11 November 2016

Mr. Jose Valeriano B. Zuño III
OIC-Head, Disclosure Department
Philippine Stock Exchange
PSE Plaza, Ayala Triangle Plaza
Makati City, Metro Manila

Dear **Mr. Zuño***:*

We are herewith submitting the Company's first quarter report for period ended 30 September 2016 (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

A	2	0	0	2	0	7	2	8	3

S.E.C. Registration Number

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

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

(Company's Full Name)

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

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

Dennis A. Uy
Contact Person

(082) 233-0168
Company Telephone Number

1 2 Month / **3 1** Day
Fiscal Year Ending

SEC Form 17-Q
FORM TYPE

3 Month / **last Friday** **XX** Day
Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended:	September 30, 2016
2. SEC identification number:	A200207283
3. BIR Tax Identification No.	006-036-274
4. Exact name of issuer as specified in its charter	**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5. Province, country or other jurisdiction of incorporation or organization	Davao City, Philippines.
6. Industry Classification Code:	(SEC Use Only)
7. Address of issuer's principal office:	Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Postal Code:	8000
8. Issuer's telephone number, including area code:	(082) 235-8888
9. Former name, former address and former fiscal year, if changed since last report:	Not Applicable

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

Title of each class	Number of Shares Outstanding
COMMON	1,393,561,632
PREFERRED	25,000,000

Amount of Debt Outstanding as of September 30, 2016: Php 21,984,496,288.00

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
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND DECEMBER 31, 2015
(With Corresponding Figures as of January 1, 2014)
(Amounts in Philippine Pesos)

	Notes	2016 Unaudited	2015
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 1,087,579,032**	1,631,788,201
Trade and other receivables - net	7	**9,474,719,078**	10,810,058,968
Inventories	8	**3,104,359,978**	2,638,614,688
Land held for sale and land development costs	9	**463,739,197**	462,489,197
Due from a related party	27	**18,578,079**	12,260,843
Restricted deposits	10	**50,687,908**	70,972,207
Input value-added tax - net		**810,884,631**	774,235,845
Prepayments and other current assets	11	**631,384,409**	639,111,710
Total Current Assets		**15,641,932,312**	**17,039,531,659**
NON-CURRENT ASSETS			
Property, plant and equipment - net	12	**15,281,070,856**	12,843,003,318
Intangible assets - net	13	**257,937,020**	72,384,461
Land held for future development	14	**484,836,249**	390,209,655
Investment in an associate and a joint venture	15	**333,689,633**	158,689,632
Goodwill - net	16	**84,516,663**	84,516,663
Other non-current assets	17	**348,626,150**	338,272,674
Total Non-current Assets		**16,790,676,571**	**13,887,076,403**
TOTAL ASSETS		**P 32,432,608,883**	30,926,608,062
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**P 12,852,634,086**	11,740,698,156
Trade and other payables	19	**2,410,856,629**	3,260,472,746
Due to related parties	27	**-**	-
Total Current Liabilities		**15,263,490,715**	**15,001,170,902**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**6,023,678,753**	5,243,300,684
Trade and other payables	19	**317,932,468**	317,810,700
Deferred tax liabilities - net	26	**104,029,446**	93,712,913
Other non-current liabilities	20	**275,364,906**	247,250,680
Total Non-current Liabilities		**6,721,005,573**	**5,902,074,977**
Total Liabilities		**21,984,496,288**	**20,903,245,879**
EQUITY	28		
Capital stock		**1,235,222,798**	1,453,777,232
Preferred stock			
Common stock			
Treasury shares - at cost			
Additional paid-in capital		**5,320,816,182**	5,320,816,182
Revaluation reserves		**591,420,562**	559,295,266
Other reserves		**(622,952,239)**	(622,952,239)
Retained earnings		**3,923,605,292**	3,312,425,742
Total Equity		**10,448,112,595**	**10,023,362,183**
TOTAL LIABILITIES AND EQUITY		**P 32,432,608,883**	**P 30,926,608,062**

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)

		YTD January to September Unaudited		3rd Quarter (July - September) Unaudited	
	Notes	2016	2015	2016	2015
			(as Re-stated see Note 2)		*(as Re-stated see Note 2)*
REVENUES					
Sale of goods	27	**21,176,728,417**	22,002,457,682	6,713,639,017	7,868,687,853
Charter fees and other charges	2				
Sale of real estate	2				
Fuel service and other revenues	2	**835,549,904**	485,250,864	115,761,242	211,315,781
Rent and storage income	31				
Port revenues	2				
		22,012,278,321	**22,487,708,546**	**6,829,400,259**	**8,080,003,634**
COST AND EXPENSES					
Cost of sales and services	21	**18,076,511,528**	19,125,692,156	5,424,378,661	6,784,620,785
Selling and administrative expenses	22	**2,430,057,918**	1,995,431,710	912,108,509	773,288,006
		20,506,569,446	**21,121,123,867**	**6,336,487,170**	**7,557,908,791**
OTHER CHARGES (INCOME)					
Finance costs	23	**(541,834,494)**	(581,444,411)	106,384,947	178,227,926
Equity share in net loss of a joint venture	15	**-**			
Finance income	23	**3,919,126**		(1,300,546)	
Others		**12,679,069**	(437,629)	(1,794,266)	(2,071,402)
		(525,236,299)	**(581,882,040)**	**103,290,135**	**176,156,524**
PROFIT BEFORE TAX		**980,472,576**	**784,702,639**	**389,622,954**	**345,938,319**
TAX EXPENSE	26	**(76,683,052)**	**(26,290,111)**	(51,004,208)	**(12,747,643)**
NET PROFIT		**903,789,524**	**758,412,528**	**338,618,746**	**333,190,676**
Basic and Diluted Earnings per share	29	0.54	0.51		

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**980,472,576.00**	784,702,639.00
Adjustments for:			
Interest expense	23.00	**644,718,286.00**	621,916,662.00
Depreciation and amortization	22	**689,449,160.00**	550,197,279.00
Impairment losses on trade and other receivables	23	**18,000,000.00**	10,663,615.00
Share in net loss of an indirectly-owned joint venture	15	**-**	
Interest income	23	**(3,926,218.00)**	(1,878,229.00)
Unrealized foreign exchange currency gains (loss) - net		**(111,338,200.00)**	
Loss on sale of investment in an associate	15	**-**	
Loss on settlement of insurance claims	23	**-**	-
Operating profit before working capital changes		**2,217,375,604.00**	**1,965,601,966.00**
Decrease (Increase) in trade and other receivables		**1,373,196,090.00**	2,513,669.00
Decrease (increase) in inventories		**(465,745,290.00)**	434,182,363.00
Decrease (increase) in land held for sale and land development costs		**(1,250,000.00)**	24,299,121.00
Decrease (increase) in restricted deposits		**20,284,299.00**	(433,302.00)
Increase in input value-added tax		**(36,648,786.00)**	(114,044,705.00)
Decrease (increase) in prepayments and other current assets		**(177,825,258.00)**	(233,131,258.00)
Increase (decrease) in trade and other payables		**(2,038,213,539.00)**	(1,850,993,720.00)
Cash generated from (used in) operations		**891,173,120.00**	**227,994,134.00**
Cash paid for income taxes		**(76,683,052.00)**	
Net Cash From (Used in) Operating Activities		**814,490,068.00**	**227,994,134.00**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	12	**(3,127,516,698.00)**	(1,429,549,973.00)
Acquisitions of intangible assets	13	**-**	
Increase in land held for future development		**(94,626,594.00)**	
Additional investment in an indirectly-owned joint venture	15	**(175,000,001.00)**	
Increase in other non-current assets		**(10,353,476.00)**	(142,598,599.00)
Advances to related parties	27	**-**	**181,524.00**
Interest received		**3,926,218.00**	1,878,229.00
Collections from related parties	27.00	**(6,317,236.00)**	
Proceeds from disposal of property and equipment		**-**	15,833,076.00
Net Cash Used in Investing Activities		**(3,409,887,787.00)**	**(1,554,255,743.00)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional interest-bearing loans and borrowings		**13,349,911,263.00**	
Repayments of interest-bearing loans and borrowings		**(10,957,026,118.00)**	2,341,001,371.00
Acquisition of treasury shares	28.00	**(218,554,434.00)**	
Interest paid		**(480,515,241.00)**	(621,916,662.00)
Decrease in revaluation reserves		**-**	
Payments of cash dividends	28.00	**(260,484,679.00)**	(102,376,362.00)
Increase (decrease) in other non-current liabilities		**617,857,759.00**	30,418,221.00
Repayments to related parties	27.00	**-**	(17,204,725.00)
Prior Period adjusment			3,680,381.00
Net Cash From (Used in) Financing Activities		**2,051,188,550.00**	**1,633,602,224.00**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(544,209,169.00)**	**307,340,615.00**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,631,788,201.00**	**555,508,720.00**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,087,579,032.00**	**862,849,335.00**

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See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)

	Note	Capital Stock									
		Preferred Stock	Preferred Treasury Stock - At Cost	Common Treasury Stock - At Cost	Common Stock (1,393,561,632 stocks)	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity
Balance at January 1, 2016		P 30,000,000	(P 5,000,000)		P 1,428,777,232	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P 3,312,425,742	P 10,023,362,183
Issuance of shares for the year	28				-	-		-	-	-	-
Cash dividends	28	-	-		-	-	-	-	-	(260,484,679)	(260,484,679)
Acquisition of Treasury Shares common (35,215,600 shares)				(218,554,434.00)		(218,554,434.00)					(218,554,434.00)
Total comprehensive income											-
for the year		-	-		-	-	-	-	-	903,789,524	903,789,524
Transfer of revaluation reserves											
absorbed through											-
depreciation, net of tax		-	-	-	-	-	-	32,125,296	-	(32,125,296)	-
Balance at September 30, 2016		P 30,000,000	(P 5,000,000)	(P 218,554,434)	P 1,428,777,232	P 1,235,222,798	P 5,320,816,182	P 591,420,562	(P 622,952,239)	P 3,923,605,291	P 10,448,112,594
Balance at January 1, 2015		10,000,000.00	(5,000,000.00)		1,428,777,232.00	1,433,777,232.00	3,367,916,774.00	372,138,419.00	(622,952,239.00)	2,499,345,913.00	7,050,226,099.00
Issuance of shares for the year	28.00	20,000,000.00			-	20,000,000.00	1,952,899,408.00	-	-	-	1,972,899,408.00
Cash dividends	28.00	-	-		-	-	-	-	-	(112,689,360.00)	(112,689,360.00)
Total comprehensive income											
for the year		-	-		-	-	-	207,057,323.00	-	905,868,713.00	1,112,926,036.00
Transfer of revaluation reserves											
absorbed through											
depreciation, net of tax		-	-		-	-	-	(19,900,476.00)	-	19,900,476.00	-
Balance at December 31, 2015		P 30,000,000	(P 5,000,000)		P 1,428,777,232	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P 3,312,425,742	P 10,023,362,183

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 31, 2016, 2015, AND 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 42.26% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's shares of stock are listed with the Philippine Stock Exchange (PSE). The Parent Company is presently engaged in trading of petroleum products on wholesale and retail basis and operating of gas stations, oil depots, storage facilities and allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

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

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

The Parent Company has a total of 495 operating retail service stations, and a total of 35 service stations under construction as of September 31, 2016.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

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

Subsidiaries/ Associate	Explanatory Notes	Percentage of Ownership 2015	2014
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100.00%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100.00%**	100.00%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	(c)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(d)	**100.00%**	100.00%
Chelsea Shipping Corp. (CSC)	(e)	**100.00%**	100.00%
Bunkers Manila, Inc. (BMI) *	(f)	**100.00%**	100.00%
Michael Inc. (MI)*	(g)	**100.00%**	100.00%
PNX – Chelsea Shipping Corp.			

(PNX – Chelsea)*	(h)	**100.00%**	100.00%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)*	(i)	**100.00%**	100.00%
Fortis Tugs Corporation (FTC)*	(j)	**100.00%**	100.00%
Norse/Phil Marine Services Corp. (NPMSC)**	(k)	**-**	45.00%
South Pacific, Inc. (SPI)***	(l)	**50.00%**	-

**Wholly-owned subsidiaries of CSC*
***Associate of CSC*
**** Joint venture of PPIPC*

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

(a) Incorporated on January 31, 2017 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

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

(c) Incorporated on March 7, 1996 and is engaged in real estate development and is also registered with the Housing and Land Use Regulatory Board under Executive Order No. 648 and was granted to sell parcels of land on PPIPC's project, the Phoenix Petroleum Industrial Park (the Park).

