PHOENIX
Fuels Life

08 May 2013

Ms. Janet A. Encarnacion
Head, Disclosure Department
4/F, The Philippine Stock Exchange, Inc.
PSE Center, Exchange Road, Ortigas Center
Pasig City, Metro Manila

Dear ***Ms. Encarnacion:***

We are herewith submitting the Company's first quarter report for period ended 31 March 2013 (SEC 17-Q) in compliance with the Securities Regulation Code and Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

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

P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

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

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

Dennis A. Uy
Contact Person

(082) 235-8888
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year Ending

SEC FORM 17-Q
FORM TYPE

last Friday

3		XX

Month Day
Annual Meeting

N/A
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1.	For the quarterly period ended:	**March 31, 2013**
2.	SEC identification number:	A200207283
3.	BIR Tax Identification No.	006-036-274
4.	Exact name of issuer as specified in its charter	**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5.	Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6.	Industry Classification Code:	(SEC Use Only)
7.	Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
	Postal Code:	8000
8.	Issuer's telephone number, including area code:	(082) 233-0168
9.	Former name, former address and former fiscal year, if changed since last report:	Not Applicable

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

Title of each class	Number of Shares Outstanding
COMMON	1,099,059,416.00
PREFERRED	5,000,000.00

Amount of Debt Outstanding as of March 31, 2013:	P 11,742,128,933.00

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

12. Check whether the issuer has:

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

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [✓] No [ ]

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P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND DECEMBER 31, 2012
(Amounts in Philippine Pesos)

	Notes	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	P 976,515,674	P 438,510,937
Trade and other receivables - net	7	3,431,737,942	3,557,002,879
Inventories	8	4,070,855,158	3,688,759,676
Land held for sale and land development costs	9	501,308,589	502,030,559
Due from related parties	24	12,129,315	8,300,000
Restricted deposits	10	83,474,305	82,694,029
Input value-added tax - net		175,402,364	392,968,622
Other current assets	11	326,726,113	296,735,523
Total Current Assets		9,578,149,460	8,967,002,225
NON-CURRENT ASSETS			
Installment contract receivable		-	-
Land held for future development	13	289,800,197	289,078,227
Property and equipment - net	12	7,285,342,126	6,998,785,817
Goodwill	15	84,516,663	84,516,663
Other non-current assets	14	402,891,736	167,807,348
Total Non-current Assets		8,062,550,721	7,540,188,055
TOTAL ASSETS		P 17,640,700,181	P 16,507,190,280
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	P 2,418,091,527	P 4,119,347,152
Trade and other payables	17	3,032,936,756	1,547,105,184
Due to related parties	24	85,729,611	85,551,745
Total Current Liabilities		5,536,757,894	5,752,004,081
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	5,716,202,719	5,795,974,645
Deferred Tax Liability		135,854,016	114,004,950
Other non-current liabilities	18	353,314,305	344,755,293
Total Non-current Liabilities		6,205,371,039	6,254,734,888
Total Liabilities		11,742,128,933	12,006,738,969
EQUITY			
Common stock*	25	1,036,059,416	906,059,416
Preferred stock	25	5,000,000	5,000,000
Additional paid-in capital	25	3,109,616,774	2,051,723,794
Revaluation reserves	25	294,152,102	294,152,102
Other reserves		(622,952,239)	(622,952,239)
Retained earnings	25	2,076,695,195	1,866,468,238
Total Equity		5,898,571,248	4,500,451,311
TOTAL LIABILITIES AND EQUITY		P 17,640,700,181	P 16,507,190,280

* *Subscribed Capital Stock-Common is 1,099,059,416 shares, Paid-up is 1,036,059,416 shares.*

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED MARCH 31, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	For three Months January 1 to March 31	
		2013 Unaudited	2012 Unaudited
REVENUES			
Sale of goods - net		P 10,183,456,857	P 8,203,910,546
Fuel service, Shipping, storage income and other revenue		68,581,748	102,172,833
		10,252,038,605	8,306,083,379
COST AND EXPENSES			
Cost of sales and services	19	9,475,708,602	7,638,852,029
Selling and administrative expenses	20,21	400,919,050	336,716,806
	20	9,876,627,652	7,975,568,835
OTHER INCOME (CHARGES)			
Finance costs-Net		(150,964,444)	(120,166,217)
Others		7,304,884	9,500,275
		(143,659,560)	(110,665,942)
INCOME BEFORE TAX		231,751,393	219,848,603
PROVISION FOR INCOME TAX	23	(7,149,436)	(6,985,768)
NET PROFIT		P 224,601,957	P 212,862,834
Earnings per share	26	0.23	0.22

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED MARCH 31, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		231,751,393	219,848,603
Adjustments for:			
Interest expense		152,765,589	108,415,105
Depreciation and amortization	12	81,091,444	82,636,052
Interest income		(1,801,145)	(1,761,228)
Impairment losses		900,000	900,000
Operating income before working capital changes		464,707,282	410,038,532
Increase in trade and other receivables		124,364,937	(559,821,793)
Decrease (increase) in inventories		(382,095,482)	(27,311,161)
Decrease (increase) in restricted deposits		(780,276)	(10,438,054)
Increase in input value-added tax		217,566,258	8,323,386
Increase in other current assets		(29,990,590)	(22,023,224)
Decrease (increase) in Installment Receivable		-	9,002,788
Decrease (Increase) in land held for sale and development costs		721,970	-
Increase (Decrease) in trade and other payables		1,485,831,572	(1,786,835,131)
Cash generated from (used in) operations		1,880,325,670	(1,979,064,657)
Provision for Taxes		(7,149,436)	(6,985,768)
Net Cash From (Used in) Operating Activities		1,873,176,235	(1,986,050,425)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisitions of property and equipment	12	(367,647,753)	(666,756,125)
Increase in land held for future development		(721,970)	
Net increase in other non-current assets		(235,084,388)	(188,466,121)
Interest received		1,801,145	1,761,228
(Payment) Collections from related parties		(3,651,449)	(69,986,505)
Net Cash From (Used) in Investing Activities		(605,304,414)	(923,447,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (Decrease) increase in loans and borrowings		(1,781,027,551)	2,161,583,830
Interest paid		(152,765,589)	(108,415,105)
Borrowings from related parties	24		
Increase (Decrease) in non-current liabilities		30,408,077	25,393,090
Additional/Adjustment during the year	25		201
Payments of cash dividends	25	(14,375,000)	(64,274,888)
Net Proceeds in the Issuance of New Common Stocks	25	1,187,892,980	-
Increase (Decrease) on revaluation reserves			(73,957,965)
Increase (Decrease) on Other reserves		-	622,952,239
Net Cash From (Used) Financing Activities		(729,867,084)	2,563,281,402
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		538,004,737	(346,216,547)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	438,510,937	924,008,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	976,515,674	577,791,968

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2013 AND 2012
(Amounts in Philippine Pesos)

	Note	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
COMMON STOCK	25		
Balance at beginning of year		P 906,059,416	P 661,123,209
Stock dividends			244,936,208
Issuance during the period		130,000,000	-
Balance at end of year*		1,036,059,416	906,059,416
PREFERRED STOCK	25		
Balance at beginning of year		5,000,000	P 5,000,000
Balance at end of period		P 5,000,000	5,000,000
ADDITIONAL PAID-IN CAPITAL	25		
Balance at beginning of year		2,051,723,794	2,051,723,794
Additions		1,057,892,980	-
Balance at end of period		3,109,616,774	2,051,723,794
Revaluation Reserves	25	294,152,102	294,152,102
Other Reserves	25	(622,952,239)	(622,952,239)
RETAINED EARNINGS			
Balance at beginning of year		1,866,468,238	1,276,604,552
Net profit		224,601,957	305,492,832
Stock dividends	25	-	(113,047,475)
Cash dividends	25	(14,375,000)	(66,432,494)
Balance at end of period		2,076,695,195	1,402,617,415
TOTAL EQUITY		P 5,898,571,248	P 4,036,600,488

* *Subscribed Capital Stock-Common is 1,099,059,416 shares, Paid-up is 1,036,059,416 shares.*

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 AND DECEMBER 31, 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

The Company is registered with the Board of Investments (BOI) effective November 16, 2005 as a New Industry Participant with New Investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479 (Downstream Oil Industry Deregulation Act of 1998). Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment Code of 1987. Under its registration, the Company is also entitled to certain tax and non-tax incentives to include Income Tax Holiday (ITH) for five (5) years from November 16, 2005.

The Company was also registered with the BOI on February 26, 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 various locations. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

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

Location of Project	Date of Registration	Income Tax Holiday Period	Income Tax Holiday Expiry
Calaca, Batangas	February 26, 2010	5 years	February 25, 2015
Davao Expansion	May 14, 2010	5 years	May 13, 2015
Zamboanga	November 25, 2010	5 years	November 24, 2015
Phividec (CDO) Depot	May 10, 2012	5 years	09-May-2017
Bacolod Depot	May 10, 2012	5 years	09-May-2017

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

Its Parent Company's operations consist of Trading, Terminaling and Hauling Services. Under Trading, the Company offers its refined petroleum products (including Jet A1) and lubricants to retailers and commercial/industrial customers. The Parent Company as of March 31, 2013 has a total of three hundred twenty five (325) service stations, where the ninety (96) service stations is in Luzon, thirty one (31) in Visayas and one hundred ninety-eight (198) in Mindanao and there are a total of fifty nine (59) service stations under different stages of construction as of March 31, 2013. The retail service stations are classified as Company-Owned, Company-Dealer-Operated (CODO) or Dealer-Owned, Dealer-Operated (DODO).

The Company's Terminaling and Hauling Services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, Butuan City, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Starting 2008, Cebu Pacific designated the Company as its exclusive logistics partner in all its Mindanao operations.

