shareholders as of 31 January 2018
February 6, 2018

Declaration of Cash Dividends 2nd tranche 1Q 2018
February 05, 2018

[Amend-1] Notice of Annual or Special Stockholders' Meeting
January 31, 2018

Disclosure of Board Approvals
January 26, 2018

[Amend-1] Disclosure of Board Approvals
January 26, 2018

Joint Venture Agreement
January 16, 2018

SEC Form 23-A: New Director Stephen CuUnjieng
January 16, 2018

Change in Directors and/or Officers
January 16, 2018

Top 100 Stockholders as of December 31, 2017
January 16, 2018

Public Ownership Report as of December 31, 2017
January 12, 2018

Completion of the acquisition of 100% shares in Philippine FamilyMart CVS, Inc.
January 11, 2018

Letter of advicement or certification as to the compliance and changes in the Manual of Corporate Governance Certification of attendance of the company's Board of Directors for 2017
January 11, 2018

Employee Stock Option plan (ESOP) of the Company issued on July 26 and November 15, 2017, list of total shares exercise and amount paid.
January 10, 2018

Report on the Number of Shareholders as of 31 December 2017
January 8, 2018

Foreign Ownership Report as of 31 December 2017
January 8, 2018

Disposition of PNX Shares
January 08, 2018

Disposition of PNX shares
January 08, 2018

PSE Disclosure Form 17-8 - Report by Owner of More Than Five Percent
January 05, 2018

Clarification on the New Article posted in abs-cbn.com on 04 January 2017 entitled "Phoenix Purchase of FamilyMart gets regulatory approval"
January 05, 2018

SEC Form 23-B (Udenna Corp 12282017)
December 29, 2017

Clarification on News Article dated 28 December 2017
December 29, 2017

Disposition of PNX shares as of 21 December 2017
December 22, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

[Amend-1] Statement of Changes in Beneficial Ownership of Securities

November 21, 2017

Statement of Changes in Beneficial Ownership of Securities
November 21, 2017

Press Statement of the Company's 3rd Quarter Performance for 2017
November 13, 2017

SEC 17Q - 3rd Quarter Results
November 13, 2017

Change in Shareholdings of Directors and Principal Officers
November 10, 2017

Disposition of PNX shares
November 10, 2017

Cash Dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP)
November 06, 2017

Cash dividends declaration of the company's preferred shares 3rd tranche series A(PNX3A)
November 06, 2017

Cash dividends declaration of the company's preferred shares 3rd tranche series B(PNX3B)
November 06, 2017

Cash Dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP) [Amend-1]
November 06, 2017

Sale of the Company's Treasury Shares
November 02, 2017

Press Release for the execution of the MOU for the possible acquisition of 100% shares of Philippine FamilyMart CVS, Inc.
October 30, 2017

Memorandum of Understanding for the possible acquisition of 100% shareholdings of Philippine FamilyMart CVS, Inc.
October 30, 2017

List of Top 100 Stockholders as of September 30, 2017
October 16, 2017

Public Ownership Report as of September 30, 2017
October 13, 2017

Disposition of PNX shares as of 21 September 2017
September 22, 2017

Board Approval for establishment of Singapore-based trading company
September 22, 2017

Cash dividend declaration for preferred shares 3rd tranche Series B(PNX3B)
August 22, 2017

Cash dividend declaration for preferred shares 3rd tranche series A(PNX3A)
August 22, 2017

Closing Transaction or Completion of the 100% acquisition of PETRONAS Energy Philippines, Inc. and Duta, Inc.
August 15, 2017

SEC 17Q - 2nd Quarter Results
August 14, 2017

Press Statement for 2nd Quarter 2017 results
August 14, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-3]
August 07, 2017

Press Statement of PCC Approval on Petronas Acquisition
August 07, 2017

Additional acquisition of PNX shares through the Company's Employee Stock Option Plan (ESOP)
August 07, 2017

Additional acquisition of shares through Employee Stock Option Plan (ESOP)
August 07, 2017

PCC approval for PETRONAS Energy Philippines, Inc. acquisition by P-H-O-E-N-I-X Petroleum Philippines, Inc.
August 04, 2017

Cash dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP)
August 02, 2017

Cash dividend declaration of the company's preferred shares 3rd tranche series A(PNX3A)
August 02, 2017

Cash dividend declaration for Preferred shares 3rd tranche Series B (PNX3B)
August 02, 2017

Public Ownership Report of the Company as of June 30, 2017
July 14, 2017

List of Top 100 Stockholders as of June 30, 2017

July 11, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-2]
July 07, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA
July 06, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-1]
July 06, 2017

Acquisition of Duta, Inc. (DUTA)
July 06, 2017

Press Release: Phoenix Petroleum inaugurates new terminal in Cebu
June 29, 2017

Update on Short Term Commercial Paper
June 14, 2017

Press Release: Phoenix Petroleum fuels country's largest humanitarian ship
June 13, 2017

SEC Form 23-A, Initial Statement of Beneficial Ownership of Mr. Dybuncio
June 07, 2017

Amendment of the GIS for 2017
June 05, 2017

New Code of Corporate Governance pursuant to SEC Memorandum Circular No. 19 series of 2016
June 01, 2017

Company's Annual Corporate Governance Report for 2016
May 31, 2017

Statement of Changes in Beneficial Ownership of Udenna Corporation
May 30, 2017

Resignation and Replacement/Appointment of directors in the Board of Directors
May 26, 2017

Press Release re MOU on Petronas
May 25, 2017

Disclosure on approval of MOU in relation to acquisition of PEPI
May 24, 2017

Statement of Changes in Beneficial Ownership of Securities
May 18, 2017

Quarterly Report as of 31 March 2017
May 12, 2017

Press Release on SEC 17Q - 1st Quarter Results
May 12, 2017

Declaration of Cash Dividends 050317
May 04, 2017

Share Buy-Back Transactions 042617
April 27, 2017

SEC Form 23-B of Udenna Management & Resources Corp.
April 24, 2017

2017 General Information System
April 24, 2017

Share Buy-Back Transactions 041817
April 19, 2017

Changes in Directors and/or Officers
April 18, 2017

SEC Form 17-A Annual Report
April 11, 2017

Statement of Changes in Beneficial Ownership of Securities
April 10, 2017

Report on the Number of Shares as of 31 March 2017
April 4, 2017

Share Buy-Back Transactions 033117
April 03, 2017

Share Buy-Back Transactions 033017
March 31, 2017

Share Buy-Back Transactions 032317
March 24, 2017

Share Buy-Back Transactions 032217
March 23, 2017

Share Buy-Back Transactions 031717
March 21, 2017

SEC Order re Disclosure 2017
March 09, 2017

Definitive Information Statement
March 09, 2017

Share Buy-Back Transactions 030117
March 02, 2017

Share Buy-Back Transactions 022417
February 27, 2017

Disclosure Information Statement 2017
February 22, 2017

Audited Financial Statements for 2016
February 22, 2017

Press Release for Audited Financial Statement
February 22, 2017

Share Buy-Back Transactions 022017
February 21, 2017

Progress Report on the 2B (3rd tranche)
February 15, 2017

Share Buy-Back Transactions 021317
February 14, 2017

Disbursements on the 2B (3rd tranche)
February 14, 2017

Preliminary Information Statement (SEC Form 20-IS)
February 09, 2017

Share Buy-Back Transactions 020217
February 03, 2017

Share Buy-Back Transactions 020117
February 02, 2017

Share Buy-Back Transactions 013117
February 01, 2017

Share Buy-Back Transactions 012717
January 30, 2017

Share Buy-Back Transactions 012417
January 25, 2017

Share Buy-Back Transactions 012317
January 24, 2017

Share Buy-Back Transactions 011717
January 18, 2017

Share Buy-Back Transactions 011617
January 17, 2017

Public Ownership Report as of 31 December 2016
January 17, 2017

Share Buy-Back Transactions 011317
January 16, 2017

Share Buy-Back Transactions 011217
January 13, 2017

Share Buy-Back Transactions 011017
January 13, 2017

Share Buy-Back Transactions 011117
January 12, 2017

Share Buy-Back Transactions 010917
January 10, 2017

Share Buy-Back Transactions 010617
January 09, 2017

Share Buy-Back Transactions 010517
January 06, 2017

Certificate of Compliance 2016
January 06, 2017

Foreign Ownership Report as of 31 December 2017
January 6, 2017

Report on the Number of Shareholders as of 31 December 2017
January 6, 2017

Share Buy-Back Transactions 010417
January 05, 2017

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 16, 2018.

By:

DENNIS A. UY
President & Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Financial Officer

JONAREST Z. SIBOG
Comptroller

SOCORRO ERMAC CABREROS
Corporate Secretary

SUBSCRIBED AND SWORN to before me on APR 16 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	TIN 172-020-135
Joseph John L. Ong	TIN 101-116-899
Jonarest Z. Sibog	SSS ID#0009-2318308-8
Socorro Ermac Cabreros	TIN 111-790-618

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

Doc. No. 129;
Page No. 27;
Book No. 11;
Series of 2018.

MEL S. SUMATRA
Notary Public for Davao City
Serial No. 2017-0079-2018
Until December 31, 2018
PTR No. 9904531; 1/3/18 D.C.
IBP No. 025540; 1/8/18 D.C.
MCLE V-0017642; 4/15/16
Roll No. 53104; TIN 929-115-931
2/F, Lopez Bldg, Candelaria - Maya Sts.
Ecoland, Davao City

MEL S. SUMATRA NOTARY PUBLIC Roll No. 53104 DAVAO CITY, PHILIPPINES

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

Revenue is recognized to the extent that the revenue can be reliably measured and that it is probable that the future economic benefits will flow to the Group. The Group's revenue is primarily generated from the sales of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized once risks and rewards of the goods have passed to the buyer, and fuel services, which is recognized when the performance of contractually agreed tasks has been substantially rendered. The Group focuses on revenue as a key performance measure, which could create an incentive for revenues, particularly from sale of goods, to be recognized before the risks and rewards have been transferred. The accounting policies for revenues are included in Note 2 to the consolidated financial statements. We identified the valuation, occurrence, completeness and cut-off of revenue recognition as key audit matters.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- evaluating the appropriateness of the Group's revenue recognition policies;
- assessing, with the assistance of our internal IT specialists, the design and operating effectiveness of controls surrounding the revenues cycle;
- performing cut-off procedures to ensure that revenue was recognized in the correct period;
- performing substantive analytical procedures and tests of details on revenues; and,
- substantiating transactions with the underlying documentation, including sales invoices, contracts and third party correspondence.

(b) Impairment of Trade and Other Receivables

Description of the Matter

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

As of December 31, 2017, the Group had trade and other receivables amounting to P7,509.2 million, which contributed to 17% of the Group's total assets. As of December 31, 2017, the allowance for impairment on trade and other receivables amounted to P478.2 million.

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

How the Matter was Addressed in the Audit

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

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

(c) Business Combination

Description of the Matter

As disclosed in Note 1.4, in 2017, the Group completed the acquisitions of Phoenix LPG Philippines, Inc. (PLPI) and Duta Group for P6,481.1 million and P394.2 million, respectively. The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

Following the various acquisitions, the management has determined Goodwill amounting to P3,980.4 million for the PLPI acquisition and Excess of Fair Value of Net Assets Acquired over Acquisition Cost (gain/income) amounting to P650.2 million for the Duta Group acquisition. We, therefore, considered the accounting treatment of the acquisition of these subsidiaries in the consolidated financial statements as a key audit matter due to the significance of the goodwill and gain from these business acquisitions, and due to the nature of transactions which involves significant management's judgments and estimates, especially on the valuation of the fair value of net assets acquired as of the acquisition date.

The Group's disclosure on policies on business combinations is presented in Note 2.12 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- examining the cash consideration given and verifying the net assets acquired as of the acquisition date;
- obtaining the valuations prepared by independent appraisers on certain properties;
- assessing the competencies and capabilities of the appraisers;
- testing the reasonableness of the fair values of the identifiable assets and liabilities of PLPI and Duta Group at the acquisition date; and,
- recalculating the consideration, goodwill and gain, and determining the appropriate treatment of the difference between the net assets acquired and considerations given.

(d) Existence and Valuation of Inventories

Description of the Matter

As of December 31, 2017, the Group held P12,970.0 million of fuels, LPG and lubricant inventories, which is 29% of the total consolidated assets of the Group. Given the size of the inventory balance relative to the consolidated total assets of the Group and the estimates and judgments involved in this account, the valuation of inventory required our significant audit attention. As disclosed in Note 2.5, inventories are held at the lower of cost and net realizable value using the moving average method. As of year-end, the valuation of inventory is reviewed by the management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The breakdown of inventory as of December 31, 2017 is disclosed in Note 8 in the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- observing inventory counts and performing test of quantities;
- performing test of purchases and test on the moving average cost calculation; and,
- testing the net realizable values of sample inventory items to recent selling prices.

(e) Provision for Losses on Lost LPG Cylinders

Description of the Matter

As a result of the acquisition of PLPI, the Group has acquired LPG cylinders by which the carrying value as of December 31, 2017 amounted to P948.7 million. Bulk of these LPG cylinders are at the dealers' and users' premises and management is not able to physically examine their 100% existence. Due to the lack of means to track their existence on a regular basis, there is a possibility that a portion of the issued LPG cylinders to the market may no longer be existing due to scrappage by third parties and regular wear and tear. However, management estimates provision for losses on lost LPG cylinders based on internal simulations and computations on non-generating LPG cylinders.

Given the significant volume and cost of the LPG cylinders and the estimates and judgments involved in this account, the provision for losses on lost LPG cylinders required our significant audit attention. Based on management's assessment, no provision is provided in 2017, however, the accumulated provision for losses on lost LPG cylinders as of December 31, 2017 amounted to P238.8 million.

The disclosures of the Group on the policy of provision for losses on lost LPG cylinders, key sources of estimation uncertainty and carrying values are disclosed in Notes 2.7, 3.2*(i)* and 11 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- understanding the cycle of the Group's LPG inventories sold in LPG cylinders;
- testing the simulation prepared by the management on the possible number of LPG cylinders circulating in the market in respect to the actual generated revenues from the sale of LPG through LPG cylinders and the reasonable turnover of LPG-filled cylinders;
- comparing the results of the simulation to the outstanding number of cylinders issued to the market, based on the Group's records; and,
- performing ocular inspection on a random basis on the available LPG cylinders within the Group's plants and refilling stations.

(f) Goodwill

Description of the Matter

Under the PFRS, the Group is required to annually test the amount of goodwill for impairment or whenever there is an impairment indicator. In 2017, significant goodwill arose when the Group acquired the 100% shares of PLPI. Goodwill is determined as the difference between the acquisition or purchase cost and the fair value of the net assets acquired. This annual impairment test was significant to our audit because the balance of the goodwill amounting to P3,990.7 million as of December 31, 2017 is material to the Group's consolidated financial statements. In addition, management's process is complex and highly judgmental and is based on assumptions.

