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

Registration of ₱7.0 Billion worth of commercial papers
and
Offer of the Commercial Paper Series D
with an aggregate principal amount of up to ₱2.0 Billion
with an oversubscription option of up to ₱1.5 Billion
to be listed in the Philippine Dealing & Exchange Corp.
Issue Price: Discount to face value

Sole Issue Manager, Lead Arranger and Sole Bookrunner
for the Commercial Paper Series D

Preliminary Prospectus dated 3 August 2020

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
Stella Hizon Reyes Road,
Bo. Pampanga, Lanang
Davao City, Philippines
Telephone No. +6382 235 8888

This Prospectus (the "**Prospectus**") relates to the offer and sale by **P-H-O-E-N-I-X Petroleum Philippines, Inc.** (the "**Issuer**", "**Phoenix**" or the "**Company**"), a corporation duly organized and existing under Philippine law, of the fourth series of commercial papers ("**Commercial Paper Series D**", "**CP Series D**" or "**Commercial Papers**") with an aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000 (the "**Offer**"),subject to the registration requirements of the Securities and Exchange Commission (the "**SEC**").

On August 3, 2020, Phoenix filed an application with the SEC to register up to ₱7,000,000,000 which includes the Offer (the "**Registration Statement**") under the provisions of Republic Act No. 8799, otherwise known as the "Securities Regulation Code" ("**SRC**"), and the 2015 rules and regulations implementing the SRC ("**SRC-IRR**"). The SEC is expected to issue an order rendering the Registration Statement effective (the "**RS Effectivity Date**"), and a corresponding permit to offer securities for sale covering the CP Series D.

Phoenix likewise filed an application for the listing and trading of the CP Series D with an aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000 with the Philippine Dealing &Exchange Corp. ("**PDEx**") on [●].

The Company has appointed Philippine Depository & Trust Corp. ("**PDTC**") as the registrar of the CP Series D. It is intended that upon issuance, the CP Series D shall be issued in scripless form, with PDTC maintaining the electronic registry of the holders of the CP Series D (the **"Commercial Paper Holders**").

The CP Series D shall be issued on [August 12, 2020], (the **"Issue Date"**), or the immediately succeeding Business Day, if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and PNB Capital and Investment Corporation in its capacity as the Sole Issue Manager, Lead Arranger and Sole Bookrunner for the CP Series D.

Assuming that the Offer is fully subscribed and the oversubscription option is fully exercised, the net proceeds of the Offer are estimated to be at least ₱[3,277,679,945] after deducting fees, commissions and expenses relating to the issuance. Net proceeds of the CP Series D are intended to be used to finance working capital requirements of the Issuer for the regular importation of fuels and lubricants (see the section entitled *"Use of Proceeds" of this Prospectus*). The Sole Issue Manager, Lead Arranger and Sole Bookrunner shall receive an issue management, arrangement and selling fee of 0.60% on the final aggregate nominal principal amount of the CP Series D.

The CP Series D shall be offered to the public at a discount to face value through the Sole Issue Manager, Lead Arranger and Sole Bookrunner named herein. The CP Series D shall be issued in denominations of ₱100,000 each, as a minimum, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market.

The CP Series D shall be issued at a fixed discount rate of [5.00]% per annum and shall have a term ending [three forty-six (346)] days from the Issue Date (or on [July 24, 2021]) (the "**Maturity Date**"). Subject to the consequences of default as contained in the Trust Indenture executed on [●] between the Issuer and Philippine National Bank Trust Banking Group, and unless otherwise redeemed prior to the Maturity Date, the CP Series D will be redeemed at par (or 100% of face value) and the CP Series D shall be repaid in full on the Maturity Date (or the subsequent Banking

Day[1] if such day falls on a day that is not a Banking Day without adjustment on the principal amount to be repaid).