Subsidiaries:

The Company holds 100% interests in the following subsidiaries as of March 31, 2013:

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

All the subsidiaries were organized and incorporated in the Philippines.

PPMI is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the SEC on January 31, 2007.

PGMI was registered with SEC on July 31, 2006 and was previously engaged in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI temporarily ceased its operation.

PPIPC is engaged in real estate development. PPIPC was registered with SEC on March 7, 1996. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted a license to sell parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of the Phoenix Petroterminal and Industrial Park (the Park). PPIPC owns, manages and develops the Park, which occupies 94 hectares of land and is situated within three (3) Calaca barangays of Salong, Puting Bato West and Lumbang Calzada, with its own port facilities. PPIPC was granted a permit to operate permanent and non-commercial port by the Philippine Ports Authority on April 6, 1999 until the expiration date of the Foreshore Lease Contract on July 22, 2022.

SPTT was registered with the SEC on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time. SPTT is duly registered with Subic Bay Metropolitan Authority and was issued the Certificate of Registration and Tax Exemption on 01 June 2012, which is effective until 31 May 2013, subject to annual renewal by SPTT.

CSC was incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007. CSC is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines and in the Asia-Pacific region. CSC has 10 vessels in its fleet, two of which serve the regional trade route (Taiwan to Philippines. Chelsea owns the largest Philippine-registered oil tanker "M/T Chelsea Thelma" with 9366 GRT. With a total fleet size of 19,561 GRT, Chelsea is among the top 5 major petroleum tanker owners in the country.

The registered office of the Parent Company and PGMI, which is also their principal place of business, is at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPMI's registered office is at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPIPC's principal place of business is in Metro Manila with registered office at the 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

The registered office of SPTT, which is also its principal place of business, is at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales.

The registered office of the CSC which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

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).

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

(b) Presentation of Financial Statements

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

Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

(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, the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2012 that are Relevant to the Group

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Company and effective for financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Transfer of Financial Assets
PAS 12 (Amendment)	:	Income Taxes – Deferred Tax: Recovery of Underlying Assets

Discussed below are the relevant information about these amended standards.

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.

(ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee (SIC) 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* should always be measured on a sale basis of the asset. The amendment has no significant impact on the Group's consolidated financial statements as the Group's investment properties and land classified as property and equipment measured at fair value are taxable with the same rate regardless of whether these assets will be sold or used in operation.

(b) *(b) Effective in 2012 that are not Relevant to the Group*

PFRS 1, *First-time Adoption of PFRS,* was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS consolidated financial statements or to present PFRS consolidated financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2012 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in Other Comprehensive Income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will change the current presentation of items in other comprehensive income (i.e., segregation of revaluation reserves on tankers under property and equipment). This however, will not affect the measurement or recognition of such items.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Group is using the corridor approach and its unrecognized actuarial loss as of December 31, 2012 amounted to P12.1 million which will be retrospectively recognized as loss in other comprehensive income in 2013 (see Note 21).

(iii) Consolidation Standards

The Group is currently reviewing the impact on its consolidated financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.

- PFRS 12, *Disclosure of Interest in Other Entities.* This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Amendment), *Separate Financial Statements.* This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

- PAS 28 (Amendment), *Investments in Associate and Joint Venture.* This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement.*

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

(iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.

(v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Group's consolidated financial statements.

(vi) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and includes an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(vii) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39 in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. 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 arrangement, 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 main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

  If an entity 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 (i.e., opening statement of financial position), it shall present such third statement of financial position.

  Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes.* Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

2.2 Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

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

The Parent Company accounts for its investments in subsidiaries as follows:

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Group obtains control until such time that such control ceases.

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's 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 previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 15). If this 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.

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 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 recognized previously. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity.

2.3 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets (AFS). 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 transaction costs related to it are recognized in profit or loss.

A more detailed description of the loans and receivable category of financial assets relevant to the Group is as follows:

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 maturities greater than 12 months after the reporting period which are classified as non-current assets.

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, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Restricted Deposits (presented as part of Current Assets and part of Other Non-Current Assets in the consolidated statement of financial position), Installment Contract Receivables, and Refundable Rent Deposits and Hold-out Deposits (both presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents are defined as cash on hand, savings and demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.4 Inventories

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

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

2.5 Land Held for Sale and Land Development Costs

Land held for sale and land development costs are valued at the lower of cost and net realizable value. Land held for sale and land development costs includes the cost of land and actual development costs incurred up to the end of reporting period. Interest incurred during the development of the project is capitalized (see Note 2.21).

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

2.6 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 statement when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.7 Land Held For Future Development

Land held for future development is valued at the lower of cost and net realizable value.

Cost includes purchase price and other costs directly attributable to the acquisition of land.

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

2.8 Property and Equipment

Land is stated at cost less any impairment in value. Tankers are measured at revalued amount less accumulated depreciation. All other property and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred, except for periodic dry docking costs performed at least every two years on the vessel which are capitalized (see Note 2.10).

Following initial recognition, tankers are carried at revalued amounts which represent fair values as determined by independent appraisers, less any subsequent accumulated depreciation and any accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

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

Upon disposal of the revalued assets, amounts included in Revaluation Reserves is transferred to Retained Earnings.

Revaluations are performed at least every two years ensuring that the carrying amount does not materially differ from that which would be determined using fair value at the end of reporting period, unless circumstances require annual revaluation.

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

Tankers	30 years
Vessel equipment	5 years

Buildings, depot and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Hauling and heavy equipment	1-5 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-5 years

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements, whichever is shorter.

Hauling and heavy equipment held under finance lease agreements (see Note 2.16) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of lease, if shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.19). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

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

An item of property and equipment 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 the year the item is derecognized.

2.9 Dry Docking Costs

Dry docking costs are considered major repairs that preserve the life of the vessel. As an industry practice, costs associated with dry docking are amortized over 24 months or until the next dry docking occurs, whichever comes earlier. When significant dry docking expenditures occur prior to their expiry of this period, any remaining unamortized balance of the original dry docking costs is expensed in the month of subsequent dry docking.

Amortization of dry docking costs starts only when the process has been completed and the related vessel is ready for use.

The carrying amount of dry docking costs, presented as part of the Other Non-current Asset account in the consolidated statement of financial position, is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.18).

2.10 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans and Borrowings, Trade and Other Payables, Due to Related Parties and Security Deposits (presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.20). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

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

Trade and other payables, due to related parties and security deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.16 and 27.5).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration of the Group.

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

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when there is a 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.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment 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. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

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

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

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

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

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

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

2.14 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT), rebates and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e. when the customer has acknowledged delivery of goods or when the customer has taken undisputed delivery of goods.

(b) *Charter fees* – Revenue, which consists mainly of charter income arising from the charter hire of its tankers, is recognized based on the type of charter arrangement entered into, either under a time charter (TC) or a continuing voyage charter (CVC). Under a TC, revenue is recognized based on the terms of the contract [see Note 3.1(d)]. Under a CVC, revenue is recognized upon completion of the voyage; however, appropriate accrual of revenue is made at the end of the reporting period.

(c) *Fuel service and other revenues and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. This account includes franchise income, which has minimal amount. In addition, this includes revenue arising from port and cargo handling services.

(d) *Interest income*– Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

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

(f) *Port revenues* – Revenue is recognized when services are rendered.

Cost and expenses are recognized in the profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.20).

The cost of real estate sold, if any, before the completion of the development is determined based on the actual costs incurred to date which include the cost of land plus estimated costs to complete the project development. The estimated expenditures for the development of sold real estate, as determined by project engineers, are charged to Cost of Sales and Services account in the consolidated statement of comprehensive income with a corresponding credit to accrued expenses presented under Trade and Other Payables account in the consolidated statement of financial position. Effects of any revisions in the total project cost estimates are recognized in the year in which the changes become known.

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.16 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

2.17 Impairment of Non-financial Assets

The Group's property and equipment and goodwill 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.

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.

Impairment loss is recognized 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.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.18 Employee Benefits

(a) Post-employment Benefits

Post-employment benefits are provided to employees through a defined benefit plan and defined contribution plan.

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

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of reporting period less unrecognized actuarial losses. The DBO shall be calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds 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.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

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

(b) *Compensated Absences*

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

2.19 Borrowing Costs

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

2.20 Income Taxes

Tax income (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.

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

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

2.21 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group;
(b) associates; and (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.

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 Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

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 is the same as those used in its consolidated financial statements, except that the following, if there is any, are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses; and,
- expenses relating to share-based payments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

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

Revaluation reserves pertain to the revaluation increment and changes thereof
(e.g. subsequent depreciation), net of tax, arising from the revaluation of the Group's tankers.
Other reserves pertain to the difference between the Parent Company's cost of investment and the net assets of CSC.

Deposits on future stock subscriptions include all amounts received for future stock subscriptions.

Treasury shares are stated at the cost of re-acquiring such shares irrespective of whether these are acquired below or above par value.

Retained earnings include all current and prior period results of operations as disclosed in the profit or loss section of the consolidated statement of comprehensive income.

2.24 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period.

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

2.25 Events After 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 Group's consolidated financial statements prepared in accordance with PFRS require 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 as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Certain hauling and heavy equipment are accounted for under finance lease.

(b) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.13 and relevant disclosure is presented in Note 27.

(c) Qualifying Assets on Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its intention when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities and tankers are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

(d) *Revenue Recognition for TC Arrangements*

In determining the appropriate method to use in recognizing the Group's revenue from TC, management considers the following criteria: (1) whether the fulfilment of the arrangement is dependent on the use of a specific vessel; and, (2) whether the arrangement conveys a right to use the vessel. Management determined that if both criteria are met, the revenue should be recognized using the straight-line method over the term of the contract (see Note 2.15).