The Group's disclosures about Goodwill and the policy are included in Notes 14 and 1.4, respectively.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

- Obtaining managements impairment assessment over the goodwill; and,
- Evaluating the management's cashflow forecasts and the processes by which they are developed, including mathematical accuracy of the underlying calculations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partner on the 2017 audit resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 15, 2018

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, including the schedules attached therein and as enumerated below, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
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 Council as of December 31, 2017
d) Schedule showing financial soundness indicators

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Domingo T. Uy
Chairman

Dennis A. Uy
President

Joseph John L. Ong
Chief Financial Officer

REPUBLIC OF THE PHLIPPINES)
City of Davao) S.S.

SUBSCRIBED AND SWORN to before me on FEB 15 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

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

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

Doc. No. 517;
Page No. 105;
Book No. 9;
Series of 2018.

KENNETH L. DABI NOTARY PUBLIC Roll No. 47866 Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-0055-2018
PTR No. 5867637; 01-04-18; D.C.
IBP No. 024561; 01-08-18; D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 1,831,542,441**	P 2,338,780,526
Trade and other receivables - net	7	**7,509,198,377**	8,789,006,059
Inventories - net	8	**12,969,947,045**	2,998,780,146
Due from related parties	27	**518,004,898**	1,506,997,926
Restricted deposits	9	**51,281,559**	50,925,404
Input value-added tax - net		**1,773,091,281**	731,735,790
Prepayments and other current assets	10	**581,435,883**	595,963,599
Total Current Assets		**25,234,501,484**	17,012,189,450
NON-CURRENT ASSETS			
Property, plant and equipment - net	11	**13,400,687,345**	9,002,313,141
Investment properties	15	**1,114,780,281**	-
Intangible assets - net	12	**274,931,452**	275,037,490
Goodwill - net	14	**3,990,666,606**	10,221,849
Deferred tax assets - net	26	**231,866,237**	46,191,775
Other non-current assets	16	**223,467,068**	192,084,216
Total Non-current Assets		**19,236,398,989**	9,525,848,471
TOTAL ASSETS		**P 44,470,900,473**	P 26,538,037,921
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**P 16,796,874,145**	P 11,262,858,843
Trade and other payables	19	**3,832,668,620**	3,232,652,616
Income tax payable		**17,301,439**	100,283,443
Total Current Liabilities		**20,646,844,204**	14,595,794,902
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**11,374,559,853**	1,921,565,000
Other non-current liabilities	20	**497,806,312**	258,584,286
Total Non-current Liabilities		**11,872,366,165**	2,180,149,286
Total Liabilities		**32,519,210,369**	16,775,944,188
EQUITY	28		
Capital stock		**1,456,538,232**	1,123,097,449
Additional paid-in capital		**5,709,303,309**	5,320,816,182
Revaluation reserves		**(2,306,049)**	(12,148,102)
Other reserves		**(730,361,725)**	(730,361,725)
Accumulated translation adjustment		**(6,065,195)**	-
Retained earnings		**5,524,581,532**	4,060,689,929
Total Equity		**11,951,690,104**	9,762,093,733
TOTAL LIABILITIES AND EQUITY		**P 44,470,900,473**	P 26,538,037,921

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, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
REVENUES				
Sale of goods	27	**P 44,051,471,509**	P 29,471,907,077	P 28,620,971,473
Fuel service and other revenues	2	**281,941,966**	205,587,559	186,661,739
Rent and storage income	15, 31	**92,626,832**	148,340,733	122,425,059
Charter fees and other charges	2	**-**	624,704,375	562,523,731
Port revenues	2	**-**	126,128,262	105,565,142
Sale of real estate	2	**-**	-	455,692,000
		44,426,040,307	30,576,668,006	30,053,839,144
COST AND EXPENSES				
Cost of sales and services	21	**37,908,797,906**	25,123,949,229	25,268,851,163
Selling and administrative expenses	22	**4,411,742,322**	3,339,789,045	2,724,906,711
		42,320,540,228	28,463,738,274	27,993,757,874
OTHER CHARGES (INCOME)				
Finance costs	23	**855,043,260**	1,019,277,024	968,682,307
Excess of fair value of net assets acquired over acquisition cost	1	**(650,182,327)**	-	-
Finance income	23	**(56,629,280)**	(207,687,618)	(7,553,833)
Equity share in net loss of a joint venture	13	**-**	50,068,966	16,310,368
Others - net	15	**(36,852,747)**	(11,006,428)	(9,069,835)
		111,378,906	850,651,944	968,369,007
PROFIT BEFORE TAX		**1,994,121,173**	1,262,277,788	1,091,712,263
TAX EXPENSE	26	**202,272,019**	169,802,891	185,843,550
NET PROFIT		**P 1,791,849,154**	P 1,092,474,897	P 905,868,713
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to a foreign subsidiary	2	**(6,065,195)**	-	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit obligation	24	**14,060,076**	15,360,800	18,116,705
Tax expense	26	**(4,218,023)**	(4,608,240)	(13,304,602)
Revaluation of tankers		**-**	-	202,245,220
		9,842,053	10,752,560	207,057,323
Other Comprehensive Income - net of tax		**3,776,858**	10,752,560	207,057,323
TOTAL COMPREHENSIVE INCOME		**P 1,795,626,012**	P 1,103,227,457	P 1,112,926,036
Basic and Diluted Earnings per share	29	**P 1.16**	P 0.64	P 0.60

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, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Capital Stock										
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity
Balance at January 1, 2017		**P 30,000,000**	**(P 5,000,000)**	**P 1,428,777,232**	**(P 330,679,783)**	**P 1,123,097,449**	**P 5,320,816,182**	**(P 12,148,102)**	**(P 730,361,725)**	**P -**	**P 4,060,689,929**	**P 9,762,093,733**
Sale of treasury shares	28	**-**	**-**	**-**	**440,087,488**	**440,087,488**	**367,136,612**	**-**	**-**	**-**	**-**	**807,224,100**
Cash dividends	28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(331,118,383)**	**(331,118,383)**
Acquisition of shares during the year	28	**-**	**-**	**-**	**(109,407,705)**	**(109,407,705)**	**-**	**-**	**-**	**-**	**-**	**(109,407,705)**
Issuance of shares during the year	28	**-**	**-**	**2,761,000**	**-**	**2,761,000**	**21,350,515**	**-**	**-**	**-**	**(8,429,034)**	**15,682,481**
Share-based compensation	24	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,589,866**	**11,589,866**
Translation adjustments during the year	2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,065,195)**	**-**	**(6,065,195)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**9,842,053**	**-**	**-**	**1,791,849,154**	**1,801,691,207**
Balance at December 31, 2017		**P 30,000,000**	**(P 5,000,000)**	**P 1,431,538,232**	**P -**	**P 1,456,538,232**	**P 5,709,303,309**	**(P 2,306,049)**	**(P 730,361,725)**	**(P 6,065,195)**	**P 5,524,581,532**	**P 11,951,690,104**
Balance at January 1, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183
Deconsolidation of subsidiaries	1	-	-	-	-	-	-	(557,352,943)	(107,409,486)		(65,599,296)	(730,361,725)
Acquisition of shares during the year	28	-	-	-	(330,679,783)	(330,679,783)	-	-	-	-	-	(330,679,783)
Cash dividends	28	-	-	-	-	-	-	-	-	-	(309,212,179)	(309,212,179)
Share-based compensation	24	-	-	-	-	-	-	-	-	-	5,757,780	5,757,780
Total comprehensive income for the year		-	-	-	-	-	-	10,752,560	-	-	1,092,474,897	1,103,227,457
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	(24,842,985)	-	-	24,842,985	-
Balance at December 31, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	(P 330,679,783)	P 1,123,097,449	P 5,320,816,182	(P 12,148,102)	(P 730,361,725)	P -	P 4,060,689,929	P 9,762,093,733
Balance at January 1, 2015		P 10,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,433,777,232	P 3,367,916,774	P 372,138,419	(P 622,952,239)	P -	P 2,499,345,913	P 7,050,226,099
Issuance of shares for the year	28	20,000,000	-	-	-	20,000,000	1,952,899,408	-	-	-	-	1,972,899,408
Cash dividends	28	-	-	-	-	-	-	-	-	-	(112,689,360)	(112,689,360)
Total comprehensive income for the year		-	-	-	-	-	-	207,057,323	-	-	905,868,713	1,112,926,036
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	(19,900,476)	-	-	19,900,476	-
Balance at December 31, 2015		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183

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, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,994,121,173**	P 1,262,277,788	P 1,091,712,263
Adjustments for:				
Depreciation and amortization	22	**850,380,505**	1,002,088,441	821,733,247
Interest expense on bank loans and other borrowings	23	**780,917,196**	863,399,371	786,929,274
Excess of fair value of net assets acquired over acquisition cost	1	**(650,182,327)**	-	-
Impairment losses on trade and other receivables	23	**50,335,399**	112,986,854	79,208,744
Gain on reversal of impairment losses on investment properties	15	**(40,278,281)**	-	-
Interest income	23	**(18,480,943)**	(7,110,105)	(5,540,995)
Employee share options	24	**11,589,866**	5,757,780	-
Loss on disposal of property, plant and equipment		**9,085,746**	-	-
Translation adjustment	1	**(6,065,195)**	-	-
Unrealized foreign exchange currency loss (gain) - net		**3,893,468**	(171,372,659)	(3,370,552)
Gain on reversal of allowance for inventory obsolescence	8	**(3,216,085)**	-	-
Impairment losses on non-financial assets		**92,823**	-	-
Share in net loss of an indirectly-owned joint venture	15	**-**	50,068,966	16,310,368
Loss on sale of investment in an associate		**-**	-	2,250,000
Operating profit before working capital changes		**2,982,193,345**	3,118,096,436	2,789,232,349
Decrease (increase) in trade and other receivables		**1,980,678,107**	528,697,133	(3,030,720,014)
Decrease (increase) in inventories		**11,170,166,814**	(370,318,364)	232,214,381
Decrease in land held for sale and land development costs		**-**	22,667,290	23,496,614
Decrease (increase) in restricted deposits		**(356,155)**	20,046,803	(565,464)
Increase in input value-added tax - net		**(1,041,355,491)**	(36,265,532)	(170,627,061)
Decrease (increase) in prepayments and other current assets		**(206,291,369)**	(637,592,575)	393,229,544
Increase (decrease) in trade and other payables		**362,759,847**	(288,096,189)	(334,848,958)
Cash generated from (used in) operations		**15,247,795,098**	2,357,235,002	(98,588,609)
Cash paid for income taxes		**(7,345,345)**	(4,508,301)	(712,198)
Net Cash From (Used in) Operating Activities		**15,240,449,753**	2,352,726,701	(99,300,807)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries	1	**(6,705,620,931)**	**-**	**-**
Acquisitions of property, plant and equipment	11	**(3,175,635,973)**	(2,155,960,542)	(2,704,508,788)
Collections from related parties	27	**1,158,519,706**	25,000	3,561,445
Advances to related parties	27	**(669,526,678)**	(944,762,083)	(5,448,932)
Acquisitions of intangible assets	12	**(30,021,932)**	(203,908,603)	(27,672,355)
Increase in other non-current assets		**27,350,919**	(15,994,274)	(27,854,741)
Interest received		**15,769,301**	3,777,233	3,402,894
Proceeds from disposal of property, plant and equipment		**14,611,630**	2,434,359	4,946,617
Proceeds from disposal of subsidiaries	27	**-**	2,450,000,000	-
Increase in land held for future development		**-**	(151,281,172)	(77,592,159)
Additional investment in an indirectly-owned joint venture	13	**-**	-	(107,250,000)
Net Cash Used in Investing Activities		**(9,364,553,958)**	(1,015,670,082)	(2,938,416,019)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		**(43,104,708,803)**	(19,886,544,848)	(36,164,656,734)
Proceeds from additional interest-bearing loans and borrowings		**37,016,647,657**	20,684,209,975	39,306,012,177
Proceeds from sale of treasury shares	28	**807,224,100**	-	-
Interest paid		**(741,202,295)**	(801,737,593)	(848,790,538)
Payments of cash dividends	28	**(331,118,383)**	(309,212,179)	(112,689,360)
Acquisition of treasury shares	28	**(109,407,705)**	(330,679,783)	-
Increase (decrease) in other non-current liabilities		**63,749,068**	13,900,134	(21,573,921)
Proceeds from issuance of shares of stock	28	**15,682,481**	-	1,972,899,408
Repayments to related parties		**-**	-	(17,204,725)
Net Cash From (Used in) Financing Activities		**(6,383,133,880)**	(630,064,294)	4,113,996,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(507,238,085)**	706,992,325	1,076,279,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,338,780,526**	1,631,788,201	555,508,720
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,831,542,441**	P 2,338,780,526	P 1,631,788,201

Supplemental Information on Non-cash Investing and Financing Activities:

1) On August 14, 2017, the Parent Company acquired the 100.00% shares of stocks of Duta, Inc. and Subsidiary for the amount of P394.2 million, of which P267.3 million advances of Duta, Inc.'s previous stockholder was novated in favor of the former (see Note 1.4).

2) Interest payments amounting to P19.7 million, P61.7 million and P61.9 million in 2017, 2016 and 2015, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11.1 and 17.6).

3) Certain hauling and heavy equipment with carrying amount of nil and P3.1 million as of December 31, 2017 and 2016, respectively, are accounted for under finance leases (see Notes 11.2 and 17.4).

4) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Calaca Industrial Seaport Corp. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.5). The outstanding receivable from the sale of subsidiaries amounted to P550.0 million, and is presented as part of the Due from Related Parties in the 2016 consolidated statement of financial position (see Notes 27.4 and 27.10). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.5 and 2.12). As of December 31, 2017, the outstanding receivable from the sale of subsidiaries was reclassifed to Non-trade receivable under Trade and Other Receivables account in the 2017 consolidated statement of financial position (see Note 27.4).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

1. GROUP 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 41.14% 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 530 operating retail service stations, and a total of eight service stations under construction as of December 31, 2017.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated in the Philippines, except for PNX Petroleum Singapore Pte. Ltd., which is incorporated and domiciled in Singapore:

Subsidiaries/ Associate/Joint Venture	Explanatory Notes	Percentage of Ownership	
		2017	2016
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100.00%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	**100.00%**	100.00%
PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	**100.00%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI) [1]	(e)	**100.00%**	-
Duta, Inc. (Duta) [1]	(f)	**100.00%**	-
Kaparangan, Inc. (Kaparangan) [1, 2]	(g)	**100.00%**	-
Calaca Industrial Seaport Corp. (CISC) [7]	(h)	**-**	-
Chelsea Shipping Corp. (CSC) [7]	(i)	**-**	-
Bunkers Manila, Inc. (BMI) [4, 7]	(j)	**-**	-
Michael Inc. (MI) [4, 7]	(k)	**-**	-
PNX – Chelsea Shipping Corp. (PNX – Chelsea) [4, 7]	(l)	**-**	-
Chelsea Ship Management & Marine Services Corp. (CSMMSC) [4, 7]	(m)	**-**	-
Fortis Tugs Corporation (FTC) [4, 7]	(n)	**-**	-
Norse/Phil Marine Services Corp. (NPMSC) [5, 7]	(o)	**-**	-
South Pacific, Inc. (SPI) [6, 7]	(p)	**-**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Duta and Kaparangan, collectively known as Duta Group
4 Wholly-owned subsidiaries of CSC
5 Associate of CSC
6 Joint venture of CISC
7 Deconsolidated in 2016 (see Note 1.5)

(a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

(b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester.