The Issuer has a rating of [PRS Aa minus (corp.), with Stable Outlook,[2]]as assigned by PhilRatings. The factors considered by PhilRatings in assigning this rating are: (i) continuous growth of the Company's retail presence and market leadership, especially among independent oil players; (ii) significant growth potential given the entry into other related or complementary business ventures; (iii) improving sales volume, which, however, is offset by rising costs, expenses and finance charges; and (iv) declining coverage ratios in relation to debt servicing. PhilRatings also took into consideration the increasing economic uncertainty and the immediate adverse impact of the community quarantine attributable to the COVID-19 pandemic on the Company's business. The rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Company reserves the right to withdraw any offer and sale of the CP Series D at any time. The Company, in consultation with the Sole Issue Manager, Lead Arranger and Sole Bookrunner, reserves the right to reject any application to purchase the CP Series D, in whole or in part, and to allot to any prospective purchaser less than the full amount of the CP Series D sought to be purchased by such purchaser. If the offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. The Sole Issue Manager, Lead Arranger and Sole Bookrunner may acquire for their own account a portion of the CP Series D.

The Offer will be conducted exclusively in the Philippines and pursuant to requirements under Philippine laws, rules and regulations that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the CP Series D in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the CP Series D may not be offered or sold, directly or indirectly, nor may any offering material relating to the CP Series D be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

The CP Series D shall constitute the direct, unconditional, unsecured and unsubordinated obligations of Phoenix and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of Phoenix, other than obligations preferred by law. The CP Series D shall effectively be subordinated to the right of payment to, among others, all of Phoenix's secured debts to the extent the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (the **"Civil Code"**) without a waiver of preference or priority.

The Company currently does not have a minimum dividend policy; the payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

All information contained in this Prospectus are deemed qualified by, and should be read together with, the all disclosures, reports and filings of the Company as filed with SEC, the Philippine Stock Exchange PSE ("PSE") and/or PDEx (collectively, the "Company Disclosures") pursuant to the Corporation Code, the Securities Regulation Code, and the disclosure rules of PDEx are incorporated or deemed incorporated by reference in this

[1]The term "Banking Day" shall mean a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of [Makati].
[2] A Stable Outlook is defined as: "The rating is likely to be maintained or to remain unchanged in the next 12 months."

Prospectus. Copies of the Company Disclosures may be viewed at the website of the Company at www.phoenixfuels.ph. The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in the Prospectus and the Company Disclosures incorporated or deemed incorporated herein by reference.

Unless the context clearly indicates otherwise, any reference to the Company refers to Phoenix on a consolidated basis, including its consolidated subsidiaries and associates. The information contained in this Prospectus has been supplied by Phoenix, unless otherwise stated herein. Phoenix confirms that, as of the date of this Prospectus, the information contained herein relating to the Company, its operations and those of its affiliates and subsidiaries which are material in the context of the issue and offering of the CP Series D (including all material information required by the applicable laws of the Republic of the Philippines), is true and that there is no material misstatement or omission of facts which would make any statement in this Prospectus misleading in any material respect and that Phoenix hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. The Sole Issue Manager, Lead Arranger and Sole Bookrunner has exercised the due diligence required by existing laws and regulations in connection with the proposed Offer.

Phoenix confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Phoenix, however, has not independently verified any such publicly available information, data or analysis.

Moreover, market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and Phoenix nor the Sole Issue Manager, Lead Arranger and Sole Bookrunner does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of Phoenix since such date. The Sole Issue Manager, Lead Arranger and Sole Bookrunner does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

Each person intending to take part in the Offer shall be deemed to acknowledge that:

(i) It has been afforded an opportunity to review the Registration Statement and other papers and documents attached thereto relating to the CP Series D;
(ii) It has not relied on the Sole Issue Manager, Lead Arranger and Sole Bookrunner and/or selling agents or any person affiliated with the Sole Issue Manager, Lead Arranger and Sole Bookrunner and the selling agents, if any, in connection with its investigation of the accuracy of the information contained in this Prospectus or its investment decision; and
(iii) No person has been authorized to give any information or to make any representation concerning the CP Series D other than those contained in this Prospectus and, if given or made, such other information or representation should not be relied upon as having been authorized by Phoenix or the Sole Issue Manager, Lead Arranger and Sole Bookrunner.