(e) *Functional Currency*

The Group has determined that its functional currency is the Philippine peso which is the functional currency of the primary economic environment in which the Group operates.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7.

(b) *Determining Net Realizable Value of Inventories*

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

(c) Determining Net Realizable Value of Land Held for Sale and Land Development Costs and Land Held for Future Development

In determining the net realizable value of land held for sale and land development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of land held for sale and development costs and land held for future development are affected by price changes and demand from the target market segments. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments within the next financial year.

(d) Useful Lives of Property and Equipment and Dry docking Costs

The Group estimates the useful lives of property and equipment and dry docking costs based on the period over which the assets are expected to be available for use. The estimated useful lives of property 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 and equipment and dry docking costs are analyzed in Notes 12 and 14, respectively. Based on management's assessment as at March 31, 2013 and December 31, 2012, there is no change in the estimated useful lives of the property and equipment and dry docking costs during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Fair Value of Tankers

In determining the fair value of the Group's tankers, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to the market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the specific characteristics of the property (e.g. size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and value of the assets.

Based on management's review of the recorded fair value of the tankers as of March 31, 2013 and December 31, 2012, such fair value reasonably approximates the fair value based on the latest appraisal report or of those dates as determined by an independent appraisers (see Note 12.3).

(f) *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 at March 31, 2012 and December 31, 2012 will be fully utilized in the coming years. The carrying value of deferred tax assets as of March 31, 2013 and December 31, 2012 is disclosed in Note 23.

(g) *Liability for Land Development*

Obligations to complete development of real estate are based on actual costs and project estimates of contractors and Group's technical staff. These costs are reviewed at least annually and are updated if expectations differ from previous estimates. Liability to complete the project for sold units included in the determination of cost of sales are presented as part of accrued expenses under Trade and Other Payables account in the consolidated statements of financial position amounted to P1.0 million as of December 31, 2012. (see Note 17).

(h) *Retirement and Other Benefits*

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 21.2.

(i) *Estimating Development Costs*

The accounting for real estate requires the use of estimates in determining costs and gross profit recognition. Cost of real estate sold includes estimated costs for future development. The development cost of the project is estimated by the Group's technical staff. At the end of reporting period, these estimates are reviewed and revised to reflect the current conditions, when necessary.

(j) Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to discount such. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2012.

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 currency risk and interest rate risk which result from both its operating and investing activities.

(a) Foreign Currency Sensitivity

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 importation, which are primarily denominated in U.S. dollars. The liability covering the importation is covered by letter of credits which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has a U.S. dollar loan from a certain bank which has been used to finance its capital expenditures (see Note 16). This however is hedged with a peso swap to mitigate foreign currency fluctuation risks. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To further mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and liabilities, translated into Philippine pesos at the closing rate follow:

	December 31, 2012
Financial assets	P 224,957,030
Financial liabilities	(2,107,635,570)
Exposure	(P1,882,696,540)

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	Reasonably possible change in rate	Profit before tax	Effect in equity before tax
2012	**16.7%**	**P 314,410,322**	**P 220,087,225**

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 Sensitivity

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 at December 31, 2012, the Group is exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates (see Notes 6 and 16). All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates of +/-1.82% in 2012, +/- 1.90% in 2011 and 1.90% in 2010 for Philippine peso and +/-88% in 2012, +/- 0.90% in 2011 and 0.90% in 2010 for U.S. dollar. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2012	
	+182/88	-182/88
Profit before tax	**(P 28,254,605)**	**P 28,254,605**

(c) *Market 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 fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	Notes	**March 31, 2013**	December 31, 2012
Cash and cash equivalents	6	**P 976,515,674**	P 438,510,937
Trade and other receivables - net	7	**3,431,737,942**	3,557,002,879
Due from related parties	24	**12,129,315**	8,300,000
Restricted deposits	10, 14	**83,474,305**	82,694,029
Refundable rent deposits and minimum lease payments	14	**101,305,892**	101,580,768
		P4,605,163,129	P4,188,088,613

None of the financial assets are secured by collateral or other credit enhancements.

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.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

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

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

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

	March 31, 2013	December 31, 2012
Not more than one month	**P 99,788,092**	P 49,229,451
More than one month but not more than two months	**43,236,142**	59,529,182
More than two months but not more than six months	**56,938,654**	26,448,069
More than six months but not more than one year	**23,892,995**	54,931,311
More than one year	**42,440,019**	37,288,853
	P 266,295,902	P 277,426,866

4.3 Liquidity Risk Analysis

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 period. 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 March 31, 2013, the Group's liabilities have contractual maturities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 1,704,099,838	P 713,911,688	P 5,716,202,719
Trade and other payables	2,224,751,347	808,185,409	90,739,368
Due to related parties	37,547,310	48,182,301	-
Security deposits and unearned rent	-	-	262,574,937
	P 3,966,398,495	**P1,570,359,399**	**P 6,069,517,024**

This compares to the maturity of the Group's financial liabilities as of December 31, 2012 as presented below:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P3,251,292,811	P 868,054,341	P5,795,974,645
Trade and other payables	629,111,115	917,994,069	25,332,757
Due to related parties	45,299,380	40,252,365	-
Security deposits and unearned rent	-	-	319,422,536
	P3,925,703,306	**P1,826,300,775**	**P6,140,729,938**

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 AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	March 31, 2013		December 31, 2012	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 976,515,674**	**P 976,515,674**	P 438,510,937	P 438,510,937
Trade and other receivables - net	7	**3,431,737,942**	**3,431,737,942**	3,557,002,879	3,557,002,879
Due from related parties	24	**12,129,315**	**12,129,315**	8,300,000	8,300,000
Restricted deposits	10, 14	**83,474,305**	**83,474,305**	82,694,029	82,694,029
Refundable Deposits and deferred minimum lease payments	14	**101,305,893**	**101,305,893**	101,580,768	101,580,768
		P 4,605,163,129	**P 4,605,163,129**	P4,188,088,613	P4,188,088,613
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	**P 8,134,294,246**	**P 8,134,294,246**	P 9,915,321,797	P 9,915,321,797
Trade and other payables	16	**3,058,097,851**	**3,058,097,851**	1,539,783,272	1,539,783,272
Due to related Parties		**85,729,611**	**85,729,611**	85,551,745	85,551,745
Security deposits and Unearned rent	17	**328,153,209**	**328,153,209**	319,422,536	319,422,536
		P11,606,274,917	**P11,606,274,917**	P11,860,079,350	P11,860,079,350

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Cash on hand	**P 3,986,865**	P 5,124,365
Cash in banks	**937,908,847**	293,191,196
Short-term placements	**34,619,962**	140,195,376
	P 976,515,674	P 438,510,937

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates ranging from 0.03% to 3.00% per annum in all years presented. Short-term placements have maturity ranging from 7 to 90 days and earn effective interest ranging from 2.1% to 4.8% per annum in 2013 and 2012.

The balances of the cash on hand and in banks as of March 31, 2013 and December 31, 2012 exclude restricted cash amounting to P 83.5 million and P82.7 million, respectively, which are shown as Restricted Deposits account in the consolidated statements of financial position (see Notes 10 and 14). Such amounts are not available for the general use of the Group under the loan agreements (see Note 16.3).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	March 31, 2013	December 31, 2012
Trade receivables	**P2,375,640,040**	P 2,650,377,099
Advances to suppliers	**991,726,721**	881,428,714
Non-trade receivables	**331,270,174**	189,816,532
Other receivables	**40,355,839**	61,735,366
	3,658,992,774	3,783,357,711
Allowance for impairment	**(227,254,832)**	(226,354,832)
	P3,431,737,942	P 3,557,002,879

All of the Group's trade and other receivables have been reviewed for indicators 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 in 2013 and 2012. Impairment losses amounted to P 0.9 and P37.9 million, in 2013 and 2012 respectively, and are presented as part of Finance Costs under the Other Income (Charges) account in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of March 31, 2013 and December 31, 2012 is shown below:

	March 31, 2013	December 31, 2012
Balance at beginning	**P 226,354,832**	P 188,503,775
Impairment loss during the year	**900,000**	37,851,057
Balance at end of year	**P 227,254,832**	P 226,354,832

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

Other Receivables as of December 31, 2012 include P23.8 million partial claims from an insurance company related to an incident encountered by one of the Group's vessels. The amount represents the costs of towing and repairs incurred for the vessel, net of the applicable deductible clause. In addition, this account includes P12.3 million as of December 31, 2012, worth of reimbursable costs incurred by the Group in relation to its TC agreement with certain third party.

Certain trade receivables amounting to P11.4 million as of December 31, 2012, were used as collateral to the Group's interest-bearing loans and borrowings (see Notes 16.3a and 16.3b).

The carrying value of trade and other receivables is considered a reasonable approximation of fair value (see Note 5).

8. INVENTORIES

Inventories which are stated at cost are broken down as follows:

	March 31, 2013	December 31, 2012
Fuel	**P 3,946,015,496**	P 3,500,956,712
Lubricants	**124,824,034**	187,791,452
Others	**15,629**	11,512
	P 4,070,855,158	P 3,688,759,676

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P 999 and P2,838.9 million as of March 31, 2013 and December 31, 2012, respectively, have been released to the Group in trust for the bank. The Group is accountable to the bank for the trusteed inventories or their sales proceeds (see Note 16.1).

There were no inventory write-down in all of the years presented.

An analysis of the cost of inventories included in the cost of fuels and lubricants sold for the year is presented in Note 19.1.