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

(e) Incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines.

(f) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies.

(g) Incorporated on December 26, 1957 and is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil.

(h) Incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.

(i) Incorporated on March 30, 2012 and is engaged in the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

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

(k) Incorporated on January 30, 2013 and is engaged in the business of providing technical ship services and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation. In 2015, CSC disposed all of its ownership interest in the associate.

(l) Incorporated on March 27, 2014 and is engaged in bulk or wholesale supply and distribution of liquefied petroleum gas and other petroleum products, which also includes importation, storage, and wholesale, refilling thereof and to operate and maintain storage terminals, equipment and transport facilities to be used therein.

1.3 Other Corporate Information

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

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

PPMI's registered office is located at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

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

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the quarter ended September 31, 2016 (including the comparative consolidated financial statements as of and for the quarter ended September 31, 2016 and the corresponding figures as of December 31, 2015) were authorized for issue by the Parent Company's Board of Directors (BOD) on November 10, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

Certain items in the 2015 and 2014 consolidated statements of financial position and consolidated statements of comprehensive income of the Group have been reclassified to conform to the 2016 consolidated statements of financial position and comprehensive income presentation and classification. These items are as follows:

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

(b) Freight out expense amounting to P344.09 million and P189.94 million in September 2015 and 2014, respectively, previously included as part of cost of sales are now classified under selling and administrative expenses.

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

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

Accordingly, the Group presented a third consolidated statement of financial position as at January 1, 2015. The reclassifications previously mentioned did not have significant changes in the consolidated statements of cash flows and did not have effect on the basic and diluted earnings per share (EPS) for the years ended December 31, 2015 and 2014.

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

	As previously Reported	Adjustments	As Restated
December 31, 2014:			
Changes in assets:			
Trade and other receivables - net	P 7,832,712,191	P 22,464,955	P 7,855,177,146
Prepayments and other current assets	1,146,632,540	(114,291,286)	1,032,341,254
Property, plant and equipment - net	10,688,608,904	27,854,130	10,716,463,034
Intangible assets – net	-	86,437,156	86,437,156
Other non-current assets	336,110,518	(22,464,955)	313,645,563
Effect in assets		P -	
Changes in liabilities:			
Trade and other payables – current	P 3,734,569,995	(P 335,610,890)	P 3,398,959,105
Trade and other payables – non-current	-	335,610,890	335,610,890
Effect in liabilities		P -	
Changes in profit or loss:			
September 31, 2015			
Cost of sales and services	P 19,469, 786,360	(P 344,094,204)	P 19,125,692,156
Selling and administrative expenses	1,670,353,800	344,094,204	2,014,448,004
Effect in net profit		P -	
September 31, 2014			
Cost of sales and services	P 24,407,533,721	(P 189,945,534)	P 24,217,588,187
Selling and administrative expenses	1,435,591,362	189,945,534	1,625,536,896
Effect in net profit		P -	
January 1, 2014:			
Changes in assets:			
Trade and other receivables - net	P 7,343,793,926	P 22,464,955	P 7,366,258,881
Prepayments and other current assets	489,913,177	(23,863,226)	466,049,951
Property, plant and equipment - net	8,628,490,469	6,457,627	8,634,948,096
Intangible assets – net	-	17,405,599	17,405,599
Other non-current assets	270,215,050	(22,464,955)	247,750,095
Effect in assets		P -	

Changes in liabilities:			
Trade and other payables – current	P 1,570,427,327	(P 285,024,914)	P 1,285,402,413
Trade and other payables – non-current	-	285,024,914	285,024,914
Effect in liabilities		P -	

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Group

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

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

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

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

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

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

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

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

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

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

Annual Improvements to PFRS (2011-2013 Cycle)

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

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

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

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

PFRS (2011-2013 Cycle)		
PAS 40 (Amendment)	:	Investment Property – Clarifying the Interrelationship between PFRS 3 and PAS 40

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

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

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

(iii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries, joint venture and associate.

(iv) PFRS 10 (Amendment), *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

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

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

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

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

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

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

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

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

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

The Group does not expect to implement and adopt any version of PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

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

(a) PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations.* The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

(b) PFRS 7 (Amendment), Financial Instruments – Disclosures. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing

involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

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

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, an associate and a joint venture as follows:

(a) *Investments in Subsidiaries*

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 16). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.14).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.14 and 2.25).

(b) *Investment in an Associate*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) Investment in a Joint Venture

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

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

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

2.4 Financial Assets

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

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

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

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding certain advances to suppliers and advances subject to liquidation), Due from a Related Party, Restricted Deposits (presented under Current Assets and as part of Other Non-Current Assets in the consolidated statement of financial position), and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

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

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

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

2.5 Inventories

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

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

2.6 Land Held for Sale and Land Development Costs

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

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

2.7 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

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

2.8 Land Held For Future Development

Land held for future development is valued at the lower of cost and net realizable value. Cost of land held for future development includes purchase price, estimated development costs and other costs directly attributable to the acquisition of land.

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

2.9 Property, Plant and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred, except for periodic drydocking costs performed at least every two years on the vessel, which are capitalized (see Note 2.11).

Following initial recognition at cost, tankers are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amounts represent fair values determined based on appraisals by external professional valuer once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.4).

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

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

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

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

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

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

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

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

2.10 Intangible Assets

Intangible assets include acquired computer software licenses which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.18.

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

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

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

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

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

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

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

2.11 Drydocking Costs

Drydocking costs are considered major repairs that preserve the life of the vessel. As an industry practice, costs associated with drydocking are amortized over two years or until the next drydocking occurs, whichever comes earlier. When significant drydocking expenditures occur prior to their expiry, any remaining unamortized balance of the preceding drydocking costs is expensed in the month of the subsequent drydocking.

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

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

The carrying amount of drydocking costs is derecognized upon derecognition of the related tanker. The computed gain or loss arising on the derecognition of the tanker takes into consideration the carrying amount of drydocking costs and is included in profit or loss in the year the related tanker is derecognized.

2.12 Financial Liabilities

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

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

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

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.16 and 31.5).

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

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

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

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

2.13 Provisions and Contingencies

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

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

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

2.14 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting and pooling-of-interest method.

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

Negative goodwill which is the excess of the Group's interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to income.
For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

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

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

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

2.15 Revenue and Expense Recognition

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

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

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

(b) *Charter fees and other charges* – Revenue, which consists mainly of charter income arising from the charter hire of tankers, is recognized based on the type of charter arrangement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or a bareboat agreement (BB) [see Note 3.1*(d)*]. Under a TC and BB, revenue is recognized based on the terms of the contract, with the distinction that in a BB, no administration or technical maintenance is included as part of the agreement. Under a CVC, revenue is recognized upon completion of the voyage; however, appropriate accrual of revenue is made at the end of the reporting period.

(c) *Sale of real estate* – Revenue on sale of real estate is recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership of the land have passed to the buyer and the amount of revenue can be measured reliably. Revenue is also recognized when a downpayment of at least 25.00% has been collected.

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

(e) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.16).

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

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

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

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

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

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

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

(b) Group as Lessor

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

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

2.17 Foreign Currency Transactions and Translations

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.18 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, investment in an associate and joint venture, drydocking costs (presented as part of Other Non-current Assets in the consolidated statement of financial position), goodwill and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill that is tested for impairment at least annually.

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

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

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.14), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

2.20 Borrowing Costs

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

2.21 Income Taxes

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

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

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

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

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

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

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

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

2.22 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.23 Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

2.24 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.
In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.
There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.25 Equity

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

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

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

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

Other reserves pertain to the difference between the Parent Company's cost of investment and the acquired net assets of CSC accounted for under the pooling-of-interest method (see Notes 2.3 and 2.14).

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.26 Earnings per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any. There are no potential dilutive shares as of the years presented (see Note 29).

2.27 Share-based Payments

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

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

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

2.28 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Certain hauling and heavy equipment are acquired and accounted for under finance lease.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 31.

(c) Determination of Qualifying Assets on Borrowing Costs

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

(d) *Revenue Recognition for Charter Fee Arrangements*

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

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

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

3.2 Key Sources of Estimation Uncertainty

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

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

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and the related party, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from a related party is shown in Note 27.4. The Group has determined that no impairment loss on Due from a Related Party should be recognized in 2015, 2014 and 2013.

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

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

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

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

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

The Group estimates the useful lives of property, plant and equipment, intangible assets and drydocking costs based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and drydocking costs are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.
The carrying amounts of property, plant and equipment, intangible assets and drydocking costs are analyzed in Notes 12, 13 and 17, respectively. Based on management's assessment as of December 31, 2015 and 2014, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and drydocking costs during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Fair Value Measurement of Tankers*

The Group's tankers, presented as part of the Property, Plant and Equipment account, are carried at revalued amount at the end of the reporting period. In determining the fair values of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.4.

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

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

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2015 and 2014 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2015 and 2014 is disclosed in Note 26.

(g) Estimation of Liability for Land Development

Obligations to complete development of real estate are based on actual costs and project estimates of the Group's contractors and technical personnel. These costs are reviewed at least annually and are updated if expectations differ from previous estimates.
Liability to complete the project for land development is presented as liability for land development under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

(h) Valuation of Post-employment Defined Benefit Obligation

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 24.2.

(i) Estimation of Development Costs

The accounting for real estate requires the use of estimates in determining costs and gross profit recognition. Cost of real estate sold (under Cost of Sales and Services in the consolidated statement of comprehensive income) includes estimated costs for future development. The development cost of the project is estimated by the Group's contractors and technical personnel. At the end of reporting period, these estimates are reviewed and revised to reflect the current conditions, when necessary.

(j) Impairment of Non-Financial Assets

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

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2015, 2014 and 2013.

(k) Fair Value Measurements of Business Combinations

On initial recognition in a business combination using the purchase method of accounting, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

4.1 Market Risk

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

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has several U.S. dollar loans from certain banks which were used to finance its capital expenditures (see Note 18). The Group also holds U.S. dollar-denominated cash and cash equivalents.

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

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

	2015
Financial assets	**P 6,319,275,779**
Financial liabilities	**(1,662,588,911)**
Net exposure	**P4,656,686,868**

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

	2015

Reasonably possible change in rate	**53.49%**
Effect in profit before tax	**P2,490,861,805**
Effect in equity after tax	**1,743,603,263**

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of December 31, 2015, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans borrowings and which are subject to variable interest rates (see Notes 6 and 18). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.49% in 2015, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.36% for Philippine peso and +/-0.36% for U.S. dollar in 2015. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of the each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

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

(c) Other Price Risk

The Group's market price risk arises from its purchases of fuels. It manages its risk arising from changes in market prices by monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts to manage the fluctuation of the fuel price.

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

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

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

	Notes	Sept. 30, 2016	Dec. 31,2015
Cash and cash equivalents	6	**P1,087,579,033**	P1,631,788,201
Trade and other receivables – net*	7	**8,211,619,154**	9,848,695,600
Due from a related party	27.4	**18,578,079**	12,260,84312,260,843
Restricted deposits	10, 17	**50,687,908**	72,249,055
Refundable rental deposits	17	**150,398,587**	138,171,724
		P9,518,862,761	P11,703,165,423

**excluding certain advances to suppliers and advances subject to liquidation*

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.
None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables and Due from a Related Party

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

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

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

	Sept. 30,2016	Dec. 31, 2015
Not more than one month	P **1,238,887,329**	P 630,404,266
More than one month but not more than two months	**910,188,809**	432,148,035
More than two months but not more than six months	**1,841,440,301**	1,110,052,164

More than six months but not more than one year	**2,321,389,893**	4,867,632,165
More than one year	**,801,158,796**	571,431,230
	P 6,311,906,332	P 7,611,667,860

In respect of due from a related party, the Group has assessed that these advances are collectible and the credit risk exposure is considered to be low.