Before making an investment decision, investors must rely on their own examination of the Company and the terms of the CP Series D, including the risks involved. These risks include:

- risks related to the Company's business;
- risks relating to the Philippines; and
- risks relating to the CP Series D.

The contents of this Prospectus are not to be considered as definitive legal, business, investment, or tax advice. Each prospective purchaser of the CP Series D receiving a copy of this Prospectus acknowledges that he has not relied on the Sole Issue Manager, Lead Arranger and Sole Bookrunner in his investigation of the accuracy of such information or in his investment decision. In making an investment decision, a prospective purchaser must rely on their own investigation, examination and analysis of the Company and the terms of the CP Series D, including, without limitation, the merits and risks involved, an assessment of the Company's creditworthiness, such prospective purchaser's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Neither Phoenix nor the Sole Issue Manager, Lead Arranger and Sole Bookrunner makes any representation to any prospective purchaser regarding the legality of purchasing the CP Series D under any law or regulation. Each person should be aware that it may be required to bear the financial risks of purchasing the CP Series D for an indefinite period of time. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the CP Series D, among others. Investing in the CP Series D involves certain risks. Any decision to invest in the CP Series D must be based on the information contained in this Prospectus. For a discussion of certain factors to be considered in respect of an investment in the CP Series D, see the section entitled "Risk Factors" of this Prospectus.

No dealer, salesman or other person has been authorized by Phoenix and the Sole Issue Manager, Lead Arranger and Sole Bookrunner to give any information or to make any representation concerning the CP Series D other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Phoenix or the Sole Issue Manager, Lead Arranger and Sole Bookrunner .

The financial information included in this Prospectus has been derived from the consolidated financial statements of Phoenix and its subsidiaries. Unless otherwise indicated, the description of the Company's business activities in this Prospectus is presented on a consolidated basis. Unless otherwise indicated, financial information in this Prospectus has been prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**").

In this Prospectus, references to "Pesos" or "₱" are to the lawful currency of the Philippines. This Prospectus contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. In addition, unless otherwise indicated, US Dollar/Philippine Peso exchange rates referred to in this Prospectus are Bangko Sentral ng Pilipinas (**"BSP"**) reference exchange rates for the indicated period or on the applicable date, as relevant. No representation is made that the Peso, U.S. Dollar, or other currency amounts referred to herein could have been or could be converted into Pesos, U.S. Dollars, or any other currency, as the case may be, at this rate, at any particular rate or at all. Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

This Prospectus includes forward-looking statements. Phoenix has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. The words "believes," "may," "will," "estimates," "continues," "anticipates," "intends," "expects" and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward- looking events and circumstances discussed in this Prospectus might not occur. Phoenix's actual results could differ substantially from those anticipated in Phoenix's forward-looking statements.

Phoenix is organized under the laws of the Philippines. Its principal office address is Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines, with telephone number +6382 235 8888.

Any inquiries regarding this Prospectus should be addressed to P-H-O-E-N-I-X Petroleum Philippines, Inc. (Attention: Office of the Corporate Secretary) at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines, with telephone number +6382 235 8888.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OF COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

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

By:

HENRY ALBERT R. FADULLON
President

SUBSCRIBED AND SWORN to before me this AUG 03 2020 2020, affiant exhibiting to me his Passport No. P1702672B issued on 30 October 2019 at DFA Manila.

Doc. No. 237;
Page No. 49;
Book No. III;
Series of 2020.

APRIL JOY B. GUIANG
Appointment No. M-533
Notary Public for Makati City
Until December 31, 2020
Liberty Center- Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 73268
PTR No. 8148376/Makati City/01-20-2020
IBP No. 101861/Makati City/01-07-2020
MCLE Exempted-Admitted to the bar in 2019

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FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact constitute "forward-looking statements." This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results (financial or otherwise), performance or achievements of Phoenix to be materially different from any expected future results, performance or achievements expressed or implied by such forward-looking statements or other projections.;
- expectations and projections of Phoenix or its management of future operating performance and business prospects;
- the Company's expected financial condition and results of operations, business, plans and prospects;
- the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical facts; and
- performance or achievements expressed or implied by forward-looking statements or other projections.