9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs stated at cost relate to the following as of March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Land held for sale	**P 483,205,737**	P 483,927,707
Land development costs	**18,102,852**	18,102,852
	P 501,308,589	P 502,030,559

The land held for sale are used as security for the Group's installment payable with Land Bank of the Philippines (LBP) (see Note 16.2a).

Land development costs pertain to expenditures for the development and improvement of the land held for sale of the Park.

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 16.1) amounting to P 83.5 and P82.7 million as of March 31, 2013 and December 31, 2012, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies (see Note 16.1). Interest rates for this type of deposit range from 2.40% to 5.975% per annum for all the years presented.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of March 31, 2013 and December 31, 2012 is shown below:

	March 31, 2013	December 31, 2012
Prepayments	**P 168,271,967**	P 123,385,019
Creditable withholding tax	**72,190,692**	96,343,991

Supplies	**72,590,776**	67,601,838
Others	**13,672,678**	9,404,674
	P 326,726,113	P 296,735,522

12. PROPERTY AND EQUIPMENT

March 31, 2013		
Land		P 314,817,213
Property, Plant and Equipments	8,267,056,304	
Less: Accumulated Depreciation	(1,296,531,391)	6,970,524,913
Net Book Value-March 31, 2013		P 7,285,342,126

December 31, 2012		
Land		P 314,817,213
Property, Plant and Equipments	7,899,408,551	
Less: Accumulated Depreciation	(1,215,439,947)	6,683,968,604
Net Book Value-December 31, 2012		P 6,998,785,817

12.1 Acquisition of Vessels

(a) MT Chelsea Thelma (MT Thelma)

On April 26, 2011, the Group entered into a Memorandum of Agreement (MOA) with a foreign corporation for the importation of one unit of oil tank vessel (MT Thelma) from China for US$19.8 million (see Note 16.2d). Formal turn-over of the vessel occurred in early 2012.

Since the vessel is not yet ready for the Group's use as of December 31, 2011, the contract price of the vessel, other incidental costs of the transaction and costs incurred for the major improvements made to the vessel totaling P874.9 million were recognized as part of CIP in the 2011 consolidated statement of financial position. The whole amount was then reclassified to vessel in 2012 upon completion of the vessel.

(b) MT Chelsea Cherylyn (MT Cherylyn)

On September 12, 2007, the Group entered into a MOA with a foreign corporation for the construction of one unit oil tank vessel (MT Cherylyn) in China for US$15.0 million. The vessel was completed and launched in July 2009. Total cost incurred during construction of MT Cherylyn amounted to P877.5 million inclusive of capitalized borrowing costs totaling P32.0 million representing interest charges directly attributable to the construction of the vessel (see Note 16.3a).

12.2 Double Hull Conversion of Vessels

On December 14, 2010, Philippine Maritime Industry Authority (MARINA) issued Circular 2010-01, mandating all owners and operators of oil tankers and tanker-barges with 600 deadweight tonnage and above must be double hulled within twelve months from the effectivity of the Circular. However, oil tankers carrying petroleum black products shall continue to be covered under Circular 2007-01 regardless of size.

As of December 31, 2012, MT Chelsea Resolute, MT Chelsea Denise and MT Ernesto Uno have completed their double hulling. Total costs that were capitalized as part of tanker amounted to P32.3 million, P30.3 million and P27.3 million, respectively. After the completion of the double hulling of these tankers in 2012, all of the Group's tankers are double-hulled.

12.3 12.3 Revaluation of Tankers

The Group's tankers were revalued by an independent appraiser in each year from 2009. The revaluation increment relating to the Group's property and equipment is presented as part of Revaluation Reserves in the equity section of the consolidated statements of changes in equity. It is the management's policy to revalue the tankers at least every two years, having assessed that this schedule allows it to revalue with sufficient regularity such that the carrying amount of the tankers will not materially differ from that which would be determined using fair value at the end of the reporting period.

If the tankers were carried at cost model, the cost, accumulated depreciation and net carrying amount would be as follows:

	2012
Cost	**P 2,479,523,748**
Accumulated depreciation	**(269,952,387)**
Net carrying amount	**P 2,209,571,361**

12.4 Disposal of Tanker

In 2011, three of the Group's vessels were sold for P2.2 million. Also, in 2011, the Group disposed one vessel for P121.9 million. The related gain from these sales transactions, taking into consideration the carrying value, as restated, and the related dry docking costs; amounted to P41.9 million in 2011 which is presented under the Other Income (Charges) account in the 2011 consolidated statement of comprehensive income.

12.5 Collaterals

Port expansion facilities with carrying value of P211.6 million, P231.7 million and P90.4 million as of December 31, 2012, 2011 and 2010, respectively, are used to secure the Group's instalment payable with LBP (see Note 16.2a).

Two of the tankers of the Group with net revalued amount of P331.5 million as of December 31, 2012 are used to secure a loan with Philippine Bank of Communication (see Note 16.2c).

Certain property and equipment with an aggregate carrying value of P42.5 million, P26.0 million and P37.7 million as of December 31, 2012, 2011 and 2010, respectively, are mortgaged with local banks (see Note 16.4).

Moreover, certain service vehicle of the Group with carrying value of P110.8 million, P38.0 million and P81.3 million as of December 31, 2012, 2011 and 2010, respectively, was used as collateral for mortgage payable (see Note 16.5).

12.6 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amount to P25.5 million as of December 31, 2012.(see Note 16.6).

13. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents the Group's land property totaling to 44 hectares in Phase 2 and 3 of the Park that is intended for sale once developed.

The Group's land held for future development was used as collateral for the Group's installment payable with LBP (see Note 16.2a).

14. OTHER NON-CURRENT ASSETS

The composition of this account as of March 31, 2013 and December 31, 2012 is shown below:

	March 31, 2013	December 31, 2012
Refundable rent deposits	**P 79,268,590**	P 69,234,807
Dry docking costs	**43,102,549**	64,433,228
Deferred minimum lease payments	**32,345,961**	32,345,961
Deposit for Vessel Acquisition	**240,283,412**	
Others	**13,266,224**	1,793,383
	P 402,891,736	P 167,807,348

Refundable rent 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 total day one loss is determined by calculating the present value of the cash flows anticipated until the end of the lease terms using the related market interest-free rates and is amortized over the lease term. As the refundable rent deposits do not have an active market, the underlying interest rates were determined by reference to market interest rate of comparable financial instrument.

Dry docking costs are being amortized over 24 months or until the occurrence of the next dry docking, whichever comes earlier.

15. GOODWILL

Goodwill amounting to P84.5 million, P85.8 million and P83.6 million as of December 31, 2012, 2011 and 2010, respectively, 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 arises from the expected business synergy and economies of scale of the entities combined. In 2012, the Parent Company assessed that the goodwill pertaining with PPMI is impaired, hence, impairment loss amounting to

P1.3 million was recognized and is presented as part of Finance Costs under Other Income (Charges) account in the 2012 consolidated statement of comprehensive income . The increase in the balance of the Goodwill during 2011 pertains to the acquisition of SPTT. The movements of the account are as follows:

	March 31, 2013	December 31, 2012
Beginning balance	**P 84,516,663**	P 87,783,624
Impairment loss		(1,266,961)
Additions	**-**	
Ending balance	**P 84,516,663**	P 84,516,663

16. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are as follows:

	March 31, 2013	December 31, 2012
Current:		
Liabilities under letters of credits and trust receipts	**P 998,996,580**	P2,838,941,626
Installment and notes payable	**1,410,206,517**	1,273,712,910
Mortgage payable	**8,888,430**	6,692,616

	P 2,418,091,527	P 4,119,347,152
Non-current:		
Installment and notes payable	**P 5,711,391,750**	P 5,786,132,056
Mortgage payable	**4,810,969**	9,842,589
	P 5,716,202,719	P 5,795,974,645

16.1 Liabilities Under Letters of Credits and Trust Receipts

The Group avails of letter of credit (LC) and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 8.25% per annum both in 2012, 2011 and 2010.

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

The carrying values of liabilities under LCs and TRs recognized as part of interest-bearing loans and borrowings in the consolidated statements of financial position are reasonable approximations of their fair values (see Note 5).

16.2 Installment and Notes Payable

16.2a Installment Loan with LBP

On April 16, 2010, the Group availed the P580.0 million loan with LBP. The loan with LBP was used to refinance the installment payable with PHINMA Group via take-out of the outstanding installment payable to PHINMA Group. The refinanced installment payable is payable for seven years with one year grace period on principal and bears an interest rate based on the prevailing LBP rate at the time of availment subject to quarterly repricing with reference to a three month PDST-F rate plus minimum spread of 2.5%. The installment payable with LBP is secured by the Group's parcel of land with carrying value of P320.2 million, P705.5 millionand P749.3 million as of December 31, 2012, 2011 and 2010, respectively (see Notes 9 and 13), and port expansion facilities with carrying value of P211.6 million as of December 31, 2012 (see Note 12).

16.2b Notes Facility Agreement

In 2011, the Group availed the P750.0 million clean loan under the notes facility agreement entered into with BDO Capital & Investment Corporation, Banco De Oro Unibank, Inc., Maybank Philippines, Inc., Robinsons Bank Corporation and Banco de Oro Unibank, Inc. – Trust and Investment Group. The long-term loan amounting to P700.0 million with interest rate of 7.35% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.66% is payable on August 23, 2018.

16.2c Omnibus Loan and Security Agreement (OLSA) with Philippine Bank of Communication (PBComm)

On February 10, 2012, the Group entered into a loan agreement with PBComm amounting to P107.0 million to partly finance the double hulling and dry docking of a vessel owned by the Group. In February and May 2012, PBComm released the loan amounting to P65.0 million and P42.0 million, respectively. The loan is subject to annual interest rate of 9.5% and is payable in thirty-six equal monthly installments with one quarter grace period from date of each release.