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

(d) Incorporated on October 30, 2012 and started operations in October 2017. It is the regional trading arm of the Company. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products. It is formerly known as Petronas Energy Philippines, Inc.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(g) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(h) 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 CISC's project, the Phoenix Petroleum Industrial Park (the Park). CISC is formerly known as Phoenix Petroterminals & Industrial Park Corp. and was sold to Udenna Development (Udevco) Corporation (UDEVCO) on November 24, 2016.

(i) 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. CSC was sold to Chelsea Logistics Holdings, Corp. (CLHC) on November 24, 2016.

(j) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies. BMI is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(k) Incorporated on December 26, 1957 and is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil. On May 6, 2008, the SEC approved the extension of the Company's corporate life of another 50 years. MI is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(l) Incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description. PNX-Chelsea is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(m) Incorporated on March 30, 2012 and is engaged in the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels. CSMMSC is a subsidiary of CSC, which was sold to CLHC last November 24, 2016.

(n) Incorporated on April 8, 2013 and is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines, and acquire by purchase, charter, lease or modes recognized by law of obtaining title to or use of such equipment and properties, real or personal, which may be necessary to achieve such purpose. FTC is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(o) 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.

(p) Incorporated on March 27, 2014 and is engaged in bulk or wholesale supply and distribution of LPG and other petroleum products, which also includes importation, storage, and wholesale, refilling thereof and to operate and maintain storage terminals, equipment and transport facilities to be used therein. SPI is an associate of CISC, which was sold to UDEVCO on November 24, 2016.

1.3 Other Corporate Information

The registered office and principal place of business of the existing subsidiaries, except those presented in 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
PNX SG	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City

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.

1.4 Business Combinations

On August 14, 2017, the Parent Company finalized the purchase and sale agreements with PDB (Netherlands) B.V., an entity organized under the laws of Netherlands and is an investment holdings Company of PETRONAS Dagangan Berhad (a Malaysia-listed entity), for the acquisition of the 100.00% voting rights of PLPI and Duta Group for P6,481.1 million and P394.2 million, respectively. Aggregate information at the acquisition date are as follows:

	Notes	PLPI	Duta Group
Fair values of assets acquired		P 2,799,236,717	P 1,109,715,306
Fair values of liabilities assumed		298,619,669	65,316,461
Total identifiable net assets		2,500,617,048	1,044,398,845
Total acquisition costs		6,481,061,805	394,216,518
Goodwill	2.12, 14	P 3,980,444,757	
Excess of fair value of net assets acquired over acquisition cost	2.12		P 650,182,327
Cash flow on acquisition:			
Net cash acquired with the subsidiary		P 145,913,428	P 23,743,964
Cash paid		(6,481,061,805)	(394,216,518)
Net cash outflow		(P 6,335,148,377)	(P 370,472,554)

	PLPI	Duta Group
Pre-acquisition income	P 273,205,535	P 6,244,345

The acquisition of PLPI and Duta Group strategically supports the Parent Company's expansion in operation as well as product lines. The total acquisition related costs amounted to P76.7 million.

The excess of the fair value of the nets assets of Duta Group over the acquisition cost amounting to P650.2 million is presented in the 2017 consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost (see Note 2.12). The real properties of Duta Group, which pertain to investment properties were appraised by an independent appraiser [see Note 3.2*(b)*]. The fair values of the said properties are determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

1.5 Disposal of Investment of Shares of CSC and CISC

On November 24, 2016, the Parent Company sold its entire investments in CSC to CLHC for P2,000.0 million, and in CISC to UDEVCO for P1,000.0 million. CLHC and UDEVCO are related parties under common ownership. Business combinations and disposals that are under common ownership are accounted for under the pooling-of-interest method (see Note 2.12). The account balances of CSC and CISC were deconsolidated in the 2016 consolidated financial statements. The difference between the considerations received and net asset values as of disposal date of CSC and CISC amounting to P730.4 million was recognized and presented as Other Reserves in the 2016 consolidated statement of financial position.

1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative consolidated financial statements as of and for the years ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 15, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

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

(i) PAS 7 (Amendments)*, Statement of Cash Flows – Disclosure Initiative.* The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 18.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment has had no impact on the Group's consolidated financial statements.

(b) Effective in 2017 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Group's financial statements:

Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale

(c) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, 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 40 (Amendments), *Investment Property – Reclassification to and from investment property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.

(ii) PFRS 2 (Amendments), *Share-based Payments – Classification and Measurement of Share-based Payment Transactions*. The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management is currently assessing the impact on the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of trade and other receivables to continue to be accounted for at amortized cost. However, a number of other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

- The expected credit loss model will apply to the Group's trade receivables. For other financial assets and trade receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Group's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

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

(v) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to the sale of fuel, LPG and other petroleum products.

The fuels, LPG, lubricants and other petroleum products can be sold and used separately. Revenue from the sale of goods shall be recognized at a point in time when the control has been transferred to the customer.

(vi) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

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

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

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

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

(viii) IFRIC 23, *Uncertain over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its consolidated financial statements.

(ix) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

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 as follows.

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

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

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 14). 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 2.12).

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 2.12 and 2.23).

If the Parent Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received and reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities. The difference between the consideration received and the net asset of the subsidiary disposed is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the financial assets category relevant to the Group is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding certain advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, 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 consolidated statement of profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for, where necessary, for obsolete, slow-moving and defective inventories (see Note 8).

2.6 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.

2.7 Property, Plant and Equipment

Land is stated at cost less any impairment in value. 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 only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred (see Note 2.13).

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

Tankers	30 years
LPG cylinders	30 years
Buildings, depot, plant and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Vessel equipment	5 years
Gasoline and LPG station equipment	1-5 years
Hauling and heavy equipment	1-5 years
Office furniture and equipment	1-3 years

LPG cylinders, which are circulating and are utilized by customers in their households or business premises, are presented at cost less accumulated depreciation and provision for losses lost LPG cylinders. The Group performs an internal simulation and assessment of the quantity of LPG cylinders circulating and being stored in the market. A provision is provided for lost assets in accordance with the computed quantities. The assessment will be conducted every other year and when the lost LPG cylinders are ascertained, the lost cylinders will be written-off.

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 2.14) 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 2.18) 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 2.16).

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.

2.8 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

These properties are held for lease under operating lease agreements, which comprise land and land improvements, and are carried at cost less 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of amortization of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to or from investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2.9 Intangible Assets

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

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

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

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

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

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

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

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

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits (which are 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 2.18). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond 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.

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-77.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the 2017 consolidated statement of financial position, are reduced for estimated non-returns. The reduction is recognized directly in profit or loss.

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 2.14 and 31.5).

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in 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.

2.12 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 2.16).

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

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

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

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

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

Under the pooling-of-interest method which is applicable for the acquisition and disposal of an entity under common control, similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves (see Note 2.23).

2.13 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 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) *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

(c) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.14).

(d) *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*(e)*]. 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.

(e) *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.

(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 2.18).

The cost of real estate sold, if any, before the completion of the development is determined based on the actual costs incurred to date, which include the cost of land plus estimated costs to complete the project development. The estimated expenditures for the development of sold real estate, as determined by project engineers, are charged to Cost of Sales and Services in the consolidated statement of comprehensive income with a corresponding credit to Liability for Land Development presented under the Trade and Other Payables account in the consolidated statement of financial position, which is already deconsolidated in 2016 as a result of sale of CISC (see Note 1.5).

2.14 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.

2.15 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

Except for PNX SG, which uses the Singapore Dollars as its functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into 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.

(b) Translation of Financial Statements of a Foreign Subsidiary

The operating results and financial position of a foreign subsidiary (i.e. PNX SG), which are measured using the Singapore Dollar, its functional currency, are translated to Philippine pesos, to the Group's functional currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii. Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

iii. All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account (see Note 2.23).

On consolidation, exchange differences arising from the translation of the net investment in PNX SG is recognized under Translation Adjustment Related to a Foreign Subsidiary in the 2017 consolidated statement of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

The translation of the consolidated financial statements into Philippine peso should not be construed as a representation that the Singapore Dollar amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.16 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, goodwill and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill and franchise that are tested for impairment at least annually.

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

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

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

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.12), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

2.18 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.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

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

2.20 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.

2.21 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.

2.22 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 30, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.23 Equity

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

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

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's tankers and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves in 2016 pertain to the difference between the Parent Company's consideration received and the disposed net assets of CSC and CISC (see Note 1.5). Other reserves in 2015 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 2.12).

Accumulated translation adjustment pertains to translation adjustments resulting from the translation of foreign-currency denominated financial statements of a certain foreign subsidiary into the Group's functional and presentation currency [see Note 2.15*(b)*].

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.

2.24 Earnings per Share

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

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

2.25 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.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) 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 2.11 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) Distinction between Investment Properties and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(e) 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 2.13). Otherwise, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Impairment of Trade and Other Receivables and Due from Related Parties

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and the related party, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from related parties is shown in Note 27.4. The Group has determined that no impairment loss on Due from Related Parties should be recognized in 2017, 2016 and 2015.

(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) Estimation of Useful Lives of Property, Plant and Equipment, Intangible Assets and Investment Properties

The Group estimates the useful lives of property, plant and equipment, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment 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 and intangible assets are analyzed in Notes 11 and 12, respectively. The carrying amount of investment properties is disclosed in Note 15. Based on management's assessment as of December 31, 2017 and 2016, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement of Tankers

The Group's tankers, which is previously 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.

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. The tankers are among the assets deconsolidated in 2016.

(e) 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, 2017 and 2016 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2017 and 2016 is disclosed in Note 26.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

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

(g) 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 2.16). 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 2017, 2016 and 2015.

(h) 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 and obtains assistance from third party valuation specialists on the acquired investment properties (see Note 1.4). 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.

(i) Provision for Losses on Lost LPG Cylinders

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

Management has assessed that no provision for losses on lost LPG cylinders is required to be recognized in 2017.

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 (U.S.$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, in 2016, the Group has several U.S. dollar loans from certain banks, which were used to finance its capital expenditures (see Note 17). The Group also holds U.S. and Singapore 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:

	2017		2016
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar
Financial assets	**P 1,260,407,888**	**P 317,739**	P 5,678,959,607
Financial liabilities	**(1,566,782,434)**	**-**	(350,848,259)
Net exposure	**(P 306,374,546)**	**P 317,739**	P 5,328,111,348

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

	2017		**2017**		2016
	U.S. Dollar		**Singapore Dollar**		U.S. Dollar
Reasonably possible change in rate	**10.77%**		**16.88%**		12.93%
Effect in profit before tax	**(P 32,996,539)**	**P**	**53,635**	P	688,924,797
Effect in equity after tax	**(23,097,577)**		**37,544**		482,247,358

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, 2017 and 2016, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 17). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.47% and +/-0.54% in 2017 and 2016, respectively, for Philippine Peso and +/-0.50% and nil in 2017 and 2016, respectively, for Singapore dollar. Short-term money placements and time deposits are tested on a reasonably possible change of +/-0.90% in 2017. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.30% and +/-0.32% for Philippine peso and nil and +/-0.25% for U.S. dollar in 2017 and 2016, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P94.5 million and +/-P45.0 million for the year ended December 31, 2017 and 2016, respectively, and equity after tax by +/-P66.2 million and +/-P31.5 million for the year ended December 31, 2017 and 2016, 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.

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

	Notes	**2017**	2016
Cash and cash equivalents	6	**P 1,831,542,441**	P 2,338,780,526
Trade and other receivables – net*	7	**6,843,698,948**	8,039,947,280
Due from related parties	27.4	**518,004,898**	1,506,997,926
Restricted deposits	9	**51,281,559**	50,925,404
Refundable rental deposits	16	**182,480,300**	140,817,250
		P 9,427,008,146	P12,077,468,386

**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 Corp. up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Due from Related Parties

In respect of trade and other receivables and due from related parties, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee, which approves credit lines given to its customers. The Group's Credit Risk Management Unit (formerly Credit and Collection Department), which regularly reports to the Credit Committee, continuously monitors customers' performance and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade and other receivables are past due at the end of the reporting date. The age of financial assets past due but not impaired is presented below.

	2017	2016
Not more than one month	**P 577,035,340**	P 2,337,949,143
More than one month but not more than two months	**681,732,537**	57,804,099
More than two months but not more than six months	**1,475,835,606**	83,468,815
More than six months but not more than one year	**579,628,183**	902,428,898
More than one year	**455,810,155**	5,249,731,017
	P 3,770,041,821	P 8,631,381,972

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, 2017, 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**	**More than 5 years**
Interest-bearing loans and borrowings	P 17,093,687,980	P 770,678,974	P 9,934,502,651	P 2,318,636,250
Trade and other payables (excluding tax-related payables)	3,730,046,488	-	-	-
Security deposits	-	-	245,488,541	-
Customers' cylinder deposits	-	-	-	196,380,513
Cash bond	-	-	-	33,492,002
	P 20,823,734,468	**P 770,678,974**	**P 10,179,991,192**	**P 2,548,508,765**

This compares to the maturity of the Group's financial liabilities as of December 31, 2016 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 10,386,388,575	P 2,826,900,125	P 2,528,962,920
Trade and other payables (excluding tax-related payables)	3,152,398,546	-	-
Security deposits	-	-	219,790,571
	P 13,538,787,121	P 2,826,900,125	P 2,748,753,491

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

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

5.1 Carrying Amounts and Fair Values by Category

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

	Notes	2017		2016	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 1,831,542,441**	**P 1,831,542,441**	P 2,338,780,526	P 2,338,780,526
Trade and other receivables-net*	7	**6,843,698,948**	**6,843,698,948**	8,039,947,280	8,039,947,280
Due from related parties	27.4	**518,004,898**	**518,004,898**	1,506,997,926	1,506,997,926
Restricted deposits	9	**51,281,559**	**51,281,559**	50,925,404	50,925,404
Refundable rental deposits	16	**182,480,300**	**182,480,300**	140,817,250	140,817,250
		P 9,427,008,146	**P 9,427,008,146**	P 12,077,468,386	P 12,077,468,386
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	**P 28,171,433,998**	**P 28,171,433,998**	P 13,184,423,843	P 13,184,423,843
Trade and other payables**	19	**3,730,046,488**	**3,730,046,488**	3,152,398,546	3,152,398,546
Security deposits	20	**245,488,541**	**245,488,541**	219,790,571	219,790,571
Customers' cylinder deposits	20	**196,380,513**	**196,380,513**	-	-
Cash bond deposits	20	**33,492,002**	**33,492,002**	-	-
		P 32,376,841,542	**P 32,376,841,542**	P 16,556,612,960	P 16,556,612,960

* *Excluding certain advances to suppliers and advances subject to liquidation*
** *Excluding tax-related payables*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

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

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

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

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

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

5.3 Financial Instruments Measurement at Fair Value

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2017 and 2016.