4.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.
The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of Sept. 30, 2016, the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 11,184,859,456	P 1,734,398,594	P 7,343,253,223
Trade and other payables (excluding tax-related payables)	2,461,201,647	-	317,932,468
Due to Related Parties	142,000,000		
Security deposits	-	-	218,685,440
	P 13,788,061,102	**P 1,784,318,961**	**P 7,879,871,131**

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

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

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

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

5.1 Carrying Amounts and Fair Values by Category

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

		September 30, 2016		December 31, 2015	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 1,087,579,033**	**P 1,087,579,033**	P 1,631,788,201	P 1,631,788,201
Trade and other receivables-net*	7	**8,211,619,154**	**8,211,619,154**	9,848,695,600	9,848,695,600
Due from a related party	27.4	**18,578,079**	**18,578,079**	12,260,843	12,260,843
Restricted deposits	10, 17	**50,687,908**	**50,687,908**	72,249,055	72,249,055
Refundable rental deposits	17	**150,398,587**	**150,398,587**	138,171,724	138,171,724
		P 9,518,862,761	**P 9,518,862,761**	P 11,703,165,423	P 11,703,165,423
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	**P 18,876,312,839**	**P 18,876,312,839**	P 16,983,998,840	P 16,983,998,840
Trade and other payables**	19	**2,779,134,115**	**2,779,134,115**	3,479,709,969	3,479,709,969
Due to related parties	27.4	**142,000,000**	**142,000,000**	-	-
Security deposits	20	**218,685,440**	**218,685,440**	188,023,313	188,023,313
		P 22,016,132,393	**P 22,016,132,393**	P 20,651,732,122	P 20,651,732,122

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

See Notes 2.4 and 2.12 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

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

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

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

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

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

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

		2015			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 1,631,788,201	P -	P -	P 1,631,788,201
Trade and other receivables - net	7	-	-	9,848,695,600	9,848,695,600
Due from a related party	27.4	-	-	12,260,843	12,260,843
Restricted deposits	10, 17	72,249,055	-	-	72,249,055
Refundable rental deposits	17	-	-	138,171,724	138,171,724
		P1,704,037,256	**P -**	**P 9,999,128,168**	**P11,703,165,423**

	Notes	2015 Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	P -	P -	P16,983,998,840	P16,983,998,840
Trade and other payables	19	-	-	3,479,709,969	3,479,709,969
Security deposits	20	-	-	188,023,313	188,023,313
		P -	**P -**	**P20,651,732,122**	**P20,651,732,122**

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

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

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

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

5.4 Fair Value Measurements for Non-financial Assets

a) Determining Fair Value of Tankers

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

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

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

b) Other Fair Value Information

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

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

5.5 Offsetting of Financial Assets and Financial Liabilities

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

	December 31, 2015					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 9,947,012,925	(P 98,317,325)	P 9,848,695,600	(P 33,140,506)	P -	P 9,815,555,094
Restricted deposits	72,249,055	-	72,249,055	(72,249,055)	-	-
Total	**P 10,019,261,980**	**(P 98,317,325)**	**P 9,920,944,655**	**(P 105,389,561)**	**P -**	**P 9,815,555,094**

	December 31, 2014					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated	Related amounts not set off in the consolidated statement of financial position		

	Financial assets	Financial liabilities set off	statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 4,031,673,199	(P 242,448,065)	P 3,789,225,134	P -	P -	P 3,789,225,134
Restricted deposits	71,670,538	-	71,670,538	(71,670,538)	-	-
Total	P 4,103,343,737	(P 242,448,065)	P 3,860,895,672	(P 71,670,538)	P -	P 3,789,225,134

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

	December 31, 2015					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 16,983,998,840	P -	P 16,983,998,840	(P 105,389,561)	P -	P 16,878,609,279
Trade and other payables	3,535,561,941	(55,851,972)	3,479,709,969	-	-	3,479,709,969
Security deposits	230,488,666	(42,465,353)	188,023,313	-	-	188,023,313
Total	**P 20,750,049,447**	**(P 98,317,325)**	**P 20.651,732,122**	**(P 105,389,561)**	**P -**	**P 20,546,342,561**

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

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of September 30, 2016 and December 31, 2015:

	Sept. 30,2016	Dec. 31,2015
Cash in banks	**P 1,073,254,370**	P 880,016,290
Short-term placements		741,998,940
Cash on hand	**7,707,962**	7,169,773

Revolving fund	**6,616,701**	2,603,198
	P1,087,579,033	P1,631,788,201

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 0.25% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 7.10% per annum in all years presented. Interest income earned amounted to P3.9 million, P2.8 million and P2.5 million in September 30,2016, December 31,2015 and 2014, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of September 30, 2016 and December 31, 2015 exclude restricted time deposits totalling to P50.6 million and P70.9 million, respectively, which are shown as Restricted Deposits account (see Note 10) and restricted time deposits under Other Non-current Assets (see Note 17) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 18) and certain government compliance requirement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	Sept. 30,2016	Dec. 31, 2015
Trade receivables:			
Third parties		**P 3,120,794,849**	P 3,449,380,953
Related parties	27.1	**13,928,988**	25,076,202
		3,134,723,837	3,474,457,155
Advances to suppliers:			
Third parties	12.1	**5,861,779,460**	6,609,137,118
Related parties	27.2	**388,294,918**	388,294,800
		6,250,074,260	6,997,431,918
Installment contract receivable – net of unamortized discount	27.7	**155,808,244**	330,808,244
Non-trade receivables		**284,332,130**	283,867,284
Advances subject to liquidation		**15,272,590**	11,831,212
(Amount carried forward)		**P 9,794,938,471**	P11,098,395,813

	Note	Sept. 30, 2016	Dec. 31, 2015
(Amount brought forward)		**P 9,794,938,471**	P11,098,395,813
Other receivables - net	27.7	**10,996,044**	70,151,182
		9,851,207,105	11,168,546,995
Allowance for impairment		**(376,488,027)**	(358,488,027)
		P 9,474,719,078	P10,810,058,968

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

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

Installment contract receivable represents the Group's outstanding receivable for the sale of parcels of land to third party customers. The fair value on initial recognition of the installment contract receivable was determined by calculating the present value of the estimated future cash flows expected until maturity using the market interest rate of comparable financial instrument at the commencement of the sale. The computed day-one loss amounting to P10.2 million and nil in 2015 and 2014, respectively, is presented as part of Finance Costs (see Note 23.1) in the consolidated statements of comprehensive income. Meanwhile, amortization of installment contract receivable using effective interest method amounting to P2.0 million and nil in 2015 and 2014, respectively, is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

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

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

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

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

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2015 and 2014.

Impairment losses amounted to P5.1 million and P74.4 million in March 31, 2016 and December 31, 2015, respectively, and are presented as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.1). In 2015, certain other receivables amounting to P4.8 million was directly written-off (see Note 23.1). Recovery of bad debts in 2015 is presented as part of Others under Other Income (Charges) account in the 2015 consolidated statement of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of September 30, 2016 and 2015 is shown below.

	Note	Sept. 30,2016	Dec. 31, 2015
Balance at beginning of year		**P 358,488,027**	P 284,391,298
Impairment loss for the year	23.1	**18,000,000**	74,413,265
Recovery of bad debts		( )	(316,536)
Balance at end of year		**P 376,488,027**	P 358,488,027

8. INVENTORIES

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

	Sept. 30,2016	Dec. 31, 2015
Fuels	**P2,736,990,426**	P2,402,143,869
Lubricants	**367,303,334**	236,404,494
Others	**66,218**	66,325
	P 3,104,359,978	P 2,638,614,688

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P 2,379.6 million and P2,378.4 million as of Sept. 30, 2016 and December 31, 2015, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusteed inventories or their sales proceeds (see Note 18.1).

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

An analysis of the cost of inventories included in the cost of fuels and lubricants sold in each year is presented in Note 21.1.

9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs stated at cost relate to the following as of September 30, 2016 and December 31, 2015:

	Sept. 30,2016	Dec. 31, 2015
Land held for sale	**P 389,099,381**	P 390,209,655
Land development costs	**74,639,816**	-
	P 463,739,197	P 390,209,655

Land development costs pertain to expenditures for the development and improvement of certain parcels of land held for sale in Phases 1,2 and 3 of the Park.

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 18.1) amounting to P50.6 million and P71 million as of September 30, 2016 and December 31, 2015, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% per annum for September 30, 2016 and December 31, 2015. Interest income earned from restricted deposits amounted to P0.4 million and P0.6 million in Sept. 30, 2016 and December 31,2015 respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

11. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of Sept. 30,2016 and December 31, 2015 are shown below:

	Sept. 30,2016	Dec. 31, 2015
Creditable withholding tax	**P 245,278,425**	P 349,885,803
Prepayments	**268,280,389**	195,356,449
Supplies	**114,410,265**	89,106,338
Others	**3,415,331**	4,763,120
	P 631,384,409	P 639,111,710

12. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of September 30, 2016 and 2015 are shown below.

	Buildings, depot and pier facilities	Leasehold and land improvements	Gasoline station equipment	Office furniture and equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Contruction in progress	Total
Sept. 30, 2016											
Cost	5,288,817,886	275,090,586	2,915,220,370	136,726,147	677,270,711	72,582,110	5,742,205,920	394,946,031	1,557,075,425	1,685,444,734	18,745,379,920
A/D	(1,069,505,728)	(47,340,898)	(765,276,826)	(86,554,312)	(404,287,739)	(37,174,336)	(885,654,674)	(168,514,551)	-	-	(3,464,309,064)
Net carrying amount	4,219,312,158	227,749,689	2,149,943,544	50,171,835	272,982,972	35,407,774	4,856,551,246	226,431,480	1,557,075,425	1,685,444,734	15,281,070,856
December 31, 2015											
Cost	4,163,838,819	148,718,098	2,379,895,263	92,824,177	599,610,911	46,944,514	5,085,134,597	335,436,389	1,138,498,896	1,727,856,115	15,718,757,779
A/D	(945,023,733)	(55,127,432)	(575,008,715)	(74,896,989)	(348,317,991)	(33,254,229)	(715,593,100)	(128,532,272)	-	-	(2,875,754,461)
Net carrying amount	3,218,815,086	93,590,666	1,804,886,548	17,927,188	251,292,920	13,690,285	4,369,541,497	206,904,117	1,138,498,896	1,727,856,115	12,843,003,318

A reconciliation of the carrying amounts at the beginning and end of September 30, 2016 and 2015 of property, plant and equipment is shown below.

	Buildings, depot and pier facilities	Leasehold and land improvements	Gasoline station equipment	Office furniture and equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Contruction in progress	Total
Balance, beginning 2016	3,218,815,086	93,590,666	1,804,886,548	17,927,188	251,292,920	13,690,285	4,369,541,497	206,904,117	1,138,498,896	1,727,856,115	12,843,003,318
Additions	-	49,941,610	43,642,713	7,594,158	27,743,485	25,637,596	648,254,684	62,534,982	418,576,529	1,762,658,617	3,046,584,373
Revaluation increment	-	-	-	-	-	-	-	-	-	-	-
Transfers	1,124,979,067	92,659,299	491,682,394	36,307,812	49,916,315	-	8,816,639	708,473	-	(1,805,069,999)	-
Cost of asset disposed/Reclassed		(16,228,420)				-	-	(3,733,813)	-	-	(19,962,232)
A/D of asset disposed/Reclass		16,228,420				-	-	3,733,813	-	-	19,962,233
Depreciation and amortizat	(124,481,995)	(8,441,886)	(190,268,111)	(11,657,323)	(55,969,748)	(3,920,107)	(170,061,574)	(43,716,092)	-	-	(608,516,836)
	-	-	-	-	-	-	-	-	-	-	-
Balance, end Sept. 2016	**4,219,312,158**	**227,749,689**	**2,149,943,544**	**50,171,835**	**272,982,972**	**35,407,774**	**4,856,551,246**	**226,431,480**	**1,557,075,425**	**1,685,444,734**	**15,281,070,856**
	-	-	-	-	-	-	-	-	-	-	-
Balance, beginning 2015	3,030,164,543	50,104,378	1,602,424,412	17,419,812	286,038,916	8,663,790	3,891,825,850	191,390,192	641,719,262	996,711,879	10,716,463,034
Additions	77,564,390	51,545,969	54,283,771	8,832,106	31,682,015	9,752,759	12,499,514	43,930,765	496,779,634	1,986,322,293	2,773,193,216
Revaluation increment	-	-	-	-	-	-	202,245,220	-	-	-	202,245,220
Transfers	243,410,523	-	400,234,504	634,186	2,292,538	-	429,881,782	25,596,514	-	(1,255,178,057)	(153,128,010)
Cost of asset disposed	-	-	(6,938,814)	(1,363,818)	(13,636,619)	(37,895,194)	-	-	-	-	(59,834,445)
A/D of asset disposed	-	-	3,768,225	1,342,216	12,683,979	37,093,408	-	-	-	-	54,887,828
Depreciation and amortizat	(151,156,270)	(8,059,681)	(225,355,959)	(8,902,157)	(67,753,095)	(3,924,478)	(166,910,869)	(54,013,354)	-	-	(686,075,863)
Reclassification/adjustmen	18,831,900	-	(23,529,591)	(35,157)	(14,814)	-	-	-	-	-	(4,747,662)
Balance, end 2015	**3,218,815,086**	**93,590,666**	**1,804,886,548**	**17,927,188**	**251,292,920**	**13,690,285**	**4,369,541,497**	**206,904,117**	**1,138,498,896**	**1,727,856,115**	**12,843,003,318**

12.1 Acquisition of Vessel

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

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

12.2 Revaluation of Vessels

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

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

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

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

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

12.3 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P37.54 million and P61.9 million as of September 30, 2016 and December 31, 2015, respectively (see Note 18.8), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 8.50% both in September 30,2015 and 2015.