The loan is secured by a chattel mortgage on two of the vessels of the Group with net book value amounting to P292.4 million as of December 31, 2012.

The loan agreement requires the Group to maintain a debt-to-equity ratio of not more than 4:1. As of December 31, 2012, the Group has complied with its debt covenants with the bank.

16.2d OLSA with BDO Unibank, Inc. (BDO)

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of one unit of oil tank (MT Thelma) in the amount of US$19.8 million [see Note 12.1(a)].

In connection with the MOA, the Group entered into an OLSA amounting to US$14.5 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan is payable into twenty-seven consecutive equal quarterly principal installments starting in August 2012. The loan is subject to interest computed at one-year LIBOR plus applicable margin of 3.5% per annum.

In connection with the OLSA, certain advances made by certain stockholders are subordinated to the loan. Based on said agreement, the obligation of the Group to pay the stockholders' advances shall be fully subordinated, junior and subject in right of payment to the prior indefeasible payment and performance in full of the OLSA. The Group affirms that any and all obligations of the Group relative to the OLSA shall be settled first before any of its financial obligations to such shareholders' advances are paid. Accordingly, portion of the advances from shareholders are treated as non-current liabilities.In 2012, however, upon the increase in the Group's capitalization, subordination agreement was lifted by the bank in 2012.

The loan is secured by a chattel mortgage on one of the Group's vessels with book value, as restated, of P125.1 million as of December 31, 2011 (see Note 12) and a refund guaranty issued by the Bank of China for US$8.16 million until MT Thelma is delivered. The loan will be further secured by a chattel mortgage of MT Thelma upon its delivery and registration with the MARINA. The carrying amount of MT Thelma, presented as part of CIP, amounted to P874.9 million as of

December 31, 2011. As of December 31, 2012, the loan is secured by chattel mortgages on these two vessels with total book value of P1,098.3 million.

Related debt issuance costs amounted to P8.2 million of which P2.3 million and P0.5 million was amortized during 2012 and 2011, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of the Finance Costs under the Other Income (Charges) account in the consolidated statements of comprehensive income .The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

16.2e Convertible Notes Facility Agreement with BDO

On July 11, 2012, the Parent Company executed a Convertible Notes Facility Agreement with BDO worth P500.0 million with warrants offering amounting to P180.0 million. The loan is subject to annual interest rate of 7.6% and is payable quarterly in arrears over its three years term. The issuance of the convertible note is part of the Group's plan to raise long-term capital, to refinance short-term debt and finance capital expenditures.

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

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

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

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

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 2.5:1.

As of March 31, 2013 and December 31, 2012, the Group has complied with its debt covenants.

16.2f Notes Facility Agreement with China Banking Corporation and Pentacapital Investment Corporation

On November 8, 2012, the Parent Company entered into a notes facility agreement co-arranged by China Banking Corporation and Pentacapital Investment Corporation, with a number of participants, totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.75% which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Parent Company for the roll out of the retails stations, for debt financing, to support capital expenditures and for other general corporate purposes. As of December 31, 2012, the total amount of the loan has already been drawn down.

By virtue of the notes facility agreement, the Parent Company affirms that it shall maintain the listing of its common shares with PSE and shall not declare or pay any dividends to stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated.

Minimum financial ratios to maintain are as follows: (i) debt to equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio not to be less than 2.5:1.

As of December 31, 2012, the Group has complied with its debt covenants.

16.3 Term Loans

16.3a Term Loan Agreement (TLA) with Development Bank of the Philippines (DBP)

On September 12, 2007, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the construction of one unit of oil tank (vessel) in the amount of US$15.0 million [see Note 12.1(b)].

In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with DBP, the proceeds of which shall be exclusively used to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (P159.0 million) and US$9.1 million (P432.5 million), respectively. The loan is payable over five years in equal quarterly principal installments, with one quarter grace period on principal, commencing November 2009 and was subject to 10.5% interest rate per annum.

In 2010, DBP approved the reduction of interest rate from 10.5% to 9% subject to annual review effective September 14, 2010. The agreement also stipulated for interest-bearing hold-out deposits amounting to at least P10.0 million which is shown as Hold-out Deposits under the Other Non-current Assets account in the consolidated statements of financial position (see Note 14). The Hold-out Deposits were agreed to be released by the DBP in 2012. Hold-out deposit earns interest at the rate of 2.5% per annum. In the 2012, DBP further reduced the interest rate to 7.5% effective March 23, 2012.

The loan is secured by a chattel mortgage on certain vessel of the Group with net book value, as restated, amounting to P808.1 million, P713.6 million and P947.3 million as of December 31, 2012, 2011 and 2010, respectively, and of certain vessels with total net book value, as restated, totaling P921.0 million as of December 31, 2010 (see Note 12). The loan is also secured by certain collateral on receivables of CSC and guaranteed by certain stockholders of the Group (see Note 24.).

16.3b Loan Agreement with Robinsons Bank Corporation (RBC)

On November 23, 2011, the Group entered into a loan agreement with RBC amounting to P65.0 million to partly finance the double hulling and dry docking of certain vessel of the Group (see Notes 12). The loan is subject to annual interest rate of 8.0% and is payable in twenty-four equal monthly installments.

The loan is secured by a chattel mortgage on one of the vessels of the Group with net book value amounting to P130.7 million and P101.3 million as of December 31, 2012 and 2011, respectively, and receivables of CSC from certain customer (see Note 7). The loan is also guaranteed by certain stockholders of CSC.

16.3c TLA with Maybank Philippines, Inc.

On July 18, 2012, the Parent Company signed with Maybank Philippines, Inc. a five year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual floating interest rate of 6.0% and is payable in twenty equal quarterly installments.

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

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ration of at least 1:1 and debt coverage ratio of at least 2.5.

As of December 31, 2012, the Group has complied with its debt covenants with the bank.

16.3d TLA with Maybank International Ltd.

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

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.25% per annum, or cost of funds plus a margin of 2.0% per annum, whichever is higher. However, the loan is hedged with a fixed Peso and interest rate swap that locks in both the exchange rate and the interest at 6.7% p.a. Interest payments are to be serviced quarterly in arrears.

The TLA also requires the Group to maintain debt-to-equity ratio of not more than 3:1, current ration of at least 1:1 and debt coverage ratio of at least 2.5.

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 Group's shares or a syndicated term loan.

The balance of the principal of the loan amounted to P987.2 million, translated into Philippine Peso using the closing rate as of December 31, 2012.

As of March 31, 2013 and December 31, 2012, the Group has complied with its debt covenants with the bank.

16.4 Bank Loans

The bank loans represent secured loans from local commercial banks for working capital purposes. The loans bear annual interest rates ranging from 7.5% to 14.0% in 2012, 2011 and 2010 subject to monthly repricing. These loans are secured by certain vessels owned by the Group with net book value, as restated, amounting to P182.7 million, as of December 31, 2012. (see Note 12), and by certain stockholders (see Note 16.7).

16.5 Mortgage Payable

The mortgage payable represents secured loans which bear interest rates ranging from 7.6% to 11.4% per annum, and with terms ranging from 18 months to 36 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Property and Equipment account in the consolidated statements of financial position (see Note 12).

16.6 Obligations under Finance Lease

The finance lease liability has an effective interest rate of 5.07% which is equal to the rate implicit in the lease contract (see Note 27.5). Lease payments are made on a monthly basis.

16.7 Credit Line

The Parent Company has an available credit line of P14.9 billion under LC/TR and PN lines. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. As of March 31, 2013, P 7.03 billion is free and available.

17. TRADE AND OTHER PAYABLES

This account consists of:

-

	Note	**March 31, 2013**	December 31, 2012
Trade payables	12.1	**P 2,224,751,347**	P 565,867,953
Accrued expenses		**332,550,420**	512,791,859
Advances from customers		**403,859,219**	310,478,006
Income tax payable		**7,149,436**	7,321,912
Others		**64,626,334**	150,645,454
		P 3,032,936,756	P 1,547,105,184

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remains 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.

The advances from customers include option money from two different locators amounting to P0.1 million in 2012. The said locators have the right and option to purchase subject properties under the terms and condition agreed by the said locator and the Group. However, in the event that the said locator does not exercise its right to purchase the subject properties, the option money shall be refunded to the said locator plus interest at the rate equivalent to the prevailing treasury bill rate plus 2% per annum.

In addition, the advances from customers pertain to the advance payment of the various customers for their fuel purchases. Advances from customers are measured at the amount of cash received from the customers and are offset against trade receivables once the related sales transactions are consummated.

The carrying amount of trade and other payables, which are expected to be settled within the next 12 months from reporting period, is a reasonable approximation of their fair value (see Note 5).

18. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	**March 31, 2013**	December 31, 2012
Security deposits		**P 262,574,938**	P 270,272,999
Retirement benefit obligation	21.2	**24,337,362**	24,337,362
Unearned rent		**65,578,272**	49,149,537
Others		**823,733**	995,395
		P 353,314,305	P 344,755,293

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations and are refundable at the end of the lease terms. The deposits are carried at amortized cost using the effective interest rates at the inception of the lease contracts. The day one gain is determined by calculating the present value of the cash flows anticipated until the end of the lease term using certain risk-free rates and is amortized over the lease terms. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rate of comparable financial instrument.