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

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

		2017			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 1,831,542,441	P -	P -	P 1,831,542,441
Trade and other receivables - net	7	-	-	6,843,698,948	6,843,698,948
Due from related parties	27.4	-	-	518,004,898	518,004,898
Restricted deposits	9	51,281,559	-	-	51,281,559
Refundable rental deposits	16	-	-	182,480,300	182,480,300
		P1,882,824,000	**P -**	**P 7,544,184,146**	**P 9,427,008,146**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P28,171,433,998	P 28,171,433,998
Trade and other payables	19	-	-	3,730,046,488	3,730,046,488
Security deposits	20	-	-	245,488,541	245,488,541
Customers' cylinder deposits	20	-	-	196,380,513	196,380,513
Cash bond deposits	20			33,492,002	33,492,002
		P -	**P -**	**P32,376,841,542**	**P 32,376,841,542**

		2016			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P2,338,780,526	P -	P -	P 2,338,780,526
Trade and other receivables - net	7	-	-	8,039,947,280	8,039,947,280
Due from related parties	27.4	-	-	1,506,997,926	1,506,997,926
Restricted deposits	9	50,925,404	-	-	50,925,404
Refundable rental deposits	16	-	-	140,817,250	140,817,250
		P2,389,705,930	P -	P 9,687,762,456	P 12,077,468,386
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P 13,184,423,843	P 13,184,423,843
Trade and other payables	19	-	-	3,152,398,546	3,152,398,546
Security deposits	20	-	-	219,790,571	219,790,571
		P -	P -	P 16,556,612,960	P16,556,612,960

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

5.5 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, 2017					
	Gross amounts recognized 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	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 6,843,698,948	P -	P 6,843,698,948	P -	(P 278,980,543)	P 6,564,718,405
Restricted deposits	51,281,559	-	51,281,559	(51,281,559)	-	-
Total	**P 6,894,980,507**	**P -**	**P 6,894,980,507**	**(P 51,281,559)**	**(P 278,980,543)**	**P 6,564,718,405**

	December 31, 2016					
	Gross amounts recognized 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	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 8,098,928,922	(P 58,981,642)	P 8,039,947,280	P -	(P 219,790,571)	P 7,820,156,709
Restricted deposits	50,925,404	-	50,925,404	(50,925,404)	-	-
Total	P 8,149,854,326	(P 58,981,642)	P 8,090,872,684	(P 50,925,404)	(P 219,790,571)	P 7,820,156,709

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, 2017					
	Gross amounts recognized 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	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 28,171,433,998	P -	P 28,171,433,998	(P 51,281,559)	P -	P 28,120,152,440
Security deposits	245,488,541	-	245,488,541	-	(245,488,541)	-
Cash bond deposits	33,492,002	-	33,492,002	-	(33,492,002)	-
Total	**P 28,450,414,541**	**P -**	**P 28,450,414,541**	**(P 51,281,559)**	**(P 278,980,543)**	**P 28,120,152,440**

	December 31, 2016					
	Gross amounts recognized 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	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,184,423,843	P -	P 13,184,423,843	(P 50,925,404)	P -	P 13,133,498,439
Trade and other payables	3,182,159,260	(29,760,714)	3,152,398,546	-	-	3,152,398,546
Security deposits	219,790,571	-	219,790,571	-	(219,790,571)	-
Total	P 16,586,373,674	(P 29,760,714)	P 16,556,612,960	(P 50,925,404)	(P 219,790,571)	P 16,285,896,985

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:

	2017	2016
Cash in banks	**P 1,549,265,669**	P 2,330,247,063
Cash on hand	**412,846**	8,458,713
Revolving fund	**11,527,561**	74,750
Short-term placements	**270,336,365**	-
	P 1,831,542,441	P 2,338,780,526

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P15.7 million, P3.9 million and P2.8 million in 2017, 2016 and 2015, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2017 and 2016 exclude restricted time deposits totalling to P51.3 million and P50.9 million, respectively, which are shown as Restricted Deposits account (see Note 9) and restricted time deposits under Other Non-current Assets (see Note 16) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2017	2016
Trade receivables:			
Third parties		**P 5,241,341,414**	P 2,513,174,190
Related parties	27.1	**955,539,554**	157,624,601
		6,196,880,968	2,670,798,791
Advances to suppliers:			
Third parties		**219,626,441**	5,571,866,972
Related parties	27.2	**424,838,624**	438,294,800
		644,465,065	6,010,161,772
Non-trade receivables			
Third parties		**517,507,971**	325,483,131
Related parties	27.4, 27.7	**586,598,808**	88,737,836
		1,104,106,779	414,220,967
Advances subject to liquidation		**21,034,364**	29,633,211
Other receivables		**20,864,877**	3,240,165
		7,987,352,053	9,128,054,906
Allowance for impairment		**(478,153,676)**	(339,048,847)
		P 7,509,198,377	P 8,789,006,059

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

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2017, the balance of receivables under DPA amounted to P28.3 million and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2017 statement of financial position. There are no non-current trade receivables as of the said cut-off.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions:

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtain any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

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, 2017 and 2016.

Impairment losses amounting to P50.3 million, P113.0 million and P79.2 million in 2017, 2016 and 2015, respectively, are presented as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.1). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	Notes	**2017**	2016
Balance at beginning of year		**P 339,048,847**	P 358,488,027
Business combination	1.4	**138,498,702**	-
Impairment loss for the year	23.1	**46,167,713**	112,986,854
Written-off during the year		**(44,844,753)**	(17,669,476)
Recovery of bad debts		**(716,833)**	(74,741)
Disposals due to deconsolidation		**-**	(114,681,817)
Balance at end of year		**P 478,153,676**	P 339,048,847

In 2017, the Group directly written off past due accounts amounting to P4.1 million, which is also presented as part of Impairment losses on trade and other receivables under Finance Costs (see Note 23.1).

8. INVENTORIES

The breakdown of inventories are as follows:

	2017	2016
At cost:		
Fuels	**P 12,571,587,151**	P 2,662,777,903
LPG	**124,305,656**	-
Others	**2,185,536**	72,864
	12,698,078,343	2,662,850,767
At net realizable value –		
Lubricants	**271,868,702**	335,929,379
	P12,969,947,045	P 2,998,780,146

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P5,139.1 million and P2,223.9 million as of December 31, 2017 and 2016, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 17.1).

There were no inventory write-down in 2017 and 2016. Certain lubricants are stated at net realizable value as acquired from the business combination in 2017 (see Note 1.4). Presented below is the breakdown of lubricants to derive at the net realizable value in 2017.

Cost	P 274,673,603
Allowance for inventory write-down	(6,020,986)
Recoveries	3,216,085
	P 271,868,702

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. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P51.3 million and P50.9 million as of December 31, 2017 and 2016, 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 0.80% to 0.88% per annum for December 31, 2017 and 2016. Interest income earned from restricted deposits amounted to P0.1 million, P0.7 million, P0.6 million in 2017, 2016 and 2015, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2017 and 2016 is shown below.

	Note	**2017**	2016
Creditable withholding tax		**P 122,773,907**	P 245,287,284
Prepayments	27.3	**299,066,139**	225,823,002
Supplies		**159,214,128**	124,853,313
Others		**381,709**	-
		P 581,435,883	P 595,963,599

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2017 and 2016 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
December 31, 2017												
Cost	P 7,938,264,335	P 280,550,323	P 4,307,161,317	P 1,725,126,080	P 174,830,660	P 723,956,478	P 60,325,908	P -	P -	P 2,431,765,273	P 761,915,936	P 18,403,896,310
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,228,961)	(1,547,282,631)	(776,460,696)	(106,213,403)	(491,547,359)	(55,832,003)	-	-	-	-	(5,003,208,965)
Net carrying amount	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
December 31, 2016												
Cost	P 4,634,286,358	P 294,381,659	P 3,115,535,438	P -	P 105,444,580	P 652,099,361	P 38,154,152	P -	P -	P 1,696,586,766	P 1,081,354,000	P 11,617,842,314
Accumulated depreciation and amortization	(1,135,333,357)	(89,335,859)	(857,037,528)	-	(84,301,661)	(411,366,616)	(38,154,152)	-	-	-	-	(2,615,529,173)
Net carrying amount	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
January 1, 2016												
Cost	P 4,163,838,819	P 148,718,098	P 2,379,895,263	P -	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	P 1,804,886,548	P -	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

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of property, plant and equipment is shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2017 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
Business combination - cost (see Note 1.4)	1,475,209,901	-	494,487,528	1,665,092,760	20,693,043	-	18,814,376	-	-	-	4,753,049	3,679,050,657
Business combination - accumulated depreciation and provision for loss on lost cylinders (see Note 1.4)	(507,141,325)	-	(333,104,296)	(757,139,740)	(16,551,492)	-	(18,125,459)	-	-	-	-	(1,632,062,312)
Additions	915,256	6,799,404	5,402,980	74,504,679	57,390,498	103,659,961	4,227,327	-	-	735,178,507	2,207,257,158	3,195,335,770
Transfers	1,827,852,820	(19,666,168)	723,567,010	(521,536)	-	-	-	-	-	-	(2,531,232,126)	-
Cost of asset disposed	-	(964,572)	(31,831,639)	(13,949,823)	(8,697,461)	(31,802,844)	(869,947)	-	-	-	(216,145)	(88,332,431)
Accumulated depreciation of asset disposed	-	964,572	23,068,476	4,610,559	8,567,528	26,568,472	855,448	-	-	-	-	64,635,055
Depreciation and amortization charges for the year	(211,169,230)	(83,857,674)	(380,209,283)	(23,931,515)	(13,927,778)	(106,749,215)	(407,840)	-	-	-	-	(820,252,535)
Balance at December 31, 2017 net of accumulated depreciation and amortization	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
Balance at January 1, 2016 net of accumulated depreciation and amortization	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P -	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318
Disposals due to deconsolidation	(662,970,883)	-	-	-	(3,851,001)	(105,795,073)	(8,790,362)	(4,067,209,810)	(134,043,964)	-	(69,203,987)	(5,051,865,080)
Additions	-	-	-	-	17,559,953	182,364,854	-	-	-	558,087,870	1,459,609,643	2,217,622,320
Transfers	1,136,052,311	146,861,297	737,570,774	-	-	-	-	-	-	-	(2,036,907,771)	(16,423,389)
Cost of asset disposed	-	(1,197,736)	(1,385,484)	-	(1,088,549)	(24,080,144)	-	-	-	-	-	(27,751,913)
Accumulated depreciation of asset disposed	-	1,197,736	382,420	-	1,063,055	22,674,343	-	-	-	-	-	25,317,554
Depreciation and amortization charges for the year	(190,309,624)	(35,406,163)	(282,411,233)	-	(10,467,727)	(85,722,968)	(4,899,923)	(302,331,687)	(72,860,153)	-	-	(984,409,478)
Reclassifications/adjustments	(2,633,889)	-	(545,115)	-	-	(1,187)	-	-	-	-	-	(3,180,191)
Balance at December 31, 2016 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 17.6), 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 2017 and 2016.

11.2 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to nil and P3.1 million as of December 31, 2017 and 2016, respectively (see Note 17.4).

11.3 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P24.9 million and P43.1 million in 2017 and 2016, respectively. As of December 2017 and 2016, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P1,044.8 million and P463.7 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2017**	2016	2015
Cost of sales and services	21.1, 21.2	**P 23,964,493**	P 402,281,752	P 246,379,404
Selling and administrative expenses		**796,288,042**	582,127,726	439,696,459
	22	**P 820,252,535**	P 984,409,478	P 686,075,863

In 2016, computer software licenses amounting to P16.4 million, which were previously recorded as part of property, plant and equipment, were transferred to intangible assets (see Note 12).

12. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2017 and 2016 are shown below and in the next page.

	Basketball Franchise	**Computer Software Licenses**	**Software Development Costs**	**Others**	**Total**
December 31, 2017					
Cost	P 176,861,660	P 195,704,242	P 9,638,891	P 1,262,393	P 383,467,186
Accumulated Amortization	-	(101,417,010)	(7,118,724)	-	(108,535,734)
Net carrying amount	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
December 31, 2016					
Cost	P 176,861,660	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated Amortization	-	(72,935,492)	(5,472,272)	-	(78,407,764)
Net carrying amount	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
January 1, 2016					
Cost	P -	P 127,553,120	P 5,560,142	P -	P 133,113,262
Accumulated amortization	-	(58,015,880)	(2,712,921)	-	(60,728,801)
Net carrying amount	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2017 and 2016 are shown below.

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
Balance at January 1, 2017, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
Additions		29,329,662	363,571	328,699	30,021,932
Amortization expense for the year	-	(28,481,518)	(1,646,452)	-	(30,127,970)
Balance at December 31, 2017, net of accumulated amortization	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**
Balance at January 1, 2016, net of accumulated amortization	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461
Additions	176,861,660	22,398,071	3,715,178	933,694	203,908,603
Transfers from property, plant and equipment	-	16,423,389	-	-	16,423,389
Amortization expense for the year	-	(14,919,612)	(2,759,351)	-	(17,678,963)
Balance at December 1, 2016, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490

The amount of amortization is presented as part of selling and administrative expenses in the consolidated statements of comprehensive income (see Note 22).

In 2016, computer software licenses amounting to P16.4 million were transferred from various property, plant and equipment (see Note 11).

13. INVESTMENT IN A JOINT VENTURE

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

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

Under the agreement, the joint venture has no restrictions as to transfer of funds in the form of cash dividends, or to repay loans or advances made by SPI. This account was derecognized as a result of deconsolidation of CISC in 2016 (see Note 1.5).

14. GOODWILL

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

	Note	**2017**	2016
Balance at beginning of year – net of allowance on impairment loss		**P 10,221,849**	P 84,516,663
Additions due to business combinations	1.4	**3,980,444,757**	-
Disposals due to deconsolidation		**-**	(74,294,814)
Balance at end of year		**P3,990,666,606**	P 10,221,849

In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized. There are no impairment losses recognized in 2017 and 2016. Based on management's assessment, the carrying amounts of the Goodwill as of both years are fully recoverable.

15. INVESTMENT PROPERTIES

The Group's investment properties were acquired through business combinations (see Note 1.4) and consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment properties amounted to P1.1 million in 2017 and is presented as part of Rent and Storage Income in the 2017 consolidated statement of comprehensive income. Real estate tax on investment properties amounting to P0.2 million was recognized as a related expense in 2017 and is presented as part of Taxes and Licenses under Selling and Administrative Expenses in the 2017 consolidated statement of comprehensive income (see Note 22).

The carrying amount of the investment properties totalled to P1,114.8 million in 2017 as a result of the acquisition of Duta Group. As a result of the increase in the appraisal values, the Group recognized in 2017 a gain on reversal of impairment amounting to P40.3 million, which was previously recognized before the business combination (see Note 1.4). Such is presented as part of Others under the Other Charges (Income) in the 2017 consolidated statement of comprehensive income.

Had the Group's investment properties been carried using the cost model, the carrying amount would have been P338.4 million as of December 31, 2017. The Group's investment properties were last revalued on October 2, 2017.