12.4 Collaterals

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

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

12.5 Finance Lease

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

12.6 Depreciation and Amortization

As of September 30,2016, the Group retired in its books fully-depreciated transportation equipment with a total cost of P19.8 million. As of September 2016 and December 31, 2015 and 2014, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P404.9 million and P447.9 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**Sept. 30,2016**	Dec. 31, 2015
Cost of services	21.2	**P 334,727,672**	P 246,379,404
Selling and administrative expenses		**380,300,228**	439,696,459
	22	**P 715,027,900**	P 686,075,863

13. INTANGIBLE ASSETS

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

	Computer Software Licenses	Software Development Cost	PBA Franchise	TOTAL
Sept. 30, 2016				
Cost	P 137,604,287	P 7,062,076	P 182,134,388	P 326,800,751
Accumulated Amortization	(64,882,966)	(4,090,138)		(68,973,105)
Net Carrying Amount	72,721,321	2,971,938	182,134,388	257,827,646
Dec. 31, 2015				
Cost	P 127,553,120	P 5,560,142	P -	P 133,113,262
Accumulated Amortization	(58,015,880)	(2,712,921)	-	(60,728,801)
Net Carrying Amount	69,537,240	2,847,221	-	72,384,461

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

	Computer Software Licenses	Software Development Cost	PBA Franchise	TOTAL
Balance Jan. 1, 2016, Net of Accumulated Amortization	P 69,537,240	P 2,847,221	P -	P 72,384,461
Additions	10,051,167	1,501,934.00	182,134,388	193,687,489
Amortization Expense as of Sept. 30,2016	(6,867,086)	(1,377,217)	-	(8,244,304)
Balance Sept. 30, 2016, Net	72,721,321	2,971,938	182,134,388	257,827,646
of Accumulated Amortization	-	-	-	-
Balance Jan. 1, 2015, Net of Accumulated Amortization	P 83,323,085	P 3,114,071	P -	P 86,437,156
Additions	26,363,857	1,308,498	-	27,672,355
Amortization Expense for the Year	(40,149,702)	(1,575,348)	-	(41,725,050)
Balance Dec. 31, 2015, Net of Accumulated Amortization	69,537,240	2,847,221	-	72,384,461

14. LAND HELD FOR FUTURE DEVELOPMENT

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

15. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

15.1 Investment in an Associate

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

15.2 Investment in a Joint Venture

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

Under the joint venture agreement, SPI has an authorized and outstanding capital stock of P175.0 million with par value of P1.00 per share which was subsequently increased to P700.0 million. PPIPC owns 175.0 million shares, 50.00% of the outstanding capital stock, but does not have significant influence on the entity. Total investment in a joint venture as of December 31, 2015 amounted to P175.0 million, of which, P67.8 million was advanced in 2014 (see Note 17). Under the agreement, the joint venture has no restrictions as to transfer of funds in the form of cash dividends, or to repay loans or advances made by SPI. In addition, PPIPC has no significant commitments relating to SPI.

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

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

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

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

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

16. GOODWILL

Goodwill amounting to P84.5 million as of December 31, 2015 and 2014, represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to business synergy for economics of scale and scope. In 2013, the Parent Company assessed that the goodwill pertaining with PGMI is impaired, hence, full impairment loss amounting to P1.3 million was recognized.

17. OTHER NON-CURRENT ASSETS

The composition of this account as of September 30, 2016 and December 31, 2015 are shown below.

	Notes	Sept. 30,2016	Dec. 31,2015
Drydocking costs – net		**P 157,349,019**	P 160,258,939
Refundable rental deposits	27.3	**150,398,587**	138,171,724
Deferred minimum lease payments		**37,943,107**	37,341,915
Restricted deposits	6	**1,276,848**	1,276,848
Advances for future investment in a joint venture	15	**-**	
Others		**1,658,589**	1,223,248
		P 348,626,150	P 338,272,674

Presented below is a reconciliation of the carrying amount of drydocking costs at the beginning and end of September 30,2016 and December 31, 2015.

	Notes	Sept. 30,2016	Dec. 31,2015
Balance at beginning of year		**P 160,258,939**	P 58,281,453
Transfer from construction in progress	12		146,304,846
Amortization during the year	21.2, 22	**(98,420,177)**	(93,932,334)
Additions		**95,510,258**	49,604,974
Disposal			
Balance at end of period		**P 157,349,019**	P160,258,939

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

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

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P2.1 million in 2015 and P0.6 million both in 2014 and 2013 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P2.4 million, P1.1 million and P0.8 million in 2015, 2014 and 2013, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

Restricted deposits represent deposits with a local bank as an environmental trust fund set in compliance with the requirements of the Department of Environment and Natural Resources.

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

18. INTEREST-BEARING LOANS AND BORROWINGS

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

	Sept. 30,2016	Dec. 31,2015
Current:		
Liabilities under LC and TR	**P 2,984,614,742**	P 5,117,764,514
Term loans	**1,580,120,714**	4,469,169,919
Liabilities under short-term commercial papers	**2,355,427,574**	1,248,738,021
Bank loans	**5,992,739,340**	898,278,303
Obligations under finance lease	**1,901,248**	4,480,716
Mortgage payable	**7,830,468**	2,266,683
	P12,852,634,086	P11,740,698,156
Non-current:		
Term loans	**P 6,009,514,760**	P 5,240,331,888
Mortgage payable	**14,163,993**	1,781,034
Obligations under finance lease	**-**	1,187,762
	P 6,023,678,753	P 5,243,300,684

18.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 4.05% and 3.80% per annum for the period ending September 30,2016 and December 31,2015, respectively.

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

18.2 Term Loans

The breakdown of the outstanding balances of the term loans per creditor as at September 30, 2016 and December 31,2015 are as follows:

	Explanatory Notes	Term	Interest Rates	Outstanding Balance Sept. 30,2016	Dec. 31,2015
China Banking Corporation (CBC) and Pentacapital	*(a), (m),(p)*	3 month to 7 years	3.25% - 7.75%	**P 2,875,143,238**	P 2,683,744,644
BDO Unibank, Inc. (BDO)					
i. Notes Facility Agreement	*(b), (m), (n),(o)*	1.5 months to 5 years	4.02-4.25%	**1,000,000,000**	980,000,000
ii. Omnibus Loan and Security Agreement (OLSA) – MT Chelsea Donatela	*(c)*	5 years	5.83%	**457,160,997**	514,937,163
iii. OLSA – MT Chelsea Thelma	*(d)*	5-6 years	one-year LIBOR plus 4.54-4.58%	**258,048,242**	326,570,310
iv. OLSA – MT Chelsea Denise II	*(e)*	5 years	6.46%	**253,840,000**	300,000,000
				2,469,049,239	2,121,507,473
Multinational Investment Bancorporation (MIB)	*(f), (m)*	2 to 3 months	3.50% - 4.25%	**500,000,000**	1,639,959,424
Maybank International, Ltd.	*(b), (g), (m)*	3 months to 5 years	6.81% - 7.74%	**475,345,000**	880,623,600
Robinsons Bank Corporation (RBC)	*(b), (h), (m)*	3 month to 5 years	3.49% - 7.74%	**472,500,000**	848,000,000
Development Bank of the Philippines (DBP)					
i. Notes Payable	*(m)*	2-3 month	4.25%	**-**	500,000,000
ii. Term Loan Agreement	*(i)*	2 years	5.00%	**62,000,000**	164,000,000
				-	664,000,000
Union Bank of the Philippines (UBP)	*(m)*	2 months	4.35%		300,000,000
Chinatrust Commercial Bank (CTBC)	*(m)*	1-3 month	4.50%	**-**	200,000,000
Philippine Bank of Communication (PBCOMM)					
i. Notes Payable	*(m)*	3mo.-1 year	4.25%	**-**	200,000,000
ii. OLSA	*(j)*	3 years	9.50%	**-**	-
				-	200,000,000
Maybank Philippines, Inc.	*(k)*	3 months to 5 years	3.50%-5.50%	**60,000,000**	105,000,000
Asia United Bank (AUB)	*(l)*	5 years	7.00%	**50,000,000**	66,666,666
Philippine National Bank	(m)	1-5 years	5.79%	**450,000,000**	-
Philippine Business Bank	(q)	8 years	4.32%	**675,598,000**	-
				P 7,589,635,477	P 9,709,501,807

(a) Notes Facility Agreement with CBC and Pentacapital

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

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

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

The discounted balance of the principal of the note as of September 30, 2016 and December 31, 2015 amounted to P2,489.1 million and P2,483.7 million, respectively.

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants except for the DSCR for September 30, 2016 which was 1.18x instead of 1.5x as per covenant. However, such reduction of the DSCR was due to the balloon payment on the Company's long term debt this quarter amounting to P672 million. This is expected to correct by year-end with the additional income including the one-time gain on sale on the Company's plan to sell two of its subsidiaries. Noteholders were informed and a waiver secured for the same.

(b) Notes Facility Agreement

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

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

	Sept. 30,2016	Dec. 31,2015
BDO	**P -**	P 477,500,000
Maybank International, Ltd.	**-**	194,000,000
RBC	**47,500,000**	48,500,000
	P 47,500,000	P 720,000,000

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants except for the DSCR for September 30, 2016 which was 1.18x instead of 1.5x as per covenant. However, such reduction of the DSCR was due to the balloon payment on the Company's long term debt this quarter amounting to P672 million. This is expected to correct by year-end with the additional income including the one-time gain on sale on the Company's plan to sell two of its subsidiaries. Noteholders were informed and a waiver secured for the same.

(c) OLSA with BDO – MT Chelsea Donatela

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

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

The loan is secured by a chattel mortgage on MT Chelsea Donatela with a net carrying amount of P1,064 million and P1,093.9 million as of December 31, 2015 and 2014, respectively.

The OLSA requires PNX – Chelsea to maintain debt-to-equity ratio of not more than 2.0:1 and DSCR of at least 1.20, except on drydocking year where minimum DSCR shall be 1.00. As of December 31, 2015 and 2014, PNX – Chelsea is in compliance with such covenant requirements.

(d) OLSA with BDO – MT Chelsea Thelma

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

In connection with the MOA, CSC entered into an OLSA amounting to US$14.5 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan is payable in 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to quarterly repricing of interest computed at one-year LIBOR plus applicable margin of 3.50% per annum.

The loan is secured by a chattel mortgage on MT Chelsea Thelma and MT Vela with a total net carrying amount of P1,134.7 million and P1,108.1 million as of December 31, 2015 and 2014, respectively (see Note 12.4). The loan is also secured by collateral on certain receivables under the CSC's Assignment of Charter Party with BDO (see Note 7).

Related debt issuance costs amounted to P8.2 million, of which P1.1 million and P1.4 million was amortized in 2015 and 2014, respectively, using effective interest rate of 5.00%. Amortized debt issuance costs were recognized as part of Finance Costs – net in the consolidated statements of comprehensive income (see Note 23.1). The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

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

(e) OLSA with BDO – MT Chelsea Denise II

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

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

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

(f) Medium-Term Loan with BDO Private Bank through MIB

On October 7, 2015, the Parent Company signed with MIB, in behalf of BDO Private Bank, a clean medium-term loan amounting to P500.0 million with a term of 1 1/2 years. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 4.25% and will mature on April 7, 2017.

(g) TLA with Maybank International, Ltd.

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

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

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

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

The balance of the principal of the loan amounted to P197.2 million and P264.1 million, translated into Philippine Peso using the closing rate as of September 30, 2016 and December 31, 2015, respectively.

On April 29, 2015, the Parent Company entered into another TLA amounting to US$10.0 million with Maybank International Labuan Branch to fund various capital expenditures. As of September 30, 2016, the loan stood at US$9.0 million or P375.6 million using the closing rate as of reporting period.