19. COST OF SALES AND SERVICES

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

	Notes	**March 31, 2013**	March 31, 2012
Cost of fuels and lubricants sold	19	**P 9,375,528,910**	P 7,537,016,959
Cost of services	19	**100,094,844**	118,217,318
		P 9,475,708,602	**P 7,655,234,277**

19.1 Cost of Fuels and Lubricants Sold

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

	Note	**March 31, 2013**	March 31, 2012
Inventories at beginning of year	8	**P 3,688,759,676**	P 2,132,622,405
Net purchases during the year		**9,757,709,240**	9,093,154,230
Goods available for sale		**13,446,468,916**	26,778,670,516
Inventories at end of year	8	**(4,070,855,158)**	(3,688,759,676)
		P 9,375,613,758	P 7,537,016,959

20. OPERATING EXPENSE BY NATURE

The details of operating expenses by nature are shown below:

	Notes	**March 31, 2013**	March 31, 2012
COST OF SALES:			
Fuels	19	**9,311,528,910**	7,495,625,621
Lubricants	19	**64,084,848**	41,391,338
Costs of Services	19	**100,094,844**	118,217,318
OPERATING EXPENSES:			
Salaries and employees' benefits		**47,354,500**	41,106,279
Depreciation and amortization		**81,091,444**	63,695,250

Trucking charges	**25,489,754**	11,842,033
Fuel, oil and lubricants	**9,701,157**	14,831,162
Advertisements and promotion	**42,956,867**	30,542,085
Rent	**68,580,187**	45,031,738
Office supplies	**1,705,304**	2,413,712
Repairs and maintenance	**12,184,637**	8,659,102
Travel and transportation	**11,727,144**	8,196,045
Professional fees	**14,051,959**	11,665,276
Taxes and licenses	**16,008,760**	16,773,367
Representation	**3,329,214**	3,089,838
Insurance	**7,135,295**	6,390,226
Bank charges	**1,059,401**	1,655,409
Documentary Stamps	**15,187,367**	21,826,362
Security fees	**8,339,528**	5,854,214
Dues and Subscription	**2,707,962**	1,839,513
Service Fee	**12,558,190**	9,162,799
Utilities	**9,969,934**	7,672,393
Provisions for Bad Debts	**900,000**	900,000
Rebates	**4,789,344**	5,158,138
Other Expense	**4,091,100**	2,029,618
	9,876,627,652	7,975,568,836

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

	Notes	**March 31, 2013**	March 31, 2012
Cost of Sales & Services	19	**9,475,708,602**	7,655,234,277
Selling and administrative expenses	20	**400,919,050**	320,334,559
		9,876,627,652	7,975,568,836

21. SALARIES AND EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits (see Note 19) are presented below:

	March 31, 2013	March 31, 2012
Salaries and wages	**36,367,368**	32,804,174

Employee welfare and other Benefits	**4,829,782**	3,485,640
13th month pay	**3,339,966**	2,159,077
Other Benefit and Bonuses	**2,817,384**	2,657,389
	47,354,500	41,106,279

21.2 Post-employment Benefits

The Group maintains a wholly funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amount of retirement benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 18) in the consolidated statements of financial position as of December 31, follows:

		2012
Present value of obligation	**P**	**36,440,105**
Unrecognized actuarial losses	**(**	**12,102,743)**
Unamortized transitional liability		**-**
	P	**24,337,362**

		2012
Balance at beginning of year	**P**	**16,815,536**
Actuarial loss		**13,643,977**
Current service cost		**4,921,333**
Interest cost		**1,499,078**
Changes in assumptions	**(**	**371,380)**
Benefits paid	**(**	**102,639)**
Experience adjustments		**34,200**
Effect of curtailment		**-**
Balance at end of year	**P**	**36,440,105**

The amounts of retirement benefits expense recognized in the consolidated statements of comprehensive income are as follows:

	Note		**2012**
Current service cost		**P**	**4,921,333**
Interest cost			**1,499,078**

Amortization of transitional liability		**899,725**
Actuarial loss (gain) recognized during the year		**(146,530)**
Curtailment gain		**-**
	22.1	**P 7,173,606**

The amount of retirement benefits expenses is presented under Selling and Administrative Expenses in the consolidated statements of comprehensive income.

Presented below are the historical information related to the present value of the retirement benefit obligation and the experienced adjustments arising on plan liabilities (in thousand Philippine Pesos).

	2012
Present value of the obligation	**P 36,440**
Experience adjustments on plan Liabilities	**34**

For the determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2012
Discount rate	**4.70% to 6.20%**
Expected rate of salary increase	**5% to 7%**

Assumptions regarding future mortality are based on published statistics and mortality tables.

The Group's post-employment benefit is unfunded as of December 31, 2012. The Group has yet to determine how much and when to fund the post-employment benefit plan.

22. REGISTRATION WITH THE BOARD OF INVESTMENTS

22.1 BOI Registration as New Industry Participant – Davao Depot

The Parent Company was registered with the Bureau of Investments (BOI) on November 16, 2005, as a new industry participant with new investment in storage, marketing and distribution of petroleum products under RA No. 8479 (Downstream Oil Industry Deregulation Act). 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 November 16, 2005 without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

The Parent Company's ITH expired on November 16, 2010. After the expiration date, the Parent Company's transactions relating to Davao depot is subject to corporate income tax rate of 30%.

22.2 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was also registered with the BOI on February 26, 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 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's transaction relating to Batangas depot is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from February 26, 2010.

22.3 BOI Registration as New Industry Participant – Zamboanga Depot

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 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 the previous page. The ITH will expire five years from November 25, 2010.

22.4 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 (Downstream Oil Industry Deregulation Act) for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited in the previous page. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

22.5 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as 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 Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

22.6 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as 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 Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

22.7 BOI Registration for MT Thelma and MT Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Thelma and MT Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

23. TAXES

The Parent Company's availment of income tax holiday pertaining to its original facilities in Davao depot expired in November 2010. Tax income for the years 2012 and 2011 pertains to the income of subsidiaries and portion of the Parent Company's income subjected to income tax (see Note 22). The tax income for the year 2010 pertains to the subsidiaries.

The deferred tax assets amounting to P0.8 million, P0.6 million December 31, 2012, pertains to Net Operating Carry-over (NOLCO) of CSMMSC and PNX-Chelsea. The related deferred tax income amounted to P0.2 million n as of December 31, 2012.

Deferred tax assets amounting to P23.0 million as of December 31, 2012, pertains to NOLCO, impairment and MCIT of PPPI, PPIPC and PPMI. The related deferred tax income amounted to P8.0 million, as of December 31, 2012.

The net deferred tax liabilities as of December 31, 2012 pertains to the following:

	Consolidated Statements of Financial Position	Consolidated Statements of Comprehensive Income
	2012	2012
Deferred tax assets:		
Impairment loss	**P 3,360,463**	**(P 258,426)**
Retirement benefit obligation	**2,734,604**	**(673,808)**
Accrued loss on contamination	**2,057,831**	**-**
MCIT	**549,478**	**5,375,175**
NOLCO	**765,659**	**3,989,900**

Accrued rent	**65,992**	(65,992)
Unrealized foreign currency losses - net	**-**	-
	9,534,027	8,432,839
Deferred tax liabilities:		
Revaluation reserves of tankers	**(126,065,190)**	**(5,173,211)**
Unrealized foreign currency gains - net	**(10,726,537)**	**11,051,467**
Capitalized borrowing cost	**(8,542,522)**	**(320,344)**
Unamortized debt issuance costs	**(1,566,434)**	**(697,505)**
	(146,900,683)	**4,860,407**
Net deferred expense		**P 13,293,246**
Net deferred tax liabilities per table	(**137,366,656**)	
Less: Net deferred tax assets		
PPMI	**9,777,944**	
PPPI	**7,279,593**	
PPIPC	**5,491,440**	
PNX- Chelsea	**647,754**	
CSMMSC	**164,975**	
PGMI	**-**	
Deferred tax liabilities – net as presented in the consolidated statements of financial position	**(114,004,950)**	

The deferred tax expense (income) recognized amounting to P99,542,130 in the consolidated statements of comprehensive income as of December 31, 2012 respectively, pertains to the tax effect on the changes in fair value of tankers under the revaluation model.

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
2012	P 71,764,117	P 11,255,373	2015
2011	16,818,089	4,837,774	2014
2010	3,521,938	1,056,582	2013
	P 92,104,144	**P 17,149,729**	

The Parent Company, PPMI and PPIPC are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. For the year 2011, the Parent Company, PPMI and PPIPC's MCIT was higher than RCIT. The Group's MCIT in 2011 could be applied against income tax liability up to 2014.

In 2012, 2011 and 2010, the Group opted to claim itemized deductions.

24. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, the parent company, stockholders, the Group's key management, entities under common control by the ultimate parent company and others as described below and in the succeeding pages. The following are the transactions with related parties:

24.1 Sales of Goods

The Group sells products to certain related parties. Goods are purchased and sold on the basis of the price lists in force with non-related parties.

	Amount of Transactions	Outstanding Balances
	2012	2012
Sales of goods:		
Other related parties	P 125,553,735	P 88,444,125

The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under Trade and Other Receivables account in the statements of financial position (see Note 7). The outstanding balances are unsecured, non-interest bearing and payable on demand. There are no impairment losses on the outstanding balances for all the years presented.

24.2 Purchases of Services

The Group purchased services from related parties on the basis of price lists in force with non-related parties.

	Amount of Transactions	Outstanding Balances
	2012	2012
Purchases of services:		
Other related parties	P 654,413,710	P 4,963,791

The amounts of transactions are presented as part of the Cost of Sales and Services account in the consolidated statements of comprehensive income and the related outstanding payables for services obtained in 2012 are presented as part of Trade Payables under Trade and Other Payables account (see Note 17). The outstanding balances are unsecured, non-interest bearing and payable on demand.

In addition, the Parent Company advances a certain amount to a certain related party for the purchase of services. The amount is credited upon the performance of the contractual obligation by the certain related party.