The words "believe", "expect", "anticipate", "estimate", "project", "foresee", "may", "plan", "intend", "will", "shall", "should", "would" and similar words identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which Phoenix will operate in the future.

Significant factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- Changes in the prices of petroleum products and raw materials used by Phoenix;
- General economic and business conditions in the Philippines, Asian or global economies;
- Terms on which Phoenix finances its working capital and capital expenditure requirements;
- The ability of Phoenix to successfully implement its strategies;
- Any future political instability in the Philippines, Asia or other regions;
- Industry risk (including accidents, natural disasters) in the areas in which Phoenix, its subsidiaries and affiliates operate;
- Changes in government regulations, including those pertaining to regulation of the oil industry, zoning, tax, subsidies, operational health, safety and environmental standards or licensing requirements in the Philippines, Asia and other regions;
- Changes in interest rates, inflation rates and in the value of the Philippine Peso;
- Changes in foreign exchange control regulations in the Philippines;
- Increasing competition in the industries and segments in which Phoenix, its subsidiaries and affiliates operate;
- Holding company structure; and
- Changes in availability and supply of petroleum products and other raw materials used by Phoenix, its subsidiaries and affiliates.

For a further discussion of such risks, uncertainties and assumptions, see the section entitled "Risk Factors" of this Prospectus. Prospective purchasers of the CP Series D are urged to consider these factors carefully in evaluating the forward-looking statements. Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, capital investments could be delayed and anticipated improvements in performance might not be realized fully or at all. Although Phoenix believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective purchasers are cautioned not to place undue reliance on the forward-looking statements herein. In any event, the forward-looking statements included herein are made only as of the date of this Prospectus or the respective dates indicated herein, and Phoenix and the Sole Issue Manager, Lead Arranger and Sole Bookrunner expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to such forward-looking statements contained herein to reflect subsequent events or circumstances.

The Sole Issue Manager, Lead Arranger and Sole Bookrunner does not take any responsibility for, or give any representation, warranty, or undertaking in relation to any such forward-looking statements.

DEFINITION OF TERMS

As used in this Prospectus, the following terms shall have the meanings ascribed to them:

AAI…………………………	Action.Able, Inc.
Activity Fee………………..	fee of ₱1,500 to be paid upfront by the Commercial Paper Holder to the Trustee upon acceptance and approval of any of the former's requests for documentation or certification and other similar matters communicated by the Commercial Paper Holder to the Trustee
Application to Purchase…..	the document to be executed by any Person or entity qualified to become a Commercial Paper Holder for the Commercial Papers
ASEAN…………………….	Association of Southeast Asian Nations
ATIGA ……………………..	ASEAN Free Trade Area ASEAN Trade in Goods Agreement
Auto-LPG Rules…………..	DOE Circular No. DC2007-02-0002, which is entitled 'Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use'
Banking Day or Business Day………………………….	shall be used interchangeably to refer to a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of Makati
BARMM…………………….	Bangsamoro Autonomous Region in Muslim Mindanao
BBL…………………………	Bangsamoro Basic Law
BDO Loan Agreement…….	the ₱6,000.0 million seven-year term loan agreement entered into with BDO in 2017
BFP…………………………	the Bureau of Fire Protection of the Philippines
BIFF..………………………	Bangsamoro Islamic Freedom Fighters
Biofuels Act……………..…	Republic Act No. 9367, otherwise known as the "Biofuels Act of 2006"
BIR………………………….	the Bureau of Internal Revenue of the Philippines
Board or Board of Directors……………………	the Board of Directors of Phoenix
BOC………………………...	Bureau of Customs of the Philippines
BOI………………………….	Board of Investments of the Philippines