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants, except for the DSCR which highlights outlined below.

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants except for the DSCR for September 30, 2016 which was 1.18x instead of 1.5x as per covenant. However, such reduction of the DSCR was due to the balloon payment on the Company's long term debt this quarter amounting to P672 million. This is expected to correct by year-end with the additional income including the one-time gain on sale on the Company's plan to sell two of its subsidiaries. Noteholders were informed and a waiver secured for the same.

(h) TLA with Robinsons Bank Corporation

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.79% and is payable in twenty equal quarterly installments.

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants except for the DSCR for September 30, 2016 which was 1.18x instead of 1.5x as per covenant. However, such reduction of the DSCR was due to the balloon payment on the Company's long term debt this quarter amounting to P672 million. This is expected to correct by year-end with the additional income including the one-time gain on sale on the Company's plan to sell two of its subsidiaries. Noteholders were informed and a waiver secured for the same.

(i) TLA with Development Bank of the Philippines

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

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

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

The loans are secured by a chattel mortgage on MT Chelsea Cherylyn with net carrying amount of P937.2 million and P975.6 million as of December 31, 2015 and 2014, respectively (see Note 12.4). The loans are also secured by a collateral on certain receivables of the Group and guaranteed by certain stockholders of the Group
(see Notes 7 and 27.6).

(j) OLSA with PBComm

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

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

The loan agreement requires CSC to maintain a debt-to-equity ratio of not more than 4:1. As of December 31, 2015, CSC has complied with its loan covenants with the bank.

(k) TLA with Maybank Philippines

On July 18, 2012, the Parent Company signed with Maybank Philippines a five year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.00% and is payable in twenty equal quarterly installments.

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

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

The outstanding balance of the loan as of September 30,2016 and December 31, 2015 amounted to P75.0 million and P105.0 million, respectively.

As of September 30, 2016 and December 31, 2015, the Parent Company has complied with its debt covenants except for the DSCR for September 30, 2016 which was 1.18x instead of 1.5x as per covenant. However, such reduction of the DSCR was due to the balloon payment on the Company's long term debt this quarter amounting to P672 million. This is expected to correct by year-end with the additional income including the one-time gain on sale on the Company's plan to sell two of its subsidiaries. Noteholders were informed and a waiver secured for the same.

(l) TLA with Asia United Bank

In 2013, FTC obtained interest-bearing loans from AUB to partially finance the acquisition of tugboats amounting to P100 million. The loan bears fixed interest rate at 7.00% for the first three years from the initial drawdown date, and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installments of the loan is due on November 6, 2018. The interest-bearing loans amounted to P55.6 million and P66.7 million as of September 30, 2016 and December 31,2015, respectively.

Certain trade receivables amounting to P25.2 million and P20.2 million as of December 31, 2015 and 2014, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 7). Moreover, MT Fortis I and II with carrying amount of P155.9 million and P154.9 million as of December 31, 2015 and 2014, respectively, are being collateralized to secure the loans (see Note 12.4).

(m) TLA with PNB

On January 29, 2016, the Parent Company availed a five-year term with PNB amounting to Php 500.00 million to be used for capital expenditures. The facility was approved on a clean basis. The loan bears an interest rate of 6.2105% p.a. fixed for five (5) years and is payable in twenty equal quarterly installments. The loan will mature on January 29, 2021.

The outstanding balance of the loan as of September 30, 2016 is Php 450.00 million.

(n) Convertible Notes Facility Agreement with BDO

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

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

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

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

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

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

The outstanding balance of the principal of the note as of June 30, 2016 and December 31, 2015 amounted to nil and nil, respectively. As of September 30, 2016, the Parent Company is in compliance with its debt covenants except DSCR which highlights is outlined below.

(o) Term Loan Agreement (TLA) with BDO Unibank, Inc.

On August 18, 2016, the Parent Company signed with BDO a five-year term loan amounting to P1,000.0 million to be used for capital expenditures and general corporate purposes. The loan was approved on a clean basis and is subject to a floating interest rate based on one year PDSTR-2 plus margin with a floor of 4.0%. Interest rate is repriceable and payable quarterly in arrears. The principal, meanwhile, is payable upon maturity.

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

(p) Term Loan Agreement (TLA) with China Banking Corporation

On May 23, 2016, PNX – Chelsea Shipping Corp. entered into a Term Loan Agreement with China Banking Corporation amounting to US$ 8 million to finance the acquisition of MT Chelsea Charlize. The loan is subject to annual interest rate of 3.25% and is payable on a quarterly basis for seven years commencing on August 2017.

The loan is secured by a chattel mortgage on MT Chelsea Charlize with a net carrying amount of P232.5 million as of September 30, 2016.

(q) Term Loan Agreement (TLA) with Philippine Business Bank

On July 25, 2016, PNX – Chelsea Shipping Corp. entered into a Term Loan Agreement with Philippine Business Bank amounting to US$ 6.5 million to finance the acquisition of MT Chelsea Endurance. The loan is subject to annual interest rate of LIBOR + 4% spread and is payable on a quarterly basis for eight years commencing on October 2017.

The loan is secured by a chattel mortgage on MT Chelsea Endurance with a net carrying amount of P321.0 million as of September 30, 2016.

On August 18, 2016, PNX – Chelsea Shipping Corp. entered into a Term Loan Agreement with Philippine Business Bank amounting to US$ 7.56 million to finance the acquisition of

MT Chelsea Dominance. The loan is subject to annual interest rate of LIBOR + 4% spread and is payable on a quarterly basis for eight years commencing on November 2017.

The loan is secured by a chattel mortgage on MT Chelsea Dominance with a net carrying amount of P420.4 million as of September 30, 2016.

18.3 Liabilities under Short-term Commercial Papers

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

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

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

On December 23, 2015, SEC approved the registration, licensing and issuance of STCP up to P3.5 billion to refinance the previously issued STCPs. On January 14, 2016, the Company subsequently issued P3.5 billion with tenor of up one (1) year at an annual interest rate ranging from 3.80% to 4.17% deducted in advance from the proceeds.

The newly issued STCP has a shelf life registration of three (3) years per amended 2015 Implementing Rules and Regulation of the Securities Regulation Code under Section 12.1.2.5. This gives the Company flexibility to avail of the STCP anytime within the 3-year period or until December 23, 2018 for a maximum tenor of one year from the date of availment. The outstanding balance of the STCP as of September 30, 2016 stood at P2.355 billion.

18.4 Bank Loans

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

			Interest	Outstanding Balance	
	Security	Term	Rates	Sept. 30,2016	Dec. 31, 2015
MayBank Philippines, Inc.	Unsecured	90-120 days	5.90%	**P 493,000,000**	P 508,000,000
MIB	Unsecured	30 days	3.80% to 5.00%	**756,964,165**	227,314,667
PBComm	MT Resolute, MT Ernesto Uno	360 days	5.00%	**170,000,000**	99,363,636
RBC	MT Chelsea Denise I	360 days	6.30%	**57,400,000**	44,800,000
DBP		90 days	4.25%	**200,000,000**	
United Coconut Planters Bank	MT Chelsea Intrepid, MT BMI Patricia	90 days	7.50% to 14.00%	**42,400,000**	18,800,000
				P 1,7 19,764,165	P 898,278,303

The bank loans were obtained to finance the drydocking of certain tankers and support CSC's working capital requirements. These loans are secured by certain tankers owned by CSC with total net carrying amount of P239.3 million and P195.8 million as of December 31, 2015 and 2014, respectively (see Note 12.4), and by certain stockholders (see Note 27.6).

18.5 Obligations under Finance Lease

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

18.6 Mortgage Payable

Mortgage loans pertain to loans obtained by the Group to finance the acquisition of certain transportation equipment. These loans bear effective interest rate ranging from 7.50% to 11.40% in 2015 and 2014 and with terms ranging from 18 months to 36 months. There are no unpaid interests as of December 31, 2015 and 2014, respectively, and outstanding balance, if any, is presented as part of Accrued expenses under the Trade and Other Payables in the consolidated statements of financial position (see Note 19).

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

18.7 Credit Line

The Parent Company has an available credit line of P12,436.0 million under LC/TR as of September 30, 2016. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit line is secured by the following:

- *(a)* Suretyship of PPHI and pledge of its share in the Parent Company amounting to P46.9 million (at P1 par value);
- *(b)* Joint several signature of certain stockholders; and,
- *(c)* Negative pledge over the remaining shares of PPHI in Parent Company in favor of the bank amounting to P1.1 billion.

18.8 Interest Expense

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

19. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	Sept. 30,2016	Dec. 31, 2015
Current:			
Trade payables:			
Third parties		**P 1,510,716,091**	P 2,382,759,862
Related parties	27.2, 27.3	**-**	347,071

		1,510,716,091	2,383,106,933
Accrued expenses	27.3	**424,753,233**	433,657,701
Liability for land development	14, 21	**151,401,563**	151,401,563
Income tax payable		**26,220,271**	79,801,573
Retention payable		**111,414,453**	78,475,599
Advances from locators		**39,025,283**	14,759,998
Non-trade payables		**67,233,238**	1,491,844
Others	27.8, 31.7	**80,092,497**	117,777,535
		2,410,856,629	3,260,472,746
Non-current:			
Advances from locators		317,932,468	317,810,700
		P2,728,789,097	P 3,578,283,446

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

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

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

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

Advances from locators include long-term borrowings obtained from one of PPIPC's locators. Such advances bear interest at a rate of 4.00% per annum and were obtained for the construction of materials receiving facility. Interest expense amounted to P33.6 million in 2015 and nil in both 2014 and 2013, and are presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

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

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	Sept. 30, 2016	Dec. 31, 2015
Security deposits		**P 218,685,440**	P188,023,313
Post-employment defined benefit obligation	24.2	**46,346,007**	47,820,206

Unearned rent	**9,097,582**	10,583,427
Others	**1,235,877**	823,734
	P 275,464,906	P 247,250,680

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P4.8 million, P1.0 million and P0.8 million in 2015, 2014 and 2013, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P1.4 million, P5.9 million and
P1.5 million as of September 30, 2016, December 31, 2015 and 2014, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

21. COST OF SALES AND SERVICES

This account is composed of the following as of Sept. 30:

	Notes	**2016**	2015 (as restated see note 2)
Cost of fuels and lubricants sold	21.1	**P 17,126,885,869**	P 18,160,293,108
Cost of services	21.2	**949,625,659**	785,544,020
Cost of real estate sold	19, 22	**-**	179,855,029
	22, 27.2	**P 18,076,511,528**	P 19,125,692,156

21.1 Cost of Fuels and Lubricants Sold

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

	Note	**Sept. 30,2016**	Sept. 30,2015 As Restated See Note 2
Inventories at beginning of year		**P2,638,614,688**	P 2,870,829,069
Net purchases during the year		**17,592,631,159**	17,726,110,745
Goods available for sale		**20,231,245,845**	20,596,939,814
Inventories at end of quarter	8	**(3,104,359,978)**	(2,436,646,706)
		P 17,126,885,869	P 18,160,293,108

21.2 Cost of Services

Details of cost of services are shown below.