24.3 Rentals

The Group has the following lease agreements with the following related parties:

(a) Udenna Corporation – five year lease term of which total rent expense incurred in the years 2012 amounted to P6.6 million. There is no outstanding payable as of December 31, 2012.

(b) Udenna Development (UDEVCO) Corporation – five year lease term of which total rent expense in 2012 amounted to P26.4 million. Rental deposit for the lease amounted to P7.4 million and is presented as Refundable Rent Deposits under Other Non-current Assets in the 2012 consolidated statement of financial position (see Note 14).

(c) Value Leases, Inc. – three year lease term of which total rent expense in 2012 amounted to P20 million. Refundable Rent Deposits amounted to P0.1 million both in 2012, and is presented as part of Other Non-current Assets in the consolidated financial statements (see Note 14).

24.4 Due from and Due to Related Parties

The Group grants and obtains unsecured advances to and from PPHI and other unconsolidated related companies for working capital purposes.

As of December 31, 2012, the outstanding receivable and payable balances from these advances are shown as Due From Related Parties and Due to Related Parties, respectively, in the consolidated statements of financial position. Due From Related Parties and Due to Related Parties - current are either receivable in cash or paid through offsetting, unsecured noninterest-bearing liabilities and are expected to be paid within one year; hence, their carrying values are considered to be a reasonable approximation of their fair values. Non-current Due to Related Parties, on the other hand, are unsecured non-interest bearing liabilities. These are stated at their carrying value since the date of repayment is not currently determinable.

The details of the outstanding due from related parties as of December 3, 2012 are as presented in the next page.

	December 31, 2012
PPHI	**P -**
Related parties under common control	
Udenna Environmental Services, Inc.	**8,300,000**
UMRC	**-**

Udenna Energy Corporation	
VLI	-
One Subic Power Generation Corp.	-
	8,300,000
Individual stockholder	-
	P 8,300,000

No impairment loss is recognized in 2012 related to advances to related parties.

The movement of due from related parties as of December 31 is as follows:

	December 31, 2012
Balance at beginning of year	P 26,311,686
Additions	9,467,416
Collections	(27,479,102)
Balance at end of year	P 8,300,000

The breakdown of the Due to Related Parties as of December 31, 2012 is as follows:

	December 31, 2012
Current:	
PPHI	P -
Related parties under common control	
UMRC	83,551,745
Global Synergy Trade and Distibution Corp.	2,000,000
VLI	-
	85,551,745
Individual stockholder	-
Total Current	P 85,551,745

The movement of due to related parties in 2012 as follows:

	2012
Balance at beginning of year	P 61,180,599
Additions	177,435,185

Payments	**(153,064,209)**
Reclassifications	**-**
Balance at end of year	**P 85,551,575**

24.5 Loan Collateral

(a) Surety and a negative pledge over the remaining shares of a stockholder secured the liabilities under letters of credits and trust receipts (see Note 16.1).

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Group were guaranteed by certain stockholders through a surety agreement with the respective banks. The vessels owned by the Group were also used as security on particular loans.

25. EQUITY

25.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	March 31, 2013	December 31, 2012	**March 31, 2013**	December 31, 2012
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value				
Authorized:	**50,000,000**	50,000,000	**P 50,000,000**	P 50,000,000
Issued and outstanding	**5,000,000**	5,000,000	**P 5,000,000**	P 5,000,000
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	**750,000,000**	750,000,000	**P 750,000,000**	P 750,000,000
Increase in authorized stock	**1,750,000,000**	1,750,000,000	**1,750,000,000**	1,750,000,000
Balance at end of year	**2,500,000,000**	2,500,000,000	**P 2,500,000,000**	P 2,500,0000,00
Issued:				
Balance at beginning of year	**906,059,416**	**661,123,014**	**P 906,059,416**	P661,123.014
Stock dividends		**244,936,202**		244,936,202
Issuance	**130,000,000**		**130,000,000**	
Reclassification		200		200

Balance at end of year	1,036,059,416	906,059,416	P 1,036,059,416	P906,059,416
			P 1,099,059,416	P911,059,416

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and 50.0 million preferred shares with par value of P1 per share into P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

On September 7, 2010, the SEC approved the Parent Company's increased in authorized capital stock from P400.0 million divided into 400.0 million common shares with a par value of P1 per share to P800.0 million divided into 750.0 million common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non participating in any other corporation activities or other further dividends, non-voting except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The Board of Directors shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the Board of Directors may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the Preferred Shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends on the Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date),

as and if declared by the Board of Directors. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the 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 Board of Directors 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 Board of Directors 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 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.

As of December 31, 2012, the Parent Company has 45 stockholders owning 100 or more shares each of the Parent Company's capital stock.

25.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its stocks for listing with the PSE. Number of common shares registered was 145.0 million with an issue price of P9.80. As of March 31, 2013 and December 31, 2012, the number of holders of such securities is 50. The market price of the Parent Company's shares as of March 27, 2013 and December 28, 2012 is P 9.55 and P9.03 respectively.

25.3 Additional Paid-in Capital

In March 11, 2013, the Parent Company made its disclosure to the PSE on the block sale by PPHI to various investors-shareholders executed March 12, 2013. This is for the total of 130 million shares with a price of Php 9.40/share. The proceeds of the block sale were used by PPHI to pay for the 130 million shares earlier subscribed by PPHI. The transaction resulted to an additional paid-in capital of Php 1.058 billion.

In 2012, the Parent Company issued 171,250.8 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of Additional Paid-in Capital account (see Note 30).

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.

In 2009, the Social Security System (SSS) 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.

25.4 Deposits on Future Stock Subscriptions

In 2009, the Parent Company received subscriptions amounting to P44.6 million. Pending the Parent Company and investor agreement as to the number of shares to be issued, the amount received was presented as Deposits on Future Stock Subscriptions in the consolidated statements of financial position. In 2010, the investor withdrew the investment.

25.5 Other Reserves

In 2012, the Parent Company issued 171,250.8 million common shares plus cash of P157.8 million in exchange of the net assets of CSC. The acquisition of CSC is accounted for under business combination using pooling-of-interest method wherein the difference between the consideration given up over the carrying value of the net assets of CSC is recognized as Other Reserves (see Note 30).

25.6 Treasury Shares – At Cost

There are no treasury shares as at end of March 31, 2013 and December 31, 2012.

25.7 Retained Earnings

On March 8, 2012, the stockholders ratified the BOD's approval of 50% stock dividends (or a total of 244.9 million shares), valued at par and distributed on April 26, 2012 to stockholders of record as of March 28, 2012. In addition, cash dividends of 10 centavos per common shares totaling to P49.0 million were also declared and paid in 2012.

On March 11, 2011, the stockholders ratified the BOD's approval of 30% stock dividends (or a total of 113.0 million shares), valued at par and distributed on May 6, 2011 to stockholders of record as of April 8, 2011. In addition, cash dividends of 10 centavos per common share totaling to P37.7 million were also declared and paid in 2011.

On March 21, 2011, June 21, 2011, September 21, 2011 and December 1, 2011, the BOD declared and approved the payment of cash dividend to preferred shareholders totaling to P70.7 million.

On June 15, 2010, the stockholders ratified the Board of Directors' approval of a 40% stock dividends (or a total of 107.7 million shares), valued at par and distributed on October 21, 2010 to all stockholders of record as of September 24, 2010. In addition, cash dividends of five centavos per share totaling to P13.7 million were also declared and paid in 2010.

25.8 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:

	March 31, 2013	December 31, 2012
Total liabilities	**P 11,742,128,933**	P 12,006,738,969
Total equity	**5,898,571,248**	4,500,451,311
Debt-to-equity ratio	**1.99 : 1**	2.67 : 1

The decrease of the total liabilities in March 31, 2013 is the result of the prepayments on debt. The increase in equity is due to the equity placement and accumulated earnings.

The Group's goal in capital management is to maintain a debt-to-equity structure ratio of 2.7 to 1 on total Debt and a 1.5 to 1 for the interest bearing debts.

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.

26. EARNINGS PER SHARE (EPS)

EPS were computed as follows:

	March 31, 2013	March 31, 2012
a) Net profit - total	**P 224,601,957**	P 212,862,834
b) Net profit attributable to common shares and potential common shares	**210,226,957**	198,487,834
c) Weighted average number of outstanding common shares	**933,812,225**	906,059,416
d) Weighted average number of outstanding common and potential common shares	**933,812,225**	906,059,416
Basic EPS (a/c)	**P 0.23**	P 0.22
Diluted EPS (b/d)	**P 0.23**	P 0.22

The options and warrants attached on the convertible notes do not have dilutive effect since the average market price of the common shares of the Parent Company during the year does not exceed the exercise price of the options or warrants (see Note 16.2e).

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital Commitments

As of December 31, 2012, 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 325 opened retail service stations as of March 31, 2013. An additional of 59 retail service stations are under various stages of completion as of March 31, 2013.

In 2013, the Group plans to expand further its petroleum retail service stations, put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry. It also aim and carry out its investments in it subsidiaries to acquire new tanker vessel to support its supply stability.

27.2 Letters of Credits

As of March 31, 2013 and December 31, 2012, the Parent Group has unused LCs amounting to P7,034 million and P4,430.0 million, respectively.

27.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 15 years, with renewal options, and include annual escalation rates of 2% to 10%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	December 31, 2012
Within one year	**P 187,663,835**
After one year but not more than five years	**670,823,252**
More than five years	**808,176,037**
	P 1,666,663,124

Total rent expense for the years 2012 amounted to P240.9 million (see Note 19).