BOL…………………………	Bangsamoro Organic Law
Bona Fide Commercial Paper Holder……………...	any Commercial Paper Holder who has been a bona fide holder for at least six (6) months
BPS………………………...	the Bureau of Product and Standards under the DTI
BP 33………………………	Batas Pambansa Blg. 33
BSP…………………………	Bangko Sentral ng Pilipinas (the central bank of the Philippines)
CA…………………………..	the Court of Appeals of the Philippines
CAGR………………………	compound annual growth rate
Cebgo………………………	Cebgo, Inc., formerly Tigerair Philippines Inc.
Cebu Pacific………………..	Cebu Air, Inc.
Chevron…………………….	Chevron Philippines, Inc.
Civil Code…………………	Republic Act No. 386, otherwise known as the "Civil Code of the Philippines"
Clean Air Act………………	Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act of 1999"
Closed Period……………..	means the periods during which the Registrar shall not register any transfer or assignment of the Commercial Papers, specifically the period of two (2) Business Days preceding the due date for any payment of the principal amount of the Commercial Papers
CMTA………………………	Republic Act No. 10863 or the Customs Modernization and Tariff Act
CNC………………………..	Certificate of Non-Coverage issued by the DOE
CNG ………………………	compressed natural gas
CNI…………………………	Cong Ty Tnhh Cong Nghiep
COC………………………..	Certificate of Compliance issued by the DOE
COCOs……………………	Company-owned-company-operated service stations
Code of Corporate Governance………………	the Code of Corporate Governance of Phoenix
CODOs……………………	Company-Owned, Dealer-Operated retail service stations
Commercial Paper Agreements……………..	the Trust Indenture, the Registry and Paying Agency Agreement, the Underwriting Agreement, and the Master

	Certificate of Indebtedness (inclusive of the Terms and Conditions), including any amendment or supplement thereto.
Commercial Paper Holder………………………	a person or entity whose name appears, at any time, as a holder of the Commercial Papers in the Register of Commercial Paper Holders
Commercial Paper Series D or CP Series D or Commercial Papers ……………………………..	refers to the fourth series of commercial papers in the aggregate principal amount of up to ₱2,000,000,000, with oversubscription option of up to ₱1,500,000,000, to be issued (or reissued) by Phoenix on the Issue Date, and which will have a term ending [●] days from the Issue Date.
Commission or SEC………	the Securities and Exchange Commission of the Philippines
Company, Issuer or Phoenix………………….….	P-H-O-E-N-I-X Petroleum Philippines, Inc.
Consumer Act……………..	Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines
CREATE……………………	Corporate Recovery and Tax Incentives for Enterprises Act
CSC………………………..	Chelsea Shipping Corporation
CTRP………………………	Comprehensive Tax Reform Program
CVS…………………………	means convenience stores
DENR………………………	the Department of Environment and Natural Resources of the Philippines
Directors……………………	the members of the Board of Directors of the Company
DODOs……………………	Dealer-Owned, Dealer-Operated retail service stations
DOE………………………	the Department of Energy of the Philippines
DOJ…………………………	the Department of Justice of the Philippines
DTI………………………….	the Department of Trade and Industry of the Philippines
Duta……………………….	Duta, Inc.
ECC………………………	means the environmental compliance certificate issued by the DENR
ECQ………………………..	the enhanced community quarantine imposed throughout the island of Luzon until 12 April 2020
EIS…………………………	Environment Impact Statement submitted to the DENR-EMB
EMB……………………….	Environmental Management Bureau of the DENR

E.O. No. 113……………..	Executive Order No. 113
ESGI…………….………..	ES Consultancy Group, Inc.
ESOP……………..……….	refers to the employee stock option plan of the Company
Exchange or the PSE…………………………	the Philippine Stock Exchange, Inc.
Family Mart or PFM or Philippine FamilyMart…………………	Philippine Family Mart CVS, Inc.
FIA…………………………	Republic Act No. 7042 or the Foreign Investments Act of 1991
Fitch………………………..	Fitch Ratings
FMCG……………………..	fast-moving consumer goods
GBP………………………..	Global Business Power Corporation
GCQ……………………….	the general community quarantine imposed in Metro Manila on 28 May 2020
Governance Manual………	the Manual of Corporate Governance of Phoenix
Government ……………….	Government of the Philippines
Group……………………….	the Company and its wholly-owned subsidiaries
HYII…………………………	Hengyi Industries International Pte. Ltd
IATF………………………..	the Inter-Agency Task Force of Emerging Infectious Disease
IEE………………………….	Initial Environmental Examination submitted to the DENR-EMB
Importer……………………	refers to any person who brings goods into the Philippines, whether or not made in the course of trade and business.
IPOPHIL……………………	the Intellectual Property Office of the Philippines
ISO…………………………	International Organization for Standardization
Issue Date…………………	the issue date of the Commercial Paper Series D, which is on [August 12, 2020], or the immediately succeeding Business Day, if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and the Sole Issue Manager, Lead Arranger and Sole Bookrunner.
JV…………………………..	means joint venture