	Notes	Sept. 30,2016	Sept. 30,2015
Charter hire fees		**P 164,527,505**	P 246,117,895
Depreciation and amortization	12, 17	**334,727,672**	194,799,531
Salaries and employee benefits		**177,802,864**	103,935,697
Bunkering		**94,796,530**	73,887,330
Repairs and maintenance		**40,914,496**	38,861,630
Port expenses		**58,603,018**	45,589,312
Insurance		**37,402,937**	26,044,463
Service fees	27.5	**922,673**	2,198,010
Taxes and licenses		**13,164,123**	1,310,211
Outside services		**516,100**	-
Security services		**2,168,509**	-
Fuel, gas and lubricants		**2,082,849**	-
Professional fees		**-**	-
Others		**21,979,575**	52,799,940
		P 949,625,659	P 785,544,020

22. COSTS AND EXPENSES BY NATURE

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

	Notes	Sept. 30,2016	Sept. 30,2015 *as Restated See Note 2*
COST OF SALES:			
Fuels		**P16,948,369,833**	P 18,209,832,367
Lubricants		**178,516,556**	130,315,769
Costs of Real Estate Sold			179,855,029
Services		**949,625,659**	785,544,020
OPERATING EXPENSES:			
Salaries and employees' benefits		**257,210,471**	209,753,732
Depreciation and amortization		**389,230,809**	363,022,122
Trucking Charges		**485,759,401**	344,094,204
Repairs and maintenance		**48,604,997**	44,823,633
Professional fees		**75,091,263**	45,247,240
Insurance		**28,720,157**	32,974,138
Service Fee		**63,869,339**	57,570,268
Taxes and licenses		**97,606,374**	64,435,568
Security fees		**52,682,310**	51,703,521
Dues & Subscription		**11,626,735**	11,925,465
Fuel, oil and lubricants		**21,500,635**	24,021,628
Other Expense		**16,211,680**	

Freight Charges		12,571,181
Advertisements and promotion	**54,809,852**	69,347,183
Rent	**505,467,347**	373,198,489
Office supplies	**10,081,017**	4,739,023
Travel and Transportation	**31,428,625**	28,914,434
Representation	**13,600,132**	17,278,997
Sales Incentives	**15,520,963**	5,757,928
Documentary Stamps	**76,749,664**	70,208,838
Utilities and Communication	**48,017,755**	46,998,972
Rebates	**88,776,027**	98,408,245
Miscellaneous	**34,913,686**	18,436,901
	P20,506,569,446	P 21,121,123,867

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

	Sept. 30, 2016	Sept. 30, 2015
Cost of Sales & Services	**P18,076,511,528**	P19,125,692,156
Selling and administrative expenses	**2,430,057,918**	1,995,431,710
	P20,506,569,446	P21,121,123,867

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes		**2015**
Interest expense on bank loans and other borrowings	18.8	**P**	**786,929,274**
Impairment losses on trade and other receivables	7		**79,208,744**
Foreign currency exchange losses – net			**37,827,699**
Interest expense on advances from locators	19		**33,555,541**
Bank charges			**11,184,239**
Day-one loss on installment contract receivable	7		**10,197,054**
Interest expense from security deposits	20		**4,849,042**
Interest expense from post-employment defined benefit obligation – net	24.2		**3,665,593**

Loss on settlement of insurance claims	7	-
Others		1,265,121
		P 968,682,307

23.2 Finance Income

	Notes	2015
Interest income from cash in banks	6	**P 2,826,295**
Interest income on amortization of rental deposits	17	**2,138,101**
Interest income from amortization of instalment contract receivable	7	**2,012,838**
Interest income from restricted deposits	10	**576,599**
		P 7,553,833

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2015
Short-term benefits:		
Salaries and wages		**P 341,168,526**
13th month pay and bonuses		**29,144,952**
Employee welfare and other benefits		**25,627,077**
Post-employment defined benefit	24.2	**11,308,678**
	22	**P 407,249,233**

On January 24, 2013, the BOD of the Parent Company approved the employees' stock option plan (ESOP). Under the ESOP program, the Parent Company will allocate up to a total of 5.00% of its issued and outstanding common shares to be granted to eligible employees. As of December 31, 2015, 2014 and 2013, there are no stock options granted yet to the employees, hence, there are no share option benefits expense recognized for those years.

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

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

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

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

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

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

	2015
Present value of obligation	**P 74,572,352**
Fair value of plan assets	**(26,752,146)**
	P 47,820,206

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

	2015
Balance at beginning of year	**P 88,610,880**
Current service cost	**11,308,678**
Interest expense	**4,559,397**
Remeasurements:	
Actuarial losses (gains) arising from:	
Changes in financial assumptions	**(37,016,344)**
Experience adjustments	**25,371,878**
Changes in demographic assumptions	**-**
Benefits paid	**(18,262,137)**
Balance at end of year	**P 74,572,352**

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

	2015
Balance at beginning of year	**P 12,213,907**

Contributions to the plan	**12,716,625**
Return on plan assets (excluding amounts included in net interest)	**6,472,239**
Benefits paid	**(5,544,429)**
Interest income	**893,804**
Balance at end of year	**P 26,752,146**

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

	2015
Cash and cash equivalents	**P 6,655,150**
Quoted equity securities:	
Telecommunications	**2,360,000**
Manufacturing	**5,639,075**
	7,999,075
Unit investment trust funds (UITF)	**12,097,921**
	P 26,752,146

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

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

	Notes	**2015**
Reported in profit or loss:		
Current service cost	24.1	**P 11,308,678**
Net interest expense	23.1	**3,665,593**
		P 14,974,271
Reported in other comprehensive income:		
Actuarial losses (gains) arising from changes in:		
Financial assumptions		**(P 37,016,344)**
Experience adjustments		**25,371,878**
Demographic Assumptions		**-**
Return on plan assets (excluding		

amounts included in net interest expense)	(6,472,239)
	(P 18,116,705)

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

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

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

	2015
Discount rates	**4.89% to 5.20%**
Expected rate of salary increases	**5.00% to 8.00%**

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

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risk

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

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

	2015		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 4,867,280)	P 12,125,333
Salary increase rate	+/- 1.00%	11,371,496	(4,363,902)

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

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2015 is allocated to UITF.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2015, the plan is underfunded by P47.8 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P1.9 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

		2015
Within one year	P	13,938,126
More than one year to five years		20,579,442
More than five years to ten years		58,524,556
	P	93,042,124

The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 years.

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

25.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50.00% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

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

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

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

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

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

25.2 BOI Registration as New Industry Participant – Zamboanga Depot

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

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 25.1. The ITH will expire five years from November 25, 2010.

25.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited in the previous page. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

25.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

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

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Cagayan de Oro City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from May 10, 2012.

25.6 BOI Registration for MT Chelsea Thelma and MT Chelsea Cherylyn

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

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

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

26. TAXES

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

		2015
Reported in profit or loss:		
Current tax expense:		
Regular corporate income tax (RCIT) at 30.00%	**P**	**172,469,409**
Minimum corporate income tax (MCIT) at 2.00%		**6,093,000**
Final tax at 20.00% and 7.50%		**712,198**
		179,274,607
Deferred tax expense (income) relating to origination and reversal of temporary differences		**6,568,943**
	P	**185,843,550**
Reported in other comprehensive income:		
Deferred tax expense relating to origination and reversal of temporary differences	**P**	**13,304,602**

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is as follows:

		2015
Tax on pretax profit at 30.00%	P	**327,513,679**
Adjustment for income subjected to lower income tax rates	(	**356,902)**
Tax effects of:		
Adjustment for income and expenses under ITH	(	**158,876,440)**
Non-deductible expenses		**14,333,891**
Reversal of net operating loss carry over (NOLCO)		**4,320,436**
Non-taxable income	(	**1,245,283)**
Reversal of MCIT		**88,177**
Derecognition of previously unrecognized deferred tax assets (DTA)		**65,992**
Unrecognized DTA		**-**
Tax expense reported in consolidated profit or loss	**P**	**185,843,550**

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

	Consolidated Statements of Financial Position	Consolidated Statements of Comprehensive Income	
		Profit or Loss	Other Comprehensive Income (Loss)
	2015	2015	2015
Deferred tax assets:			
Post-employment benefit obligation	P19,105,222	P 9,514,862	(P 5,435,012)
NOLCO	17,905,480	(25,034,417)	-
MCIT	14,609,080	5,791,267	-
Impairment losses	13,461,170	713,140	-
Accrued loss on contamination	2,057,831	-	-
Unamortized past service cost	294,650	(25,855)	-
Accrued rent	-	(65,992)	-
Others	7,100,257	(5,410,097)	-
	74,533,690	(14,517,092)	(5,435,012)
Deferred tax liabilities:			
Revaluation reserves of tankers	(154,672,684)	7,559,066	(7,869,590)
Capitalized borrowing cost	(7,581,606)	320,345	-
Unrealized foreign currency gains – net	(5,992,313)	68,738	-
Unamortized debt issuance cost	-	-	-
	(168,246,603)	7,948,149	(7,869,590)
Net deferred tax liabilities	(P 93,712,913)		
Net deferred tax income (expense)		(P 6,568,943)	(P 13,304,602)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2015	P 6,413,951	P 1,924,185	2018
2014	47,668,380	14,300,514	2017
2013	5,602,602	1,680,781	2016
	P 59,684,933	P 17,905,480	

Deferred tax asset on NOLCO of PGMI amounting to P0.1 million and P0.2 million as of December 31, 2014 and 2013, respectively, was not recognized since management assessed that this is not recoverable as PGMI does not expect any taxable income in the coming years.

The Group is subject to the MCIT which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's MCIT was higher than RCIT in 2015. SPTT's MCIT was higher than RCIT for the years 2015 and 2014. PPMI's MCIT was higher than RCIT for all the years presented.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2015	P -	P 6,092,999	P 6,092,999	P 6,092,999	2018
2014	-	3,740,683	3,740,683	3,740,683	2017
2013	-	4,775,398	4,775,398	4,775,398	2016
	P -	P 14,609,080	P 14,609,080	P 14,609,080	

In 2015, 2014 and 2013, the Group claimed itemized deductions in computing for its income tax due.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, the parent company, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2015, and for the year ended December 31, 2015 is presented in the next page.

Related Party Category	Amount of Transactions Notes		Outstanding Balance 2015
Other related parties under common ownership			
Sale of goods	7, 27.1	**P 22,168,571**	**P 25,076,202**
Purchases of services	27.2	**4,566,971**	**101,425**
Advances to suppliers	7, 27.2	**(24,800)**	**10,000,000**
Rentals	19, 27.3	**73,702,144**	**245,646**
Due from related parties	27.4	**1,887,086**	**12,260,843**
Due to related parties	27.4	**-**	**-**
Donations	27.10	**100,000**	**-**
Udenna Corporation			
Advances to suppliers	7, 27.2	**378,294,800**	**378,294,800**
Rentals	19, 27.3	**7,654,678**	**6,972,043**
Associate			
Technical ship Services	21.2, 27.5	**-**	-
Joint Venture - SPI			
Sale of real estate	7, 27.7	**402,192,000**	**309,909,206**
Port revenues	7, 27.7	**1,473,920**	**595,280**
Key management personnel			
Salaries and employee benefits	27.8	**63,672,432**	**-**

27.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015, 2014 and 2013 based on management's assessment.

27.2 Purchases of Goods and Services

The Group purchased goods and services from related parties on the basis of price lists in force with non-related parties. Total purchase of goods and services from related parties is presented as part of Cost of Sales in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. The outstanding balances are presented as part of advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of December 31, 2015 and 2014.

27.3 Rentals

The Group has the following lease agreements with the following related parties under common ownership:

a. Udenna Corporation – of which total rent expense incurred in the years 2015 amounted to P7.7 million. The outstanding rental payable amounting to P0.4 million in 2015, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

b. Udenna Development (UDEVCO) Corporation – of which total rent expense in 2015amounted to P54.8 million. Rental deposit for the lease amounted to P13.7 million as of December 31, 2015, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

c. Valueleases, Inc. (VLI) – of which total rent expense in 2015amounted to P16.3 million, P11.7 million. Refundable rental deposits amounted to P10.0 million as of December 31, 2015and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position
(see Note 17).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Notes 22 and 31.3) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.4 Due from and Due to Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2015, the outstanding receivable and payable balances from these advances are shown as Due From a Related Party and Due to Related Parties, respectively, in the consolidated statements of financial position. Due from a Related Party and Due to Related Parties - current are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

Due from a related party represents outstanding advances to PhoenixPhilippines Foundation, Inc. (PPFI), a foundation created by the Group, amounting to P12.7 million as of December 31, 2015.

The movement of due from a related party as of Sept. 30, is as follows:

		2016
Balance at beginning of year	P	12,260,843
Additions		13,878,264
Collections	(	7,561,388)
Balance at end of year	P	18,578,079

No impairment loss is recognized in 2015 related to advances to related parties.

The movement of Due to Related Parties in 2015 follows:

			2015
Balance at beginning of year		P	10,373,356
Additions			5,448,932
Payments	(3,561,945)		
Balance at end of year		P	12,260,342,236

27.5 Technical Ship Services Agreement

On April 1, 2013, the Group entered into a Technical Ship Services Agreement (the Agreement) with NPMSC, an associate. Under the Agreement, NPMSC shall carry out technical services in respect of the Group's tanker vessel as agents for and on behalf of the Group. NPMSC's responsibilities include crew management, technical management, accounting services, and the arrangement for the supply of provisions.

Total technical ship services fee incurred is presented as Service fees under the Costs of Sales and Services account in the consolidated statements of comprehensive income (see Note 21.2), while the related outstanding liability which is unsecured, non-interest bearing, payable on demand and normally settled in cash, is presented as part of Trade under the Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.6 Loan Collateral

(a) Certain properties and a surety of a stockholder secured the liabilities under LCs and TRs [see Note 18.2*(j)* and 18.4].