27.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 2 to 15 years, with renewal options, and include annual escalation rates of 2% to 10%. The future minimum rentals receivables under these cancelable operating leases are presented as follows:

	December 31, 2012
Within one year	**P 38,530,088**
After one year but not more than five years	**84,012,963**
More than five years	**4,003,448**
	P 126,546,499

Rent income in year 2012 amounting to P54.1 million is presented as part of Fuel Service, Storage Income and Other Revenues account in the consolidated statements of comprehensive income.

27.5 Finance Lease –Group as a Lessee

The Group is a lessor 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) follow in 2012 is as follows:

	Future MLP	PV of NMLP
Within one year	P10,393,611	P 7,678,316
After one year but not more than five years	23,511,665	20,304,918
	33,905,275	21,233,632
Amounts representing finance charges	(5,922,041)	-
Present value of MLP	P 27,983,234	P 27,983,234

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings (see Note 16). There are no obligations under finance leases as of December 31, 2011 and 2010.

27.6 TC Agreement

The Group has existing commitments to charterers under TC agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these TC 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 MARINA.

28. ACQUISITION OF CSC

At the meeting of the Parent Company's BOD held on July 6, 2012, the BOD approved the acquisition of 100% shares of stock of CSC via share for share swap. The acquisition was subsequently approved by the Parent Company's stockholders on September 6, 2012. The agreed purchase price for the sale of the shares amounted to P1,578.0 million payable as follows: 90% were paid via the issuance of new common shares from the unissued authorized capital stock of the Parent Company via share-for-share swap and the balance of ten percent amounting to P157.8 million was paid in cash. Accordingly, 171,250,799 new common shares were issued in favor of UMRC in proportion to its shareholdings in CSC. The purchase price in acquiring CSC was based on a 30-day volume weight-average price from May 24 to July 5, 2012 or at P8.3 per share.

The Group accounts for the business combination under common control under pooling of interest-type method. The balance of retained earnings as of January 1, 2010 has been restated from the amounts previously reported to record the assets and liabilities CSC as a result of a business combination.

Item II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparable discussion on Material Changes in Results of Operations for the three Months' Period Ended March 31, 2013 vs. March 31, 2012.

Revenues

The Group generated total revenues of ₱ 10.252 billion in 2013 which is 24% higher than its 2012 level of ₱ 8.306 billion, primarily due to the 35% increase in sales volume of refined petroleum products. However, this was minimized due to the lower revenues from fuels service, shipping, storage and other revenue.

Sales revenues from trading and distribution of petroleum products increased by 24% from ₱8.203 billion in 2012 to ₱10.183 billion in 2013 resulting principally from a wider distribution network and expanded institutional customer base and also as a result of improved price competitiveness. In spite of the 35% increase in volume, revenue is only up by 24% a average selling price for the current year is lower by at ₱36.63 per liter compared to ₱39.63 per liter during the same period in 2012 as a factor of higher average crude prices and product sales mix. The Parent Company had three hundred twenty five (325) Phoenix Fuels Life retail service stations as of March 31, 2013 compared to two hundred forty (240) retail stations as of the same period last year. The Parent Company has a number of retail stations undergoing construction and projected to be opened within the year.

The Group generated ₱ 69 million from its fuels service, storage, port and other income in 2013 versus ₱ 102 million in 2012, a 33% decline compared to the same period last year. This was caused by the treatment of service revenue as all-in-sales in Mindanao, except Davao City., which in turn forms

Cost and expenses

The Group recorded cost of sales and services of ₱ 9.476 billion, an increase of 24% from its 2012 level of P 7.639 billion primary due to a 35% increase in the sales volume of petroleum products. However, the average unit cost this year was lower compared to the same period last year as a result of lower petroleum product prices specifically during the last month of the quarter.

Selling and administrative expenses increased by 19% as a result of higher volume and the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs including depreciation of facilities.

Net Income

The Group's net income for the first quarter of 2013 is ₱ 224.6 million versus 2012 first quarter net income of ₱ 212.9 million. The Company was able to hit its gross profit rate target due to improved inventory, trading and supply management.

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

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

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

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

Financial Condition

(As of March 31, 2013 versus December 31, 2012)

Total resources of the Group as of March 31, 2013 stood at ₱ 17.641 billion, a growth of 7% over the ₱ 16.507 billion as of December 31, 2012.

Cash and cash equivalents increased by 123% from ₱ 438 million in December 31, 2012 to ₱ 977 million due to timing of collections of receivables as against payment various liabilities.

The Group's liquidity position continued to be strong with Current Assets amounting to ₱ 9.578 billion as of March 31, 2013, up from ₱ 8.967 billion as of December 31, 2012.

Trade and other receivables decreased by 4%, from ₱ 3.557 billion as of December 31, 2012 to ₱ 3.432 billion as of March 31, 2013, which were mainly due to improving receivable turn-over and increased efforts of the Company to collect past due accounts. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories increased by 10%, from P 3.689 billion as of December 31, 2012 to P 4.070 billion as of March 31, 2013. The Company maintains an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients.

Due from related parties in March 31, 2013 and December 31, 2012 is ₱ 12.129 million and ₱ 8.3 million respectively. The increase of ₱ 3.829 million is due to various charges to related parties during the period.

Input taxes-net decrease by 55% in March 31, 2013 is the result of offsetting of higher output taxes this year due to increasing sales.

Other current assets are at ₱ 326.7 million and ₱ 296.7 million as of March 31, 2013 and December 31, 2012 respectively. The increase represents prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance and other current assets.

As of March 31, 2013, the Group's property and equipment, net of accumulated depreciation, increased to ₱ 7.285 billion compared to ₱ 6.999 billion as of December 31, 2012 due to investments in additional depot capacity in existing areas and new sites. As of the first quarter, the Parent Company is nearing completion its Depot facility expansion in Davao City and additional storage tanks in Calaca, Batangas and Zamboanga City. More retail stations were also constructed and or under construction in Luzon, Mindanao and Visayas.

Loans and Borrowings decreased by 18% from ₱ 9.915 billion as of December 31, 2012 to ₱8.134 billion as of March 31, 2013. The decrease was a result of prepayments of short-term debts from the proceeds of the equity placement. In addition, inventories were financed by longer suppliers' credit terms.

Trade and other payables increased by 96%, from ₱ 1.547 billion as of December 31, 2012 to ₱ 3.032 million as of March 31, 2013. This is the result of the higher inventory and the partially the decrease of trust receipt payable under loans and borrowings.

Total Stockholders' Equity increased to ₱ 5.899 billion as of March 31, 2013 from ₱ 4.500 billion as of December 31, 2012 as a result of the ₱ 1.188 billion placement plus the income for the quarter less the cash dividend to preferred shares of ₱ 14.375 million declared during the quarter.

Key Performance Indicators and Relevant Ratios

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

	March 31 2013 (1-quarter)	December 31 2012 Full Year
Current Ratio[1]	1.73 : 1	1.56 : 1
Debt to Equity-Total[2]	1.99 : 1	2.67 : 1
Return on Equity[3]	4.32%	15.24%
Net Book Value Per Share[4]	5.69	4.97
Debt to Equity-Interest Bearing[5]	1.38 : 1	2.67 : 1
Earnings Per Share-Adjusted [6]	0.23	0.63

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

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

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

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

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

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

The Company debt to equity (DE) ratio for 2012 is 2.67: 1 due to needed high level of inventory to maintain to support the sales requirement in the first month of 2013. March 31, 2013 shows significant improvement on DE at 1.99 : 1 on total debt and 1.38 : 1 for interest bearing debt. This is a result of the equity placement this 1st quarter and the income generated for the period.

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

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

123% increase in Cash and Cash Equivalents
This is a result of higher revenue during the period. Certain levels of Cash are also maintained to support maturing obligations.

4% decrease in Trade and other receivables
Primarily due to improving days-sales-receivable.

46% increase in Due from related parties
Various charges billed during the quarter.

55% decrease on Value Added Tax-net
Output VAT increase as a result of higher revenue.

10% increase in other non-current assets
As a result of increased prepayments e.g. rental, insurance, etc.

18% decrease in Loans and Borrowings (Current and Long-term)
A result of prepayments made by the Company out of the proceeds of equity placement.

96% increase in Trade and other payables
Trade Payable to foreign suppliers for purchases of inventory to support increasing volume.

19% increase in deferred tax liability
As a result of deferred tax liability for tanker vessel appraisals increments.

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

24% increase in Sale of petroleum products
Principally due to 35% higher sales volume compared to 2012. However, it was minimized by the lower average selling prices compared to the same period of 2012.

33% decrease in Fuel service, Shipping, storage income and other revenue
A result of the conversion of sale of services to an Airline Company to all-in sales of products in Mindanao, except for Davao City.

24% increase in cost of sales
Primarily due to increase sales of petroleum products minimized by the effect of lower average costs compared to last year.

19% increase in selling and administrative expenses
The increase arose from the ongoing network and storage expansion activities, increase in trade area coverage, and higher sales volume. Volume increased by 38% for this quarter period compared to the same period of last year due to wider market coverage and additional institutional accounts.

26% increase in Finance Costs (net)
Due to interest on the instalment payables, bank term loans and TRs availed to finance a higher level of purchases.

23% decrease in other income/Costs
Due to lower gains on inventory recorded for the year and various other income

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

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 08, 2013 at the Marco Polo Hotel, Davao City, Philippines.

2. A 30% Stock Dividend declared by the Board of Directors was approved by the Stockholders during the March 08, 2013 Annual Stockholders' meeting. This entitles all stockholders of record as of May 15, 2012 and shall be distributable on June 10, 2012. Furthermore, the Stockholders' also approved the declaration Php 0.10 per share Cash Dividend with record date of April 11, 2013 and payment date of May 08, 2013.

3. As of March 31, 2013, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

5. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.

6. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Parent Company.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

By:

DENNIS A. UY
President and Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Finance Officer