16. OTHER NON-CURRENT ASSETS

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

	Notes	2017	2016
Refundable rental deposits	27.3	**P 182,480,300**	P 140,817,250
Deferred minimum lease payments		**39,079,505**	37,913,977
Other prepayments		**-**	7,000,000
Others		**1,907,263**	6,352,989
		P 223,467,068	P 192,084,216

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 P2.7 million in 2017, P2.6 million in 2016 and P2.1 million in 2015 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 P2.7 million, P2.4 million and P2.4 million in 2017, 2016 and 2015, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2017	2016
Current:		
Liabilities under LC and TR	**P 5,139,141,223**	P 2,163,936,859
Term loans	**11,657,732,922**	7,989,944,730
Liabilities under short-term commercial papers	**-**	1,107,711,982
Obligations under finance lease	**-**	1,265,272
	16,796,874,145	11,262,858,843
Non-current –		
Term loans	**11,374,559,853**	1,921,565,000
	P28,171,433,998	P13,184,423,843

17.1 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 3.97% and 4.04% per annum in 2017 and 2016, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 9 and 27.5).

17.2 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 2017	Outstanding Balance 2016
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	7 years	4.02%	**P 5,799,559,853**	P -
ii. Notes Facility Agreement	*(b), (c)*	1.5 months to 5 years	3.75% - 4.94%	**4,600,000,000**	1,500,000,000
				10,399,559,853	1,500,000,000
Philippine National Bank (PNB)					
i. Notes Payable	*(c)*	2 months to 3 years	3.75% - 4.80%	**2,150,000,000**	1,000,000,000
ii. Term Loan Agreement	*(d)*	5 years	6.21%	**325,000,000**	425,000,000
				2,475,000,000	1,425,000,000
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(c)*	3 to 7 months	3.00% - 4.50%	**2,385,732,922**	-
ii. Medium-term loan	*(e)*	2 to 3 months	4.00%	**-**	1,800,000,000
				2,385,732,922	1,800,000,000
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(f)*	5 years	4.00%	**1,000,000,000**	**-**
ii. Notes Payable	*(c)*	2 to 3 months	3.75% - 4.04%	**900,000,000**	**-**
				1,900,000,000	-
Development Bank of the Philippines (DBP) – Notes Payable	*(c)*	2 to 3 months	2.71% - 3.53%	**1,200,000,000**	600,000,000
Rizal Commercial Banking Corporation	*(c)*	2 to 3 months	3.75%	**1,000,000,000**	-
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(b), (c)*	2 to 6 months	3.75% - 4.04%	**625,000,000**	400,000,000
ii. Term Loan Agreement	*(g)*	5 to 7 years	5.50 - 8.06%	**347,000,000**	447,500,000
				972,000,000	847,500,000
Philippine Veterans Bank (PVB)	*(c)*	1 month	3.50%	**600,000,000**	500,000,000
Bank of Commerce	*(c)*	3 months	3.50%	**500,000,000**	-
United Coconut Planters Bank	*(c)*	3 months	4.50%	**500,000,000**	200,000,000
Asia United Bank (AUB)	*(c)*	3 months	3.75%	**400,000,000**	-
Pentacapital Investment Corporation	*(c)*	3 months	5%	**400,000,000**	**-**
Union Bank of the Philippines (UBP)	*(c)*	2 months	3.50%-4.00%	**300,000,000**	-
China Banking Corporation (CBC) and Pentacapital	*(h)*	3 months to 7 years	3.25% - 7.75%	**-**	1,445,318,730
Philippine Business Bank (PBB)	*(c)*	3 months to 1 year	4.00%	**-**	1,000,000,000
Maybank International, Ltd.	*(b), (i)*	5 years	6.81% - 7.74%	**-**	348,691,000
Philippine Bank of Communication (PBCOMM)	*(c)*	3 months to 1year	4.25% - 4.50%	**-**	200,000,000
Maybank Philippines, Inc.	*(f)*	3 months to 5 years	3.50%-5.50%	**-**	45,000,000
				P 23,032,292,775	P 9,911,509,730

(a) TLA with BDO

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

Further, the Parent Company obtained a clean short-term loan from BDO on November 21, 2016 amounting to P500.0 million. The said loan was fully settled in 2017.

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month PDST-R2 rate and 150 basis points divided by 0.99, or 4% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month PDST-R2 and 150 basis points divided by 0.95, or 4% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

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.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(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.

On August 16, 2017, the Parent Company paid P0.5 million of the principal of the RBC loan. As of December 31, 2017, the balance of the RBC loan amounted to P47.0 million.

(c) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 3.00% to 4.50% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.5).

The total outstanding balance of the various promissory notes as of December 31, 2017 and 2016 are P14,560.7 million and P2,900.0 million, respectively.

(d) TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2017 and 2016, the outstanding principal balance amounted to P325.0 million and P425.0 million, respectively.

(e) Medium-Term Loan with MIB

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

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

(f) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2017, the outstanding principal balance amounted to P1,000.0 million.

(g) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2017 and 2016, the outstanding balance amounted to P347.0 million and P447.5 million, respectively.

(h) Notes Facility Agreement with CBC and Pentacapital

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

The Parent Company has paid the amount of P1,445.3 million on November 10, 2017. There is no outstanding balance of the note facility as of December 31, 2017.

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, 2017 and 2016 amounted to nil and P1,445.3 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenant requirements.

(i) TLA with Maybank International, Ltd.

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

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.20% per annum, or cost of funds plus a margin of 2.00% per annum, whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International, Ltd. reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

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

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

The balance of the principal of the loan amounted to nil and P264.1 million, translated into Philippine Peso using the closing rate as of December 31, 2016.

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, 2017 and 2016, the loan stood at nil and US$7.0 million or P348.6 million, respectively, using the closing rate as of reporting period. This loan was fully settled on January 31, 2017.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(j) TLA with Maybank Philippines

On July 18, 2012, the Parent Company signed with Maybank Philippines a five-year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.00% and is payable in twenty equal quarterly installments.

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

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

The outstanding balance of the loan as of December 31, 2017 and 2016 amounted to nil and P45.0 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

17.3 Liabilities under Short-term Commercial Papers

The outstanding balance of the STCP as of December 31, 2016 is P1,108.2 million. The same was fully settled by the Group on January 4, 2017. The Parent Company used the net proceeds to partly finance the regular importation of finished petroleum products through various banks.

There are no outstanding liabilities under STCP as of December 31, 2017.

17.4 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.

As of December 31, 2017 and 2016, the balance of finance lease liability is nil and P1.3 million, respectively.

17.5 Credit Line

The Parent Company has an available credit line under LC/TR of P8,902.3 million and P11,797.0 million and as of December 31, 2017 and 2016, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

17.6 Interest Expense

Interest expense for 2017, 2016 and 2015 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P780.9 million, P863.4 million and P786.9 million (see Note 23.1), respectively, net of the capitalized borrowing cost of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Liabilities under LC and TR (see Note 17)	Term Loans (see Note 17)	Liabilities under STCP (see Note 17)	Obligations under finance lease (see Note 17)	Other Non-current Liabilities (see Note 20)	Total
Balance as of January 1, 2017	P 2,163,936,859	P 9,911,509,730	P 1,107,711,982	P 1,265,272	P 258,584,286	P 13,443,008,129
Cash flows from financing activities						
Additional borrowings	-	35,895,647,657	1,121,000,000	-	-	37,016,647,657
Repayment of borrowings and TR	(18,099,859,838)	(22,776,136,983)	(2,228,711,982)	-	-	(43,104,708,803)
Non-cash financing activities						
Availment of LC and TR	21,075,064,202	-	-	-	-	21,075,064,202
Business combination	-	-	-	-	182,614,490	182,614,490
Increase in non-current liability	-	-	-	-	63,749,068	63,749,068
Interest expense from security deposits	-	-	-	-	6,341,824	6,341,824
Return on plan assets (excluding amounts included in net interest expense	-	-	-	-	3,399,323	3,399,323
Actuarial gain arising from changes in:						
Financial assumptions	-	-	-	-	(12,276,998)	(12,276,998)
Experience Adjustments	-	-	-	-	(5,001,689)	(5,001,689)
Demographic Adjustments	-	-	-	-	(355,175)	(355,175)
Interest amortization on finance lease obligation	-	-	-	(1,265,272)	-	(1,265,272)
Amortization of unrecorded discount	-	1,272,371	-	-	-	1,272,371
Interest expense from post-employment defined benefit obligation	-	-	-	-	576,720	576,720
Changes in the effect asset ceiling	-	-	-	-	174,463	174,463
Balance as of December 31, 2017	**P 5,139,141,223**	**P 23,032,292,775**	**P -**	**P -**	**P 497,806,312**	**P 28,669,240,310**

19. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2017	2016
Trade payables:			
Third parties		**P 3,092,973,317**	P 2,324,782,388
Related parties	27.2, 27.3	**20,995,548**	460,662,159
		3,113,968,865	2,785,444,547
Accrued expenses	27.3	**439,067,334**	256,953,308
Advances from customers		**108,796,437**	49,732,927
Retention payable		**78,959,503**	99,701,792
Non-trade payables		**13,344,313**	1,982,691
Others		**78,532,168**	38,837,351
		P 3,832,668,620	P 3,232,652,616

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

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

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

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2017	2016
Security deposits		**P 245,488,541**	P 219,790,571
Customers' cylinder deposits		**196,380,513**	-
Cash bond		**33,492,002**	-
Unearned rent		**20,724,633**	18,003,921
Post-employment defined benefit obligation	24.3	**1,720,623**	20,789,794
		P 497,806,312	P 258,584,286

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P6.3 million, P11.7 million and P4.8 million in 2017, 2016 and 2015, 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 P6.4 million, P8.1 million and P5.9 million as of December 31, 2017, 2016 and 2015, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI (see Note 1.4). In 2017, there were no refunds made to the dealers. The composition of this account in 2017 are as follows:

Deposits for cylinders	P 248,173,086
Less: Amortization of cylinder deposits	(51,792,573)
Deposits for cylinders	**P 196,380,513**

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

21. COST OF SALES AND SERVICES

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

	Notes	**2017**	2016	2015
Cost of fuels and lubricants sold	21.1	**P 36,814,878,142**	P 23,914,378,824	P 23,980,285,783
Cost of LPG	21.1	**1,093,919,764**	-	-
Cost of services	21.2	**-**	1,209,570,405	1,125,034,323
Cost of real estate sold	22	**-**	-	163,531,057
	22	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163

21.1 Cost of Fuels, LPG and Lubricants Sold

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

	Notes	**2017**	2016	2015
Inventories at beginning of year		**P 2,998,780,146**	P 2,638,614,688	P 2,870,829,069
Net purchases during the year		**47,778,391,525**	24,274,544,282	23,748,071,402
Business combination	1.4	**63,146,150**	-	-
Overhead costs	11.3	**38,427,130**	-	-
Goods available for sale		**50,878,744,951**	26,913,158,970	26,618,900,471
Inventories at end of year	8	**(12,969,947,045)**	(2,998,780,146)	(2,638,614,688)
		P 37,908,797,906	P 23,914,378,824	P 23,980,285,783

21.2 Cost of Services

There are no cost of services as of December 31, 2017. The details of cost of services as of December 31, 2016 and 2015 follows:

	Notes	2016	2015
Charter hire fees		P 219,480,628	P 343,889,275
Depreciation and amortization	11.3, 12	402,281,752	340,311,738
Salaries and employee benefits		223,104,624	110,723,141
Bunkering		128,272,479	95,822,033
Port expenses		69,045,193	59,642,363
Repairs and maintenance		47,398,625	62,261,852
Insurance		41,880,302	38,754,243
Taxes and licenses		18,061,125	17,855,083
Outside services		6,060,643	16,253,168
Service fees		5,228,607	27,706,457
Security services		2,650,929	3,147,040
Fuel, gas and lubricants		148,605	232,507
Professional fees		-	-
Others		45,956,893	8,435,423
		P 1,209,570,405	P 1,125,034,323

22. COSTS AND EXPENSES BY NATURE

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

	Notes	**2017**	2016	2015
Cost of inventories sold		**P 37,870,370,774**	P 23,914,378,824	P 23,980,915,783
Depreciation and amortization	11, 12	**850,380,505**	1,002,088,441	821,733,247
Freight and trucking charges		**667,780,304**	594,195,277	584,007,627
Rent	16, 27.3, 31.3	**654,110,277**	638,617,179	526,618,286
Taxes and licenses	15	**581,832,247**	336,339,378	184,277,952
Salaries and employee benefits	24.1	**438,875,069**	549,545,236	407,249,233
Advertising and promotions		**267,197,963**	85,071,762	84,319,851
Rebates		**258,688,946**	125,710,056	125,006,776
Service fees		**134,022,166**	88,540,285	124,781,797
Repairs and maintenance		**90,491,317**	118,676,191	125,914,426
Security fees		**82,623,951**	69,578,620	72,585,144
Utilities		**73,874,917**	60,577,393	61,064,494
Travel and transportation		**58,361,503**	50,971,497	39,522,659
Professional fees		**53,176,668**	107,609,032	39,967,826
Fuel, oil and lubricants		**50,194,019**	27,084,236	25,663,464
Insurance		**40,957,246**	71,213,196	83,349,159
Office supplies		**16,634,489**	12,914,083	10,843,835
Sales incentives		**13,481,660**	17,120,040	5,371,974
Representation		**9,814,799**	16,204,648	9,873,984
Deficiency taxes		**5,295,972**	81,276,439	6,335,281
Outside services		**2,881,506**	7,753,440	17,358,889
Charter hire fees	31.6	**-**	152,635,025	342,164,745
Bunkering		**-**	126,954,879	45,456,098
Port expenses		**-**	40,173,775	44,900,055
Cost of real estate sold	21	**-**	-	163,531,057
Miscellaneous	27.11	**99,493,930**	168,509,342	60,944,232
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

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

	Note	**2017**	2016	2015
Cost of sales and services	21	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163
Selling and administrative expenses		**4,411,742,322**	3,339,789,045	2,724,906,711
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	2017	2016	2015
Interest expense on bank loans and other borrowings	17.6	**P 780,917,196**	P 863,399,371	P 786,929,274
Impairment losses on trade and other receivables	7	**50,335,399**	112,986,854	79,208,744
Bank charges		**16,779,298**	18,828,373	11,184,239
Interest expense from security deposits	20	**6,341,824**	11,680,584	4,849,042
Interest expense from post-employment defined benefit obligation – net	24.3	**576,720**	1,678,468	3,665,593
Foreign currency exchange losses – net		**92,823**	-	37,827,699
Interest expense on advances from locators		**-**	-	33,555,541
Day-one loss on installment contract receivable		**-**	-	10,197,054
Others		**-**	10,703,374	1,265,121
		P 855,043,260	P 1,019,277,024	P 968,682,307

23.2 Finance Income

	Notes	2017	2016	2015
Foreign currency exchange gains – net		**P 38,148,337**	P 200,196,556	P -
Interest income from cash in banks	6	**15,662,627**	3,874,299	2,826,295
Interest income on amortization of rental deposits	16	**2,711,436**	2,566,528	2,138,101
Interest income from restricted deposits	9	**106,880**	669,278	576,599
Interest income from overdue trade receivables		**-**	380,957	-
Interest income from amortization of instalment contract receivable		**-**	-	2,012,838
		P 56,629,280	P 207,687,618	P 7,553,833