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 10). Certain receivables and tankers owned by the Group and were also used as security on particular loans (see Notes 7 and 12).

27.7 Transactions with SPI

In 2015, the Group sold real estate to SPI amounting to P402.2 million and is presented as part of the Sale of Real Estate account in the 2015 consolidated statement of comprehensive income. The related outstanding receivable amounting to P300.9 million is presented as part of Installment Contract Receivable under Trade and Other Receivables in the 2015 consolidated statement of financial position. Port revenues were also generated from SPI amounting to P1.5 million and is presented as part of Port Revenues account in the 2015 consolidated statement of comprehensive income, while the related outstanding receivable amounting to P0.6 million is presented as part of Other Receivables under Trade and Other Receivables in the 2015 consolidated statement of financial position.

The outstanding receivables from SPI are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015 based on management's assessment.

27.8 Key Management Compensations

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

		2015
Salaries and wages	**P**	**51,522,286**
13^{th} month pay and bonuses		**6,479,132**
Honoraria and allowances		**5,362,224**
Post-employment benefits		**308,789**
	P	**63,672,431**

27.9 Retirement Plan

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2015 in Note 24.2. As of December 31, 2015, the retirement plan has no investment in shares of stocks of the Parent Company.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.2.

27.10 Others

The Group has made donations amounting to P1.0 million in 2013 to PPFI, while none for both 2015 and 2014. The Group also granted donations totalling P0.1 million, nil and P0.2 million in 2015, 2014 and 2013, respectively, to Udenna Foundation, Inc., a non-stock, non-profit organization, established by the ultimate parent company. The Group donated P14.2M to Lingkod Kapamilya, also a non-stock, non-profit organization. These are presented as part of miscellaneous under the Selling and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 22).

28. EQUITY

28.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	Sept. 30,2016	Dec. 31, 2015	**Sept. 30,2016**	Dec.31,2015
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:				
Balance at beginning of year	**10,000,000**	10,000,000	**P 10,000,000**	P 10,000,000
Issuance during the year	**20,000,000**	20,000,000	**20,000,000**	20,000,000
Balance at end of year	**30,000,000**	30,000,000	**30,000,000**	30,000,000
Treasury shares	**(5,000,000)**	(5,000,000)	**(5,000,000)**	(5,000,000)
Issued and outstanding	**25,000,000**	25,000,000	**P 25,000,000**	P 25,000,000

	Shares		Amount	
	Sept. 30,2016	Dec. 31,2015	**Sept 30,2016**	Dec. 31, 2015
Common – P1 par value				
Authorized:	**2,500,000,000**	2,500,000,000	**P2,500,000,000**	P2,500,000,000
Issued:				
Balance at beginning of year	**1,428,777,232**	1,428,777,232	**P 1,428,777,232**	P1,428,777,232
Issuance during the year	**-**	-	**-**	-
Stock dividends	**-**	-	**-**	-
Balance	**1,428,777,232**	1,428,777,232	**P 1,428,777,232**	P1,428,777,232
Treasury Shares	**(35,215,600)**		**(218,554,434)**	
Issued and Outstanding	**1,393,561,632**	1,428,777,232	**P 1,210,222,798**	P1,428,777,232
	1,418,561,632	1,453,777,232	**P 1,235,222,798**	P1,453,777,232

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

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

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

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

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

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

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

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends on the Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

On December 18, 2015, the Group issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

(a)	Dividend rates:	PNX3A	7.43% per annum
		PNX3B	8.11% per annum
(b)	Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month	

dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Company's BOD.

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

28.2 Listing with PSE

On July 11, 2007, the Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80. As of December 31, 2015 and 2014, the number of holders of such securities is 66 and 62, respectively. The market price of the Company's common shares as of December 31, 2015 and 2014 is P3.65 and P3.09, respectively. The total number of issued common shares not listed with the PSE amounted to P116.0 million shares.

The Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1). The market price of PNX3A and PNX3B as of December 31, 2015 is P103 and P106, respectively.

28.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2015	2014	2013
Common	**66**	62	63
Preferred			
a) First tranche	**-**	-	7
b) Second tranche	**1**	6	6
c) PNX 3A	**2**	-	-
d) PNX 3B	**2**	-	-

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D, presented below is a summary of the Parent Company's track record of registration of securities.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value			Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P	1	Par value	1/11/2004	2,500,000
				1	Issue price		
Registered, not listed	Common	40,000,000		1	Par value	1/12/2006	25,000,000
				1	Issue price		
Registered, not listed	Common	50,000,000		1	Par value	8/7/2006	13,500,000
				1	Issue price		
Registered, not listed	Common	300,000,000		1	Par value	12/29/2006	75,000,000
				1	Issue price		
Initial public offering	Common			1	Par value	7/11/2007	29,000,000
				9.80	Issue price		
30% stock dividends	Common			1	Par value	8/6/2008	43,000,198
40% stock dividends	Common			1	Par value	8/3/2009	73,660,476
Placement SSS	Common			1	Par value	11/13/2009	7,500,000
				5.60	Issue price		
Increase	Common	350,000,000		1		9/7/2010	
Increase	Preferred	50,000,000		1		9/7/2010	
40% stock dividends	Common			1		10/20/2010	107,664,266
30% stock dividends	Common			1		5/6/2011	113,047,475
Increase	Common	1,750,000,000		1		4/23/2012	
50% stock dividends	Common			1		4/26/2012	244,936,203
CSC Acquisitions	Common			1	Par value	9/6/2012	171,250,798
				1.01	Issue price		
Placements	Common			1	Par value	3/11/2013	130,000,000
				9.40	Issue price		
30% stock dividends	Common			1		6/10/2013	329,717,816
Payment for PPHI subscription	Common			1	Par value	10/8/2013	63,000,000
				5.10	Issue price		
Issuance	Preferred			1	Par value	9/21/2010	5,000,000
				100	Issue price		
Redeemed treasury shares	Treasury Shares			1	Par value	12/20/2013	(5,000,000)
Issuance	Preferred			1	Par value	12/20/2013	5,000,000

Issuance	Preferred	1	Par value	12/18/2015	20,000,000
		100	Issue price		
Redeemed treasury shares	Treasury Shares	1	Par value	5/31/16	(500,000)
		1	Par value	6/13/16	(500,000)
		1	Par value	6/21/16	(500,000)
		1	Par value	6/23/16	(1,100,000)
		1	Par value	6/27/16	(250,000)
		1	Par value	6/28/16	(500,000)
		1	Par value	6/30/16	(900,000)
		1	Par value	7/1/16	(897,700)
		1	Par value	7/4/16	(1,900)
		1	Par value	7/5/16	(498,900)
		1	Par value	7/7/16	(228,400)
		1	Par value	7/8/16	(2,650,000)
		1	Par value	7/11/16	(4,001,700)
		1	Par value	7/12/16	(2,000,000)
		1	Par value	7/14/16	(3,000,000)
		1	Par value	7/11/16	(3,600,700)
		1	Par value	7/19/16	(1,000,000)
		1	Par value	7/12/16	(500,000)
		1	Par value	8/1/16	(150,000)
		1	Par value	8/2/16	(203,600)
		1	Par value	8/5/16	(500,000)
		1	Par value	8/11/16	(200,000)
		1	Par value	8/12/16	(500,000)
		1	Par value	8/18/16	(500,000)
		1	Par value	8/19/16	(1,000,000)
		1	Par value	8/23/16	(200,000)
		1	Par value	8/26/16	(500,000)
		1	Par value	8/30/16	(1,000,000)
		1	Par value	8/31/16	(287,300)
		1	Par value	9/1/16	(700,000)
		1	Par value	9/2/16	(760,000)
		1	Par value	9/6/16	(500,000)
		1	Par value	9/7/16	(200,000)
		1	Par value	9/8/16	(298,800)

		1 Par value	9/9/16 (1,000,000)
		1 Par value	9/13/16 (500,000)
		1 Par value	9/19/16 (1,000,000)
		1 Par value	9/20/16 (300,000)
		1 Par value	9/21/16 (500,000)
		1 Par value	9/23/16 (200,000)
		1 Par value	9/26/16 (100,000)
		1 Par value	9/27/16 (386,600)
		1 Par value	9/28/16 (1,000,000)
Total	2,550,000,000		P 1,393,561,632

28.4 Additional Paid-in Capital

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

In 2013, the Parent Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.250 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

28.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown in the next page.

	Property, Plant and Equipment	**Defined Benefit Obligation**	**Total**
Balance as of January 1, 2015	P 407,923,403	(P 35,784,984)	P 372,138,419
Remeasurements of defined post-employment obligation	-	18,116,705	18,116,705
Gain on revaluation of tankers	202,245,220	-	202,245,220
Depreciation transfer to retained earnings – revalued tankers	(19,900,476)	-	(19,900,476)

Other comprehensive income (loss) before tax	182,344,744	18,116,705	200,461,449
Tax expense	(7,869,590)	(5,435,012)	(13,304,602)
Other comprehensive income (loss) after tax	174,475,154	12,681,693	187,156,847
Balance as of December 31, 2015	**P 582,398,557**	**(P 23,103,291)**	**P 559,295,266**

28.6 Retained Earnings

On March 18, 2016, the BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P48.7 million were also declared and distributed to 2nd tranche, 3rd tranche PNXA and PNXB preferred stockholders last March 18 and March 21, 2016.

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

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

On March 8, 2013, the stockholders ratified the BOD approval of 30.00% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June 10, 2013 to stockholders of record as of May 15, 2013. Cash dividends of 10 centavos per common shares totaling to P146.7 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to 1st tranche preferred stockholders amounted to P14.4 million in 2013.

Based on its plans, the BOD will also declare and distribute cash dividends in 2016 out of the Company's retained earnings as of December 31, 2015.

28.7 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	Sept. 30,2016	Dec. 31,2015
Total liabilities	**P 22,234,496,289**	P 20,903,245,879

Total equity	**10,448,112,595**	10,023,362,183
Debt-to-equity ratio	**2.13 : 1.00**	2.09 : 1.00

The increase of the total liabilities in 2016 is the result of the additional borrowings for the procurement of petroleum and construction of depot facilities, tankers and retail stations. The increase in equity is due to the net profit in 2016 for the nine months less the cash dividend declared and paid during the period for both common shares and preferred shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 18).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

EPS were computed as follows:

	Sept. 30,2016	Sept. 30,2015
a) Net profit pertaining to common shares	**P 757,607,024**	P 727,475,028
b) Net profit attributable to common shares and potential common shares	**757,607,024**	727,475,028
c) Weighted average number of outstanding common shares	**1,413,584,738**	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	**1,413,584,738**	1,428,777,232
Basic EPS (a/c)	**P 0.54**	P 0.51
Diluted EPS (b/d)	**P 0.54**	P 0.51

There are no convertible notes that have attached options and warrants as of September 30, 2016. 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.

30. SEGMENT REPORTING

30.1 Business Segments

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

30.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

30.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the next page present revenue and profit information regarding business segments of the Group for the year ended December 31, 2015and certain asset and liability information regarding industry segments as of December 31, 2015 (in thousands).

	Trading 2015	Depot and Logistics 2015	Shipping and Cargo Services 2015	Real Estate 2015	Total 2015
TOTAL REVENUES					
Sales to external customers	P 28,723,892	P 180,273	P 556,576	P 593,098	P 30,053,839
Intersegment sales	2,457,071	-	954,180	27,747	3,438,998
Total revenues	31,180,963	180,273	1,510,756	620,845	33,492,837
COSTS AND OTHER OPERATING EXPENSES					
Cost of sales and services excluding depreciation and amortization	29,289,175	169,360	907,624	259,345	30,625,504
Depreciation and amortization	364,440	113,146	317,677	26,470	821,733
	29,653,615	282,506	1,225,301	285,815	31,447,237
SEGMENT OPERATING PROFIT (LOSS)	P 1,527,348	(P 102,233)	P285,455	P 335,030	P2,045,600
ASSETS AND LIABILITIES					
Segment assets	P 24,923,978	P 2,507,178	P5,529,930	P1,686,257	P34,647,343
Segment liabilities	20,362,691	-	3,359,457	808,120	24,530,268

30.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statement (in thousands).

	2015
Revenues	
Total segment revenues	P33,492,837
Elimination of intersegment revenues	(3,438,998)
Revenues as reported in profit or loss	P30,053,839
Profit or loss	
Segment operating profit	P 2,045,600
Other unallocated income	16,311
Other unallocated expense	(9,070)
Operating profit as reported in profit or loss	2,052,841
Finance costs	(968,682)
Finance income	7,554
Profit before tax as reported in profit or loss	P 1,091,713
Assets	
Segment assets	P34,647,343
Elimination of intercompany accounts	(3,720,735)
Total assets reported in the consolidated statement of financial position	P30,926,608
Liabilities	
Segment liabilities	P24,530,268
Deferred tax liabilities - net	93,713
Elimination of intercompany accounts	(3,720,735)
Total liabilities as reported in the consolidated statement of financial position	P20,903,246

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of Sept. 30, 2016, the Group has commitments of more than P2,800.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 495 operating retail service stations as of Sept. 30, 2016. An additional of 35 retail service stations are under various stages of completion as of September 30, 2016.

This year, the Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

31.2 Unused LCs

As of September 30, 2016 and December 31, 2015, the Parent Company has unused LCs amounting to P12,436 and P8,500.8 million, respectively.

31.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 25 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2015
Within one year	**P 457,946,272**
After one year but not more than five years	**1,660,099,393**
More than five years	**6,607,081,229**
	P 8,725,126,894

Total rent expense for the years 2015 and 2014 amounted to P526.6 million and P390.4 million, respectively (see Note 22).

31.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 2 to 15 years, with renewal options, and include annual escalation rates ranging from 2.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below:

	2015
Within one year	**P 121,833,813**
After one year but not more than five years	**504,705,684**
More than five years	**37,857,953**
	P 664,397,450

Rent income in 2015, 2014 and 2013 amounting to P94.5 million, P47.5 million and P54.3 million, respectively, is presented as part of Rent and Storage Income account in the consolidated statements of comprehensive income.

31.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2015	
	Future MLP	**PV of NMLP**
Within one year	**P 4,654,654**	**P 4,480,716**
After one year but not more than five years	**1,293,363**	**1,187,762**
	5,948,017	**5,668,478**
Amounts representing finance charges	**(279,539)**	**-**
Present value of MLP	**P 5,668,478**	**P 5,668,478**

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 18.5).

31.6 Charter Agreements

The Group has existing commitments to charterers under TC, CVC, and BB agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's tankers in good working condition and compliant with all the shipping regulations as required by the Maritime Industry Authority.

31.7 Management Agreement with Transnational Uyeno Maritime, Inc. (TUMI)

In 2014, CSC entered into a Ship Service Agreement with TUMI, a third party, whereby TUMI shall carry out technical services with respect to MT Chelsea Cherylyn as agent for and on behalf of CSC. TUMI's responsibilities include crew management, technical management, and arrangement for the supply of provisions.

In consideration for the services rendered by TUMI, CSC shall pay an annual technical ship services fee to the former, subject to annual review on each anniversary date of the Ship Service Agreement. Fees incurred arising from these transactions amounting to P9.2 million in 2015 and nil in 2014 are presented as part of Service fees under the Costs of Sales and Services account in the consolidated statements of comprehensive income (see Note 21.2). There are no outstanding liabilities as of December 31, 2015 and 2014.

31.8 Legal Claims

The Group filed a complaint for a sum of money against one of its customers for unpaid charter fees including damages. A Writ of Garnishment on the customer's funds for the amount of P16.0 million has been issued by the trial court in favor of the Group.

The same customer filed a suit against the Group for reimbursement and damages, amounting to P13.7 million, for the loss it incurred from the contamination of its cargo, which was on board on one of the Group's vessels in 2010. In the same year, the Group made a provision in the amount of P6.9 million for the amount of probable liability that it could answer for such claim. The related liability is presented as part of Others under the Trade and Other Payables account in the consolidated statements of financial position (see Note 19). No additional loss was recognized related to this claim in the succeeding years.

31.8 Others

In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. The Petition for Certiorari, with Docket No. CA-G.R. SP No. 06500-MIN, is now pending with the Court of Appeals.

There is also a pending Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN.

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

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2015 and 2014, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

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 Nine Months' Period Ended September 30, 2016 vs. September 30, 2015.

Revenues

The Group generated total revenues of P 22.012 billion in 2016 which is 2% lower than its 2015 level of P 22.488 billion. In spite of the increase in sales volume by 32% year on year, the revenue declined by 4% due to decline in oil prices and factor of Product mix. However there was a huge 72% increase in fuel services, shipping, storage and other revenue which tempered the revenue decline.

Sales revenues from trading and distribution of petroleum products decreased by 4%from P22.022 billion in 2015 to P 21.177 billion in 2016. This is primarily a factor of prices and product mix. The 32% came from IFO and Biodiesel. Both products have lower average selling prices in 2016 compared to the sale period of 2015. The volume in retail (station sales) increased by 18% due wider distribution network and growth in same store sales. The Commercial and industrial segment also increased by 38% due to increase in direct customers, higher sales volume from existing customers and wholesalers/Distributors. While the aviation volume grew more than double or by 122%.

The Parent Company had four hundred ninety-five (495) Phoenix Fuels Life retail service stations as of September 30, 2016 compared to four hundred forty-seven (447) 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 P 836 million from its fuels service, storage, port and other income in 2016 versus P 485 million in 2015, a 72% increase compared to the same period last year. This due to increase in turn-over of on storage, port and chartering services compared to last year. Service Revenue for Hauling and Into-Plane also increased this year due to increase in demand by Cebu Pacific Air.

Cost and expenses

The Group recorded cost of sales and services of P 18.077 billion as of September 2016, a decrease of 5% from its 2015 level of P 19.127 billion primary due to lower product costs compared to last year, reflecting the global oil prices movement which barely recovered from a series of price drops from the second quarter of 2015.

Net Income

The Group's net income for the first nine months of 2016 is P 903.8 million versus 2015 of P 758.4 million, a 19% increase. The Company was able to grow profit as a result of higher sales volume, higher efficiencies in its trading and supply management and higher service revenues. In summary, the growth in net income was the combination of a 32% increase in volume and higher contribution from service revenue net of lower selling prices.

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 to another set of incentives on top of the five (5) year ITH in its Davao Terminal Marketing and Storage activities which ended last February 2015.

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

The Parent Company secured 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. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition

(As of September 30, 2016 versus December 31, 2015)

Total resources of the Group as of September 30, 2016 stood at Php 32.7 billion, higher by 6% compared to the Php 30.9 billion as of December 31, 2015. This is mainly due to increase in Property, Plant, and Equipment from the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents this year decreased by 33% from Php 1.631 million in December 31, 2015 to Php 1.087 million due to settlement of certain debts.

Trade and other receivables decreased by 12% from Php 10.810 billion as of December 31, 2015 to Php 9.475 billion as of September 30, 2016, due to improvements in the collection of credit sales and other receivables.

Inventories decreased by 6% at Php 3.104 billion as of September 30, 2016 from Php 2.638 billion as of December 31, 2015. This is due merely to the timing of importation arrivals. The Company targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due from related party increased to 18.6 million as of September 2016 from 12.2 million as of December 2015 as a result of the year's intercompany transactions.

Input taxes-net increased by 5% as of September 30, 2016 is the result of offsetting of higher input taxes this year due to input taxes on capital expenditures, and increase in paid input taxes from higher inventory turn-over.

As of September 30, 2016, the Group's property and equipment, net of accumulated depreciation, increased to Php 15.281 billion compared to Php 12.823 billion as of December 31, 2015 due to investments in a new marine tanker to support domestic requirements, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Mindanao, and Visayas as part of the Company's strategy to continuously expand its retail station network.

Loans and Borrowings, both current and non-current, increased by 11% from Php 16.983 billion as of December 31, 2015 to Php18.875 billion as of September 30, 2016. The increase of Php 1.892 billion was a result of higher requirements in working capital brought about primarily by higher sales volume and more credit sales. .

Trade and other payables decrease by 21% from Php 3.578 billion as of December 31, 2015 to Php 2.836 billion as of September 30, 2016 as a result of the increase in loans and borrowings coming from an increase in Trust Receipts and Letters of Credit.

Total Stockholders' Equity increased to Php 10.448 billion as of September 30, 2016 from Php 10.023 billion as of December 31, 2015 as a result of the period net income for the nine months less the cash dividend declared and paid during the period for both common shares and preferred shares.

Key Performance Indicators and Relevant Ratios

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

	Sept. 30, 2016	December 31, 2015
Current Ratio[1]	1.02:1	1.14:1
Debt to Equity Ratio[2]	2.13:1	2.09:1
Return on Equity- Common [3]	9%*	11%**
Net Book Value per Share[4]	7.48:1	6.89:1
Debt to Equity Interest-Bearing[5]	1.81:1	1.69:1
Earnings per Share[6]	0.54*	0.60**

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Period or Year Net income divided by average total stockholders' equity
4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)
6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares
* Two (3) quarters figure

** One (1) year figure

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

The Company's debt to equity (DE) ratio for 2016 is higher at 2.13 : 1 due to higher increase in Loans and Borrowings compared to the increase in Equity as a result of higher loans, trust receipts and letters of credit .

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 September 30, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)

33% decrease in Cash and Cash Equivalents
This is a combination of the settlement of debts and the timing of collections and disbursements during the period.
Minimum levels of Cash are also maintained to support maturing obligations.

18% increase in inventory
Due to timing of importation arrival and an additional product line

12% decrease in trade and other receivables.
Due to better collection and customer management efficiency.

53% increase in due from a related party.
Current year's intercompany transactions and or charges.

5% increase in Value Added Tax-net
Increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

19% increase in property, plant and equipment
Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

256% increase in Intangible Assets
Due to the acquisition of a PBA team franchise.

24% increase in Land Held for Future Development
Due to additional developments costs.

110% increase in Investment in Associate
Due to the execution of the committed investment of PPIPC to SPI.

9% increase in Current Interest-bearing loans and borrowings
Due to higher short-term loans, trust receipts and letters of credit.

23% decrease in Trade and other payables
Due to less transactions on open account in lieu of higher transactions requiring letters of credit and trust receipts.

15% in Non-current Interest-bearing loans
Due to the availment of new long-term loans by Chelsea Group to finance acquisition of new tankers.

11% Increase in Other non-current liabilities
Increase in security deposit from new customers

Material changes to the Group's Income Statement as of September 30, 2016 compared to September 30, 2015 (Increase/decrease of 5% or more)

72% increase in fuel service, shipping, storage income, and other revenue
Higher turnover in service volume specifically from storage volume of the new terminal, additional revenue from charters of vessels, and tugboat revenue to 3rd party customers.

5% decrease in cost of sales and services
Lower product cost reflecting lower global oil prices which barely recovered from the continuousfall from the 2nd quarter of 2015.

22% increase in selling and administrative expenses
Increase in delivery expenses resulting from the 38% increase in petroleum sales volume, increase in rent expense, salaries and wages, taxes and licenses, security fees and professional fees in relation to the continuous expansion of the company.

7% decrease in Finance Costs (net)
Settlement of long-term interest-bearing debts.

2997% Increase in other income
Increase in miscellaneous income.

192% increase in income tax
Due to the expiration of Income Tax Holiday incentives of some BOI registered activity.

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

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 18, 2016 at the Phoenix Petroleum Corporate Headquarters, Lanang, Davao City, Philippines.

2. The Board of Directors approved the declaration of cash dividend of P 0.08 per share as disclosed last March 18, 2016, the record date is April 05, 2016 and the payment date is April 29, 2016.

The company also declared the following cash dividends to preferred stockholders:

- 8.25% to preferred stockholders (2nd tranche) with record date of February 23, 2016 and payment date of March 21, 2016.

- 7.4278% dividend to preferred stockholders (3rd tranche PNX3A) with record date February 22, 2016 and payment date of March 18, 2016.

- 8.1078% dividend for preferred stockholders (3rd tranche PNX3B) with record date February 22, 2016 and payment date of March 18, 2016.

3. In January 14, 2016, the Security and Exchange Commission (SEC) approved the Company's additional Php 3.5 billion short term commercial paper (STCP).

4. As of March 31, 2016, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

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

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

8. In May 11, 2016, the Board of Directors approved a Php 250 million worth of PNX Common shares buy-back program which is about 3.4% of the Company's market capitalization.

9. The Parent Company discloses the approval of the board for sale of its two (2) wholly owned subsidiaries such as Chelsea Shipping Corp and Phoenix Petroterminal and Industrial Corp.

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

JONAREST Z. SIBOG
Controller