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2017	2016	2015
Short-term benefits:				
Salaries and wages		**P 323,104,897**	P 434,209,853	P 341,168,526
Employee welfare and other benefits		**63,959,232**	76,840,351	25,657,077
13th month pay and bonuses		**30,893,578**	23,944,763	29,114,952
Employee share options	24.2	**11,589,866**	5,757,780	-
Post-employment defined benefit	24.3	**9,327,496**	8,792,489	11,308,678
	22	**P 438,875,069**	P 549,545,236	P 407,219,233

24.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the 2017 and 2016 consolidated statements of comprehensive income amounted to P11.6 million and P5.8 million, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the 2017 and 2016 consolidated statements of financial position.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

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

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

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

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:

	2017	2016
Present value of obligation	**P 123,569,725**	P 59,336,376
Fair value of plan assets	**(121,849,102)**	(38,546,582)
	P 1,720,623	P 20,789,794

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

	2017	2016
Balance at beginning of year	**P 59,336,376**	P 74,572,352
Business combination	**75,111,933**	-
Current service cost	**9,327,496**	8,792,489
Remeasurements:		
Actuarial gains arising from:		
Changes in financial assumptions	**(12,276,998)**	(3,020,965)
Experience adjustments	**(5,001,689)**	(10,503,287)
Changes in demographic assumptions	**(355,175)**	-
Benefits paid from:		
Plan assets	**(7,100,000)**	(1,425,865)
Book reserves	**(5,453,559)**	-
Settlement loss	**3,582,092**	-
Interest expense	**6,399,249**	3,053,348
Effect of deconsolidation	**-**	(12,131,696)
Balance at end of year	**P 123,569,725**	P 59,336,376

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

	2017	2016
Balance at beginning of year	P 86,148,347	P 26,752,146
Contributions to the plan	41,209,772	15,863,865
Benefits paid from plan assets	(7,100,000)	(1,425,865)
Interest income	5,164,769	1,374,880
Return (loss)on plan assets (excluding amounts included in net interest)	(3,399,323)	1,836,547
Effect of the asset ceiling	(174,463)	-
Effect of deconsolidation	-	(5,854,991)
Balance at end of year	P 121,849,102	P 38,546,582

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

	2017	2016
Cash and cash equivalents	P 17,335,228	P 3,271,309
Quoted equity securities:		
Holding	6,115,830	4,994,451
Property	3,199,153	3,108,791
Construction	2,966,310	2,984,892
Telecommunications	2,226,695	2,298,766
Manufacturing (Preferred)	1,831,803	1,875,068
	16,339,791	15,261,968
Government bonds	44,335,183	-
Unit investment trust funds (UITF)	27,611,035	10,606,898
Unit Corporate Bonds	16,227,865	8,925,579
Unit STCP	-	480,828
	P 121,849,102	P 38,546,582

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	2017	2016	2015
Reported in profit or loss:				
Current service cost	24.1	**P 9,327,496**	P 8,792,489	P 11,308,678
Settlement loss		**3,582,092**	-	-
Net interest expense	23.1	**576,720**	1,678,468	3,665,593
		P 13,486,308	P 10,470,957	P 14,974,271
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Experience adjustments		**(P 5,001,689)**	(P 10,503,288)	P 25,371,878
Financial assumptions		**(12,276,998)**	(3,020,965)	(37,016,344)
Demographic assumptions		**(355,175)**	-	-
Effect of asset ceiling		**174,463**	-	-
Return on plan assets (excluding amounts included in net interest expense)		**3,399,323**	(1,836,547)	(6,472,239)
		(P 14,060,076)	(P 15,360,800)	(P 18,116,705)

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:

	2017	2016	2015
Discount rates	**5.70% to 5.82%**	5.38%	4.89% to 5.20%
Expected rate of salary increases	**5.00% to 6.00%**	5.00%	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 60 for both males and females is 25.7 and 20.9 for the Parent Company and PLPI, respectively.

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:

	2017		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 13,204,709)**	**P 15,537,569**
Salary increase rate	**+/- 1.00%**	**14,128,498**	**(12,313,513)**

	2016		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 5,517,594)	P 6,416,720
Salary increase rate	+/- 1.00%	6,190,908	(5,439,575)

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, 2017 and 2016 is allocated to market gains and losses and accrued receivables.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2017, the plan is underfunded by P1.5 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 P10.0 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:

	2017	2016
Within one year	**P 5,296,457**	P 2,128,954
More than one year to five years	**23,841,856**	23,512,544
More than five years to ten years	**81,961,568**	57,097,009
	P 111,099,881	P 82,738,507

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

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

25.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50.00% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

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

25.2 BOI Registration as New Industry Participant – Zamboanga Depot

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

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 25.1. The ITH will expire five years from November 25, 2010.

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

25.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited previously. 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.

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

25.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Companywas 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 previously.

The ITH incentive for Bacolod Storage Terminal expired last May 10, 2017.

25.5 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Cagayan de Oro City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired last May 10, 2017.

25.6 BOI Registration for MT Chelsea Thelma and MT Chelsea Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Chelsea Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Chelsea Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Chelsea Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

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

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

25.8 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in case earlier than the date of registration.

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

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent 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's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

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

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two (2) storage tanks. Under its new 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. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from October 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

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

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six (6) storage tanks. Under its new 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. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from November 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

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

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven (7) storage tanks. Under its new 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. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from January 2018 or date of registration whichever is earlier but in case earlier than the date of registration.

26. TAXES

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

	2017	2016	2015
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 262,725,051**	P 195,720,139	P 172,469,409
Final tax at 20.00% and 7.50%	**3,157,079**	1,928,511	712,198
Minimum corporate income tax (MCIT) at 2.00%	**1,657,937**	3,214,611	6,093,000
	267,540,067	200,863,261	179,274,607
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(65,268,048)**	(31,060,370)	6,568,943
	P 202,272,019	P 169,802,891	P 185,843,550
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 4,218,023**	P 4,608,240	P 13,304,602

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:

	2017	2016	2015
Tax on pretax profit at 30.00% and 17%	**P 598,236,352**	P 378,683,336	P 327,513,679
Adjustment for income subjected to lower income tax rates	**(186,606,000)**	(982,323)	(356,902)
Tax effects of:			
Adjustment for income and expenses under ITH	**(190,713,945)**	(212,788,085)	(158,876,440)
Reversal of deferred tax liability (DTL) on 2016 unrealized forex gain, realized in 2017	**(83,181,314)**	-	-
Non-deductible expenses	**62,995,167**	69,479,619	14,333,891
Reversal of MCIT	**3,157,282**	3,051,968	88,177
Reversal of net operating loss carry over (NOLCO)	**2,761,014**	179,839	4,320,436
Non-taxable income	**(2,732,284)**	(3,205,464)	(1,245,283)
Share benefit expense on on exercised stock options	**(2,528,710)**	-	-
Derecognition of previously recognized deferred tax assets (DTA)	**884,457**	4,759,159	65,992
Recognition of previously unrecognized DTA on impairment losses	**-**	(69,375,158)	-
Tax expense reported in consolidated profit or loss	**P 202,272,019**	P 169,802,891	P 185,843,550

The net deferred tax assets and liabilities as of December 31, 2017 and 2016 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2017	2016	**2017**	**2017**	2016	2015	**2017**	2016	2015
Deferred tax assets:									
Impairment losses on trade and other receivables	**P 135,499,033**	P 101,709,658	**P 37,745,041**	**(P 3,955,666)**	P 93,522,541	P 713,140	**P -**	P -	P -
Provision for losses on lost cylinders	**71,627,356**	-	**71,627,356**	**-**	-	-	**-**	-	-
NOLCO	**15,291,370**	11,174,605	**-**	**4,116,765**	4,808,625	(25,034,417)	**-**	-	-
Unamortized past service cost	**7,730,775**	-	**6,130,225**	**1,600,550**	-	(25,855)	**-**	-	-
MCIT	**6,620,729**	7,658,613	**-**	**(1,037,884)**	(1,248,706)	5,791,267	**-**	-	-
Post-employment benefit obligation	**3,110,141**	6,236,938	**7,097,383**	**(6,006,157)**	(618,401)	9,514,862	**(4,218,023)**	(4,608,240)	(5,435,012)
Unrealized foreign currency loss – net	**1,849,446**	-	**739,064**	**1,110,382**	-	-	**-**	-	-
Accrued rent expense	**-**	2,593,275	**-**	**(2,593,275)**	1,776,960	(65,992)	**-**	-	-
Others	**841,470**	-	**1,883,341**	**(1,041,871)**	-	(5,410,097)	**-**	-	-
	242,570,320	129,373,089	**125,222,410**	**(7,807,156)**	98,241,019	(14,517,092)	**(4,218,023)**	(4,608,240)	(5,435,012)
Deferred tax liabilities:									
Accrued rent income	**(10,704,083)**	**-**	**(597,973)**	**(10,106,110)**	-	-	-	-	-
Unrealized foreign currency gains – net	**-**	(83,181,314)	**-**	**83,181,314**	(67,180,649)	68,738	**-**	-	-
Revaluation reserves of tankers	**-**	-	**-**	**-**	-	7,559,066	**-**	-	-
Capitalized borrowing cost	**-**	-	**-**	**-**	-	320,345	**-**	-	-
	(10,704,083)	(83,181,314)	**(597,973)**	**73,075,204**	(67,180,649)	7,948,149	**-**	-	-
Net deferred tax asset	**P 231,866,237**	P 46,191,775	**P 124,624,437**						
Net deferred tax income (expense)				**P 65,268,048**	P 31,060,370	(P 6,568,943)	**(P 4,218,023)**	(P 4,608,240)	(P 5,435,012)

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
2017	P 25,917,269	P 7,775,181	2020
2016	23,172,463	6,951,739	2019
2015	1,881,501	564,450	2018
	P 50,971,233	P 15,291,370	

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 RCIT was higher than MCIT in 2016 while in the current year, MCIT was higher than RCIT for the years 2017 and 2015, respectively. MCIT was higher than RCIT for all the years presented for PPMI and SPTT, respectively.

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
2017	P -	P 1,657,937	P 1,657,937	P 1,657,937	2020
2016	-	2,266,676	2,266,676	2,266,676	2019
2015	-	2,696,116	2,696,116	2,696,116	2018
	P	P 6,620,729	P 6,620,729	P 6,620,729	

In 2017, 2016 and 2015, 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, PPHI, 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, 2017, 2016 and 2015 is presented in the next page.

Related Party Category*	Notes	Amount of Transactions 2017	2016	2015	Outstanding Balance 2017	2016
Other related parties under common ownership						
Sale of subsidiaries	1.5, 7,27.10	**P -**	P 3,000,000,000	P -	**P 500,000,000**	P 550,000,000
Sale of goods*	7, 27.1	**2,038,584,803**	120,662,536	22,168,571	**955,539,554**	157,624,601
Purchases of services*	19, 27.2	**115,202,871**	72,601,698	4,566,971	**20,995,548**	457,557,815
Advances to suppliers*	27.2	**-**	(438,294,800)	(24,800)	**-**	-
Management fees	7, 27.7	**(2,139,028)**	24,255,000	-	**86,598,808**	88,737,836
Rentals	19, 27.3	**41,194,056**	74,840,032	73,702,144	**2,740,627**	3,104,344
Due from related parties*	27.4	**(988,966,628)**	-	1,887,086	**518,004,898**	1,506,977,926
Donations	27.11	**-**	-	**100,000**	**-**	-
Udenna Corporation						
Advances to suppliers	7, 27.2	**13,456,176**	438,294,800	378,294,800	**424,838,624**	438,294,800
Rentals	19, 27.3	**1,101,775**	9,616,314	7,654,678	**710,545**	621,000
Joint Venture - SPI						
Sale of real estate	7, 27.7	**-**	-	402,192,000	**-**	-
Port revenues	7, 27.7	**-**	-	1,473,920	**-**	-
Key management personnel						
Salaries and employee benefits	27.8	**80,182,994**	66,518,009	63,672,431	-	-

**As a result of the deconsolidation of CISC and CSC (see Note 1.5), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

27.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2017, 2016 and 2015 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, 2017 and 2016.

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 2017, 2016 and 2015 amounted to P1.1 million, P9.6 million and P7.7 million, respectively. The outstanding rental payable amounting to P0.7 million and P0.6 million in 2017 and 2016, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

b. UDEVCO – of which total rent expense in the years 2017, 2016 and 2015 amounted to P6.3 million, P48.3 million and P57.4 million, respectively. Prepaid rent amounted to P1.3 million in 2017 and nil in 2016 (see Note 10). Rental deposit for the lease amounted to P6.5 million and P7.7 million as of December 31, 2017 and 2016, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

c. Valueleases, Inc. (VLI) – of which total rent expense in the years 2017, 2016 and 2015 amounted to P34.9 million, P25.7 million and P16.3 million, respectively. Prepaid rent amounted to P17.8 million in 2017 and nil in 2016 (see Note 10). Refundable rental deposits amounted to P15.0 million and P11.6 million as of December 31, 2017 and 2016, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.4 Due from Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2017 and 2016, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to CISC amounted to nil in 2017, P5.0 million in 2016 and nil in 2015. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	**2017**	2016
CISC		**P 496,819,699**	P 942,812,571
CLHC	27.10	-	500,000,000
UDEVCO	27.10	-	50,000,000
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**20,236,382**	13,256,329
CSC		**948,817**	929,026
		P 518,004,898	P 1,506,997,926

The movement of due from related parties as of December 31 is as follows:

	Notes	**2017**	2016
Balance at beginning of year		**P 1,506,997,926**	P 12,260,843
Collections		**(1,158,519,706)**	(25,000)
Reclassification	7, 27.10	**(500,000,000)**	-
Additions	27.10	**669,526,678**	1,494,762,083
Balance at end of year		**P 518,004,898**	P 1,506,997,926

No impairment loss is recognized in 2017, 2016 and 2015 related to the advances to related parties.

27.5 Loan Collateral

(a) Certain properties and a surety of a stockholder secured certain bank loans, notes payable and liabilities under LCs and TRs (see Notes 17.1, 17.2 and 17.5). The disposition of CSC resulted to the deconsolidation of the related liabilities.

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks see Note 9). Certain receivables and tankers owned by the Group and were also used as security on particular loans (see Note 7).

27.6 Transactions with SPI

In 2015, the Group sold real estate to SPI amounting to P402.2 million and is presented as part of the Sale of Real Estate account in the 2015 consolidated statement of comprehensive income. The related outstanding receivable amounting to P309.9 million is presented as part of Installment Contract Receivable under Trade and Other Receivables in the 2015 consolidated statement of financial position. Port revenues were also generated from SPI amounting to P1.5 million and is presented as part of Port Revenues account in the 2015 consolidated statement of comprehensive income.

The outstanding receivables from SPI are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015 based on management's assessment. This account was derecognized as a result of the deconsolidation (see Note 1.5).

27.7 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

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

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

The management has determined that there are no impairment losses required to be recognized as of December 31, 2017 and 2016.

27.8 Key Management Compensations

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

	2017	2016	2015
Salaries and wages	**P 59,621,546**	P 53,164,063	P 51,522,286
Honoraria and allowances	**6,242,372**	5,566,274	5,362,224
13th month pay and bonuses	**5,488,660**	7,384,629	6,479,132
Share-based payment	**5,207,284**	-	-
Post-employment benefits	**3,623,132**	403,043	308,789
	P 80,182,994	P 66,518,009	P 63,672,431

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, 2017 and 2016 is shown in Note 24.3. As of December 31, 2017 and 2016, 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 24.3.

27.10 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to CLC, and in CISC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P550.0 million is still receivable in 2017 and 2016, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2017 consolidated statement of financial position and Due from related parties account in 2016 in the 2016 consolidated statements of financial position (see Notes 7 and 27.4).

27.11 Others

The Group granted P0.1 million donations to Udenna Foundation, Inc. in 2015. 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		
	2017	2016	2015	**2017**	2016	2015
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	**30,000,000**	30,000,000	10,000,000	**P 30,000,000**	P 30,000,000	P 10,000,000
Issuance during the year	**-**	-	20,000,000	**-**	-	20,000,000
Balance at end of year	**30,000,000**	30,000,000	30,000,000	**30,000,000**	30,000,000	30,000,000
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**	25,000,000	25,000,000	**P 25,000,000**	P 25,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,428,777,232**	1,428,777,232	1,428,777,232	**P 1,428,777,232**	P1,428,777,232	P 1,428,777,232
Issuance during the year	**2,761,000**	-	-	**2,761,000**	-	-
Balance at end of year	**1,431,538,232**	1,428,777,232	1,428,777,232	**1,431,538,232**	1,428,777,232	1,428,777,232
Treasury shares	**-**	(54,393,300)	-	**-**	(330,679,783)	-
Issued and outstanding	**1,431,538,232**	1,374,383,932	1,428,777,232	**P 1,431,538,232**	P1,098,097,449	P 1,428,777,232
				P 1,456,538,232	P1,123,097,449	P 1,453,777,232

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 P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 28.4).

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the preferred shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall bepaid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 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	7.43% per annum
		PNX3B	8.11% per annum
(b)	Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	
(c)	Debt-to-equity ratio:	The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.	

28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

The market prices of the shares as of December 31 are as follows:

		2017		2016		2015
PNX (Common)	**P**	**12.88**	P	5.63	P	3.85
PNX 3A (Preferred)		**103.70**		105.00		103.50
PNX 3B (Preferred)		**108.80**		115.00		106.50

28.3 Track Registration of Shares

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

	2017	2016	2015
Common	**60**	66	66
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	2
d) PNX 3B	**4**	4	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		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		**2,550,000,000**				**P1,436,248,632**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000			P1,436,248,632
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		2,550,000,000			P1,406,233,932

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000			P1,406,233,932
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Total		2,550,000,000			P1,456,538,232

28.4 Additional Paid-in Capital

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

In addition, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P12.9 million (see Note 28.1 and 28.7). The fair value of stock options exercised during the year which was previously recorded as part of Retained Earnings in 2016 was reclassified to Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.6). The total amount reclassified from Retained Earnings amounted to P8.4 million which is computed at P3.05 per stock option.

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

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

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

28.5 Revaluation Reserves

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

	Property, Plant and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2017	P -	(P 12,148,102)	(P 12,148,102)
Remeasurements of defined post-employment obligation	-	14,060,076	14,060,076
Tax expense	-	(4,218,023)	(4,218,023)
Balance as of December 31, 2017	**P -**	**(P 2,306,049)**	**(P 2,306,049)**
Balance as of January 1, 2016	P 582,398,558	(P 23,103,292)	P 559,295,266
Remeasurements of defined post-employment obligation	-	15,360,800	15,360,800
Transfers to retained earnings as an effect of the deconsolidation	(557,555,573)	202,630	(557,352,943)
Depreciation transfer to retained earnings – revalued tankers	(24,842,985)	-	(24,842,985)
Tax expense	-	(4,608,240)	(4,608,240)
Balance as of December 31, 2016	P -	(P 12,148,102)	(P 12,148,102)

28.6 Retained Earnings

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On March 4, 2015, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million, record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 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.

28.7 ESOP

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

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

A total of P11.6 million and P5.8 million share-based executive compensation is recognized in 2017 and 2016, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2017 and 2016 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account (see Note 28.6).

28.8 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:

	2017	2016
Total liabilities	**P 32,519,210,369**	P 16,775,944,188
Total equity	**11,951,690,104**	9,762,093,733
Debt-to-equity ratio	**2.7 : 1.0**	1.72 : 1.0

The increase of the total assets and liabilities in 2017 is due to the business combinations, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired, as well as increase in interest-bearing loans and borrowings utilized for the acquisition. The increase in equity is the net effect business combination and the net profit in 2017 less the cash dividend declared and paid during the period for common shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

EPS were computed as follows:

	2017	2016	2015
a) Net profit pertaining to common shares	**P1,596,939,154**	P 902,592,062	P 861,146,033
b) Net profit attributable to common shares and potential common shares	**1,791,849,154**	902,592,062	861,146,033
c) Weighted average number of outstanding common shares	**1,372,487,454**	1,410,964,421	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	**1,377,270,489**	1,414,736,438	1,428,777,232
Basic EPS (a/c)	**P 1.16**	P 0.64	P 0.60
Diluted EPS (b/d)	**P 1.16**	P 0.64	P 0.60

The potential dilutive common shares totalling 4,783,035 and 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2017 and 2016. There are no potential dilutive shares in 2015.

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 succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2017 and 2016 and certain asset and liability information regarding industry segments as of December 31, 2017, 2016 and 2015 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
TOTAL REVENUES															
Sales to external customers	**P 43,955,424**	P 29,468,451	P 28,723,892	**P 469,557**	P 480,057	P 180,273	**P -**	P 628,160	P 556,576	**P 1,059**	P -	P 593,098	**P 44,426,040**	P 30,576,668	P 30,053,839
Intersegment sales	**4,180,373**	681,402	2,457,071	**-**	53,126	-	**-**	893,299	954,180	**22,338**	-	27,747	**4,202,711**	1,627,827	3,438,998
Total revenues	**48,135,797**	30,149,853	31,180,963	**469,557**	533,183	180,273	**-**	1,521,459	1,510,756	**23,397**	-	620,845	**48,628,751**	32,204,495	33,492,837
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	**45,211,276**	27,803,118	29,289,175	**437,631**	350,437	169,360	**-**	935,922	907,624	**23,964**	-	259,345	**45,672,871**	29,089,477	30,625,504
Depreciation and amortization	**841,340**	576,126	364,440	**9,040**	45,912	113,146	**-**	380,050	317,677	**-**	-	26,470	**850,380**	1,002,088	821,733
	46,052,616	28,379,244	29,653,615	**446,671**	396,349	282,506	**-**	1,315,972	1,225,301	**23,964**	-	285,815	**46,523,251**	30,091,565	31,447,237
SEGMENT OPERATING PROFIT (LOSS)	**P 2,083,181**	P 1,770,609	P 1,527,348	**P 22,886**	P 136,834	(P 102,233)	**P -**	P 205,487	P 285,455	**(P 567)**	P -	P 335,030	**P 2,105,500**	P 2,112,930	P 2,045,600
ASSETS AND LIABILITIES															
Segment assets	**P 47,968,156**	P 26,341,954		**P 493,812**	P 315,121		**P -**	P -		**P 411,922**	P -		**P 48,873,890**	P 26,657,074	
Segment liabilities	**33,730,458**	16,702,349		**363,152**	195,875		**-**	-		**324,150**	-		**34,417,760**	16,898,224	

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).

	2017	2016	2015
Revenues			
Total segment revenues	**P 48,628,751**	P 32,204,495	P 33,492,837
Elimination of intersegment revenues	**(4,202,711)**	(1,627,827)	(3,438,998)
Revenues as reported in profit or loss	**P 44,426,040**	P 30,576,668	P 30,053,839
Profit or loss			
Segment operating profit	**P 2,105,500**	P 2,112,930	P 2,045,600
Other unallocated income	**687,035**	11,006	16,311
Other unallocated expense	**-**	(50,069)	(9,070)
Operating profit as reported in profit or loss	**2,792,535**	2,073,867	2,052,841
Finance costs	**(855,043)**	(1,019,277)	(968,682)
Finance income	**56,629**	207,688	7,554
Profit before tax as reported in profit or loss	**P 1,994,121**	P 1,262,278	P 1,091,713
Assets			
Segment assets	**P 48,642,024**	P 26,610,882	
Deferred tax asset – net	**231,866**	46,192	
Elimination of intercompany accounts	**(4,402,990)**	(119,036)	
Total assets reported in the consolidated statements of financial position	**P 44,470,900**	P 26,538,038	
Liabilities			
Segment liabilities	**P 34,417,760**	P 16,898,224	
Elimination of intercompany accounts	**(1,898,550)**	(122,280)	
Total liabilities as reported in the consolidated statements of financial position	**P 32,519,210**	P 16,775,944	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2017, the Group has commitments of more than P2,000.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 530 operating retail service stations as of December 31, 2017. An additional of eight retail service stations are under various stages of completion as of December 31, 2017.

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, 2017 and December 31, 2016, the Parent Company has unused LCs amounting to P8,652.3 million and P10,660.0 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 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2017	2016
Within one year	**P 371,674,361**	P 477,468,634
After one year but not more than five years	**1,187,252,691**	1,760,293,260
More than five years	**1,554,982,467**	1,679,047,783
	P 3,113,909,519	P 3,916,809,677

Total rent expense for the years 2017, 2016 and 2015 amounted to P654.1 million, P638.6 million and P526.6 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 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2017	2016
Within one year	**P 87,237,539**	P 87,312,939
After one year but not more than five years	**138,482,193**	192,179,372
More than five years	**23,917,284**	27,359,104
	P 249,637,016	P 306,851,415

Rent income in 2017, 2016 and 2015 amounting to P 91.6 million, P97.3 million and P94.5 million, respectively, is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

31.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2017		2016	
	Future MLP	**PV of NMLP**	Future MLP	PV of NMLP
Within one year	**P -**	**P -**	P 1,291,875	P 1,265,272
After one year but not more than five years	**-**	**-**	-	-
			1,291,875	1,265,272
Amounts representing finance charges	**-**	**-**	(26,603)	-
Present value of MLP	**P -**	**P -**	P 1,265,272	P 1,265,272

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 17.4).

31.6 Charter Agreements

In 2015, 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 Purchase of LPG cylinders

During the year, PLPI placed an order with a third party to acquire additional LPG cylinders, to augment its current operations and re-establish its market in the Luzon areas. Contractual commitments resulting from such orders amounting to around P1.0 billion and it is payable in 2018. PLPI does not have any other material purchase commitments as at December 31, 2017.

31.8 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

(a) In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the SC, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court (SC), Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(b) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(c) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(d) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

(e) Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the BOD except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Parent Company's closure and take-over of six Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

(f) The Parent 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 has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

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

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2017 and 2016, 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.

32. EVENTS AFTER THE BALANCE SHEET DATE

32.1 Acquisition of a New Subsidiary

On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in Philippine FamilyMart CVS, Inc. (PFM) from its shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation. PFM is engaged in operating convenience stores under the trademark "Family Mart".

A new exclusive Area Franchise Agreement of the Family Mart branch of convenience store in the Philippines was granted to Philippine FamilyMart CVS, Inc. under the management of the Parent Company. The transaction was approved by the Philippine Competition Commission (PCC) sometime in January 2018.

32.2 Joint Venture Agreement

On January 16, 2018, the Parent Company has entered into a JV agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and Mr. Carlito B. Castrillo to set-up and incorporate a JV company – PhilAsphalt (Dev't) Corporation (PhilAsphalt). The JV company will be registered for the purpose of operating, marketing and distribution of bitumen and bitumen-related products in the Philippines. The authorized share capital of PhilAsphalt will be P275.0 million divided into 275.0 million shares with par value of P1 per share. Both the Parent Company and TIPCO Asphalt's percentage of shareholding will be 40% each and 20.00% for Mr. Castrillo.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	2	0	0	2	0	7	2	8	3

Company Name

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

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

STELLA HIZON REYES ROAD,
BO. 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
	(082) 235-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
60	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. JOSEPH JOHN L. ONG	jojo.ong@phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road, Bo. 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.*

PHOENIX
Fuels Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
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 Council as of December 31, 2017
d) Schedule showing financial soundness indicators

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

2018 FEB 19 A8 :31

Domingo T. Uy
Chairman

Dennis A. Uy
President

Joseph John L. Ong
Chief Financial Officer

REPUBLIC OF THE PHLIPPINES)
City of Davao) S.S.

SUBSCRIBED AND SWORN to before me on FEB 15 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

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

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

Doc. No. 516;
Page No. 105;
Book No. 91;
Series of 2018.

KENNETH L. DABI NOTARY PUBLIC Roll No. 47866 Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-4055-2018
PTR No. 6667637; 01-04-18; D.C.
IBP No. 024561; 01-08-18; D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

9883 '18 FEB 19 A8 :31

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Grant Thornton

An instinct for growth™

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1200 Makati City
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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 and Stockholders
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, 2017, on which we have rendered our report dated February 15, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, Makati City
SEC Group A Accreditation
Partner – No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 15, 2018

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
DECEMBER 31, 2017

Description		*Carrying Value*		*Fair Value*
Loans and receivables:				
Cash and cash equivalents	P	1,831,542,441	P	1,831,542,441
Trade and other receivables - net[1]		6,843,698,948		6,843,698,948
Due from related parties		518,004,898		518,004,898
Restricted deposits		51,281,559		51,281,559
Refundable rental deposits		182,480,300		182,480,300
	P	**9,427,008,146**	**P**	**9,427,008,146**

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, 2017

Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Reclassification*	*Ending Balance*		*Balance at end of period*
					Current	*Non-current*	
Calaca Industrial Seaport Corporation	P 942,812,571	P 662,319,699	P 1,108,312,571	P -	P 496,819,699	P -	P 496,819,699
P-H-O-E-N-I-XPhilippines Foundation, Inc.	13,256,329	7,187,188	207,135	-	20,236,382	-	20,236,382
Chelsea Shipping Corporation	929,026	19,791	-	-	948,817	-	948,817
Chelsea Logistics Holdings Corp.	500,000,000	-	-	500,000,000	-	-	-
Udenna Development (UDEVCO) Corporation	50,000,000	-	50,000,000	-	-	-	-
	P 1,506,997,926	**P 669,526,678**	**P 1,158,519,706**	**P 500,000,000**	**P 518,004,898**	**P -**	**P 518,004,898**

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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, 2017

Creditor	Name and designation of debtor	Balance at beginning of period	Business Combination	Additions	Amounts Collected	Set-off and Adjustments	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.									
Advances to subsidiaries/parent	P-H-O-E-N-I-X Global Mercantile, Inc.	P 1,185,008	P -	P 92,000	P -	P -	P 1,277,008	P -	P 1,277,008
	PFL Petroleum Management, Inc.	52,968,464	-	218,000	-	-	53,186,464	-	53,186,464
	Subic Petroleum Trading and Transport	(7,749,082)	-	1,769,918,270	1,164,298,616	-	597,870,572	-	597,870,572
	Phoenix Singapore, PTE Ltd.		-	47,996,716	-	-	47,996,716	-	47,996,716
	DUTA, Inc.	-	267,349,103	-	-	-	267,349,103	-	267,349,103
		P 46,404,390	**P 267,349,103**	**P 1,818,224,986**	**P 1,164,298,616**	**P -**	**P 967,679,863**	**P -**	**P 967,679,863**
P-H-O-E-N-I-X Petroleum Philippines, Inc.									
Trade and Other Receivables	P-H-O-E-N-I-X Global Mercantile, Inc.	P -	P -	P 7,721,015	P 177,985	P -	P 7,543,030	P -	P 7,543,030
	PFL Petroleum Management, Inc.	38,608,134	-	18,700,088	6,291,831	-	51,016,391	-	51,016,391
	Phoenix LPG Philippines, Inc.	-	-	107,841,464	14,443,053	-	93,398,411	-	93,398,411
		P 38,608,134	**P -**	**P 134,262,567**	**P 20,912,869**	**P -**	**P 151,957,832**	**P -**	**P 151,957,832**
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P -	P -	P 119,024	P -	P -	P 119,024	P -	P 119,024
		P -	**P -**	**P 119,024**	**P -**	**P -**	**P 119,024**	**P -**	**P 119,024**
Phoenix LPG Philippines, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 8,229,284	P 7,857	P -	P 8,237,141	P -	P -	P -
Advances in subsidiaries/parent	DUTA, Inc.	-	47,315,123	521,212	10,936,335	146,195	36,753,805	-	36,753,805
	Kaparangan, Inc.	-	14,520,958	62,128	422,128	215,523	13,945,435	-	13,945,435
		P -	**P 70,065,365**	**P 591,197**	**P 11,358,463**	**P 8,598,859**	**P 50,699,240**	**P -**	**P 50,699,240**
DUTA, Inc.	Phoenix LPG Philippines, Inc. *(Lease Receivable)*	P -	P -	P 12,677,635	P -	P -	P 12,677,635	P -	P 12,677,635
		P -	**P -**	**P 12,677,635**	**P -**	**P -**	**P 12,677,635**	**P -**	**P 12,677,635**

Terms and conditions:
All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2017

Description	*Beginning balance*	*Additions at cost*	*Deductions*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Other Non-Current assets						
Goodwill	P 10,221,849	P 3,980,444,757	P -	P -	P -	P 3,990,666,606
Basketball franchise	176,861,660	-	-	-	-	176,861,660
Computer software licenses	93,439,088	29,329,660	28,481,518	-	-	94,287,230
Software cost	3,803,048	363,571	1,646,452	-	-	2,520,167
Others	933,694	328,699	-	-	-	1,262,393
TOTAL	**P 285,259,339**	**P 4,010,466,687**	**P 30,127,970**	**P -**	**P -**	**P 4,265,598,056**

Explanation:
Addition to goodwill was due to the acquisition of PLPI; and,
Charged to cost and expenses under Computer Software Licenses was due to amortizations of Intangible Assets.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2017

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*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	P 1,000,000,000	P -	P 1,000,000,000	Interest rate of 4.0179%, five year term, maturing on, August 18, 2021
Robinsons Bank Corporation	500,000,000	100,000,000	200,000,000	Interest rate of 5.79%, five-year term, maturing on October 9, 2020
Philippine National Bank	500,000,000	100,000,000	225,000,000	term, maturing on January 2, 2021
BDO Unibank, Inc.	6,000,000,000	-	5,799,559,853	Interest rate of 4.0404%, seven-year term, maturing on August 7, 2024
Land Bank of the Philippines	1,000,000,000	-	1,000,000,000	Interest rate of 4.00%, three-year term, maturing on November 3, 2020
Asia United Bank	400,000,000	400,000,000	-	Interest rate of 3.75%, maturing on January 22, 2018
Bank of Commerce	500,000,000	500,000,000	-	Interest rate of 3.50%, maturing on March 27, 2018
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.21%, maturing on November 10, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.91%, maturing on November 10, 2022
BDO Unibank, Inc.	500,000,000	500,000,000	-	Interest rate of 3.75%, maturing on March 13, 2018
BDO Unibank, Inc.	1,100,000,000	1,100,000,000	-	Interest rate of 4.00%, maturing on April 19, 2018
Development Bank of the Philippines	1,000,000,000	1,000,000,000	-	Interest rate of 2.71%, maturing on March 20, 2018
Development Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.53%, maturing on February 13, 2018
Land Bank of the Philippines	500,000,000	500,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 4.04%, maturing on March 2, 2018
Philippine National Bank	1,000,000,000	-	950,000,000	Interest rate of 4.80%, maturing on April 3, 2020
Philippine National Bank	1,000,000,000	1,000,000,000	-	Interest rate of 3.75%, maturing on January 2, 2018
Philippine National Bank	200,000,000	200,000,000	-	Interest rate of 4.25%, maturing on February 28, 2018
Philippine Veterans Bank	600,000,000	600,000,000	-	Interest rate of 3.50%, maturing on January 12, 2018
Rizal Commercial Banking Corporation	400,000,000	400,000,000	-	Interest rate of 3.75%, maturing on January 27, 2018
Rizal Commercial Banking Corporation	600,000,000	600,000,000	-	Interest rate of 3.75%, maturing on March 15, 2018
Robinsons Bank Corporation	200,000,000	200,000,000	-	Interest rate of 3.75%, maturing on January 19, 2018
Robinsons Bank Corporation	100,000,000	100,000,000	-	Interest rate of 3.75%, maturing on January 22, 2018
Robinsons Bank Corporation	325,000,000	325,000,000	-	Interest rate of 3.75%, maturing on January 26, 2018
United Coconut Planters Bank	500,000,000	500,000,000	-	Interest rate of 4.50%, maturing on March 19, 2018
Union Bank of the Philippines	100,000,000	100,000,000	-	Interest rate of 4.00%, maturing on February 13, 2018
Union Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.50%, maturing on January 19, 2018
Multinational Investment Bancorporation	2,385,732,922	2,185,732,922	200,000,000	Interest rates from 3.00% to 4.50%, maturing on various dates
Penta Capital Investment Corporation	400,000,000	400,000,000	-	Interest rate of 5.00%, maturing on March 21, 2018
Robinsons Bank Corporation	50,000,000	47,000,000	-	Interest rate of 7.70%, seven-year term, maturing on August 23, 2018
Total Installment, notes and loans payable	23,660,732,922	11,657,732,922	11,374,559,853	
TOTAL	**P 23,660,732,922**	**P 11,657,732,922**	**P 11,374,559,853**	

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Schedule H - Capital Stock
December 31, 2017

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 - 1,374,383,932	2,500,000,000	1,431,538,232	-	83,475,787	6,001,110	1,342,061,335

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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, 2017

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			**P**	**2,398,853,957**
Net Profit based on the audited Statement of Comprehensive Income	P	1,023,117,873		
Less: Non-actual/unrealized income net of tax				
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument		8,794,918		
Add: Non-actual losses				
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents		2,674,083		
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument		9,038,610		
Subtotal		11,712,693		
Net income actually earned during the period		1,026,035,648		1,026,035,648
Add/Less:				
Dividend declarations during the period:				
Common shares cash dividends	(	136,208,383)		
Preferred shares cash dividends	(	194,910,000)	(	331,118,383)
Treasury shares				-
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING			**P**	**3,093,771,222**

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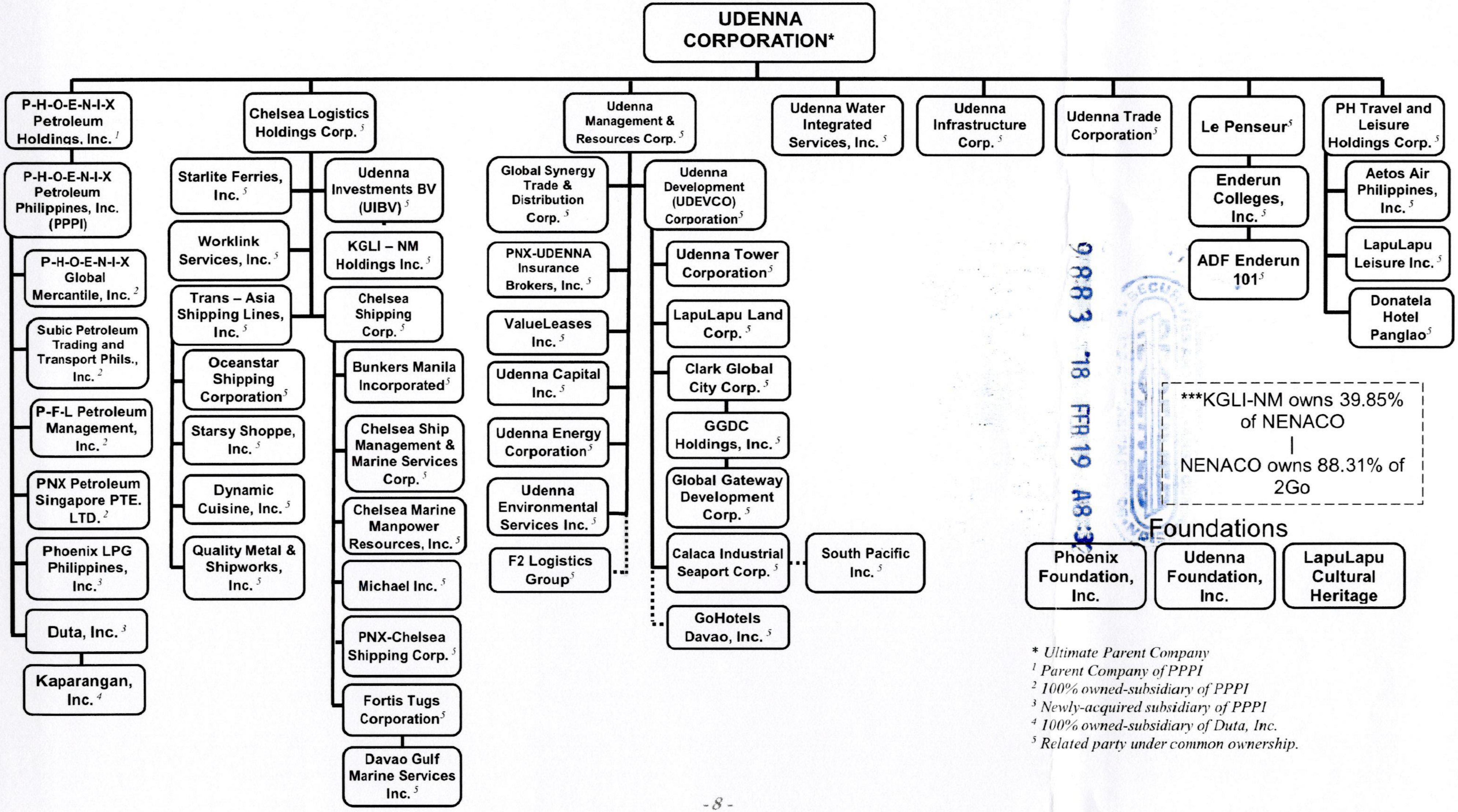
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE
DECEMBER 31, 2017



** Ultimate Parent Company*
[1] Parent Company of PPPI
[2] 100% owned-subsidiary of PPPI
[3] Newly-acquired subsidiary of PPPI
[4] 100% owned-subsidiary of Duta, Inc.
[5] Related party under common ownership.

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

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

<table>
<tr><th colspan="2">PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</th><th>Adopted</th><th>Not Adopted</th><th>Not Applicable</th></tr>
<tr><td colspan="2">Framework for the Preparation and Presentation of Financial Statements</td><td>✓</td><td></td><td></td></tr>
<tr><td colspan="2">Conceptual Framework Phase A: Objectives and Qualitative Characteristics</td><td>✓</td><td></td><td></td></tr>
<tr><td colspan="2">Practice Statement Management Commentary</td><td></td><td>✓</td><td></td></tr>
<tr><td colspan="5">Philippine Financial Reporting Standards (PFRS)</td></tr>
<tr><td rowspan="6">PFRS 1 (Revised)</td><td>First-time Adoption of Philippine Financial Reporting Standards</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 1: Government Loans</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 1: Deletion of Short-term Exemptions</td><td>✓</td><td></td><td></td></tr>
<tr><td rowspan="4">PFRS 2</td><td>Share-based Payment</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 2: Vesting Conditions and Cancellations</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective January 1, 2018)</td><td></td><td></td><td>✓</td></tr>
<tr><td rowspan="2">PFRS 3 (Revised)</td><td>Business Combinations</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)</td><td>✓</td><td></td><td></td></tr>
<tr><td rowspan="3">PFRS 4</td><td>Insurance Contracts</td><td></td><td></td><td>✓</td></tr>
<tr><td>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</td><td></td><td></td><td>✓</td></tr>
<tr><td>Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance Contracts (effective January 1, 2018)</td><td></td><td></td><td>✓</td></tr>
<tr><td>PFRS 5</td><td>Non-current Assets Held for Sale and Discontinued Operations</td><td></td><td></td><td>✓</td></tr>
<tr><td>PFRS 6</td><td>Exploration for and Evaluation of Mineral Resources</td><td></td><td></td><td>✓</td></tr>
<tr><td rowspan="8">PFRS 7</td><td>Financial Instruments: Disclosures</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 7: Transition</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 7: Disclosures – Transfers of Financial Assets</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities</td><td>✓</td><td></td><td></td></tr>
<tr><td>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (effective when PFRS 9 is first applied)</td><td></td><td></td><td>✓</td></tr>
<tr><td>PFRS 8</td><td>Operating Segments</td><td>✓</td><td></td><td></td></tr>
<tr><td rowspan="2">PFRS 9</td><td>Financial Instruments (2014)* (effective January 1, 2018)</td><td></td><td></td><td>✓</td></tr>
<tr><td>Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)</td><td></td><td></td><td>✓</td></tr>
</table>

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
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	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
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	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
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	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss *(effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)*			✓
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	✓		
	Amendments 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	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
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	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property* (*effective January 1, 2018*)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
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	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (*effective January 1, 2018*)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
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	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
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 2017 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** for the year ended **December 31, 2017.**

In discharging this responsibility, I hereby declare that I, **Jonarest Z. Sibog,** am the **Controller**, of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** and was hired to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan and Arraullo who/which is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

15 February 2018, Davao City Philippines.

JONAREST Z. SIBOG CPA,MBA
Affiant

SUBSCRIBED AND SWORN TO before me on FEB 15 2018 in Davao City, Philippines. Affiant has confirmed her identity by presenting her competent evidence of identity which is her PRC License with No. 0131121, issued on March 31, 2016 in Davao City, Philippines containing her photo and signature and that she further attests that the same is true and correct.

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KENNETH L. DABI NOTARY PUBLIC Roll No. 47866 Davao City, Philippines

2018 FEB 15 A8:37

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-0055-2018
PTR No. 6867637; 01-04-18; D.C.
IBP No. 024561; 01-08-18; D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City