Lead Arranger and Sole Bookrunner………………..	refers to PNB Capital being the Lead Arranger and Sole Bookrunner as appointed by the Issuer under the Underwriting Agreement
LGC………………………	the Local Government Code of the Philippines
LGU……………………….	local government unit
Liwanag………………….	Liwanag Philippine Property Management Inc.
LMA………………………	Local Monthly Allocation
LNG………………………	liquefied natural gas
LNG Facility Project…….	project involving the construction of a new integrated liquefied natural gas import and regasification terminal in Batangas
LPG……………………….	liquefied petroleum gas
LPG Industry Rules………	DOE Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry
LTO………………………..	the Land Transportation Office of the Philippines
Majority Commercial Paper Holders…………………….	the Commercial Paper Holders who hold, represent or account for more than fifty percent (50%) of the aggregate principal amount of the Commercial Papers then outstanding
MARINA……………………	the Maritime Industry Authority of the Philippines
Master Certificate of Indebtedness………………	refers to the certificate to be issued by the Company to the Trustee evidencing and covering such amount corresponding to the Commercial Papers
Maturity Date………………	means the date not exceeding three hundred forty-five (345) days from the Issue Date, or on [July 24, 2021]; provided that, in the event that a Maturity Date falls on a day that is not a Business Day, such Maturity Date shall be automatically extended to the immediately succeeding Business Day, without adjustment to the amount of interest and principal to be paid.
mb………………………….	million barrels
mb/d……………………….	million barrels per day
MECQ……………………..	modified ECQ imposed high-risk local government units from 16 May 2020 until 31 May 2020
MILF……………………….	Moro Islamic Liberation Front
MNLF………………………	Moro National Liberation Front
Moody's…………………….	Moody's Investors Service

MOPS……………………..	Mean of Platts Singapore, which is the daily average of all trading transactions between a buyer and a seller of petroleum products as assessed and summarized Standard and Poor's Platts, a Singapore-based market wire service
Monetary Board……………	the Monetary Board of the BSP
Nationalised Corporations……………...	corporations engaged in nationalised or partly nationalised activities
Offer……………………….	the offer for subscription of the offered Commercial Papers
Oil Deregulation Law……	Republic Act No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998", and its implementing rules and regulations
OIMB………………………	the Oil Industry Management Bureau of the DOE
Origin Energy………………	Origin Energy Holdings Pty. Ltd.
Oversubscription Option …	refers to the right of the Sole Issue Manager, Lead Arranger and Sole Bookrunner, in consultation with the Issuer, to increase the offer size of up to Two Billion Pesos (₱2,000,000,000) worth of CP Series D by up to an additional One Billion Five Hundred Million Pesos (₱1,500,000,000) worth of CP Series D to cover oversubscriptions, if any.
₱ or Peso…………………	Philippine Pesos, the legal currency of the Republic of the Philippines
PAPI………………………	Phoenix Asphalt Philippines, Inc.
PAS……………………….	Philippine Accounting Standards
PCSPC……………………	Philippine Coastal Storage and Pipeline Corporation
PDEx………………………	Philippine Dealing & Exchange Corp.
PDTC………………………	Philippine Depository & Trust Corp.
PEIH…………………….…	PNX Energy International Holdings Pte Ltd.
Penalty Interest…………..	means the interest to be paid by the Issuer to the Commercial Paper Holders on the defaulted amount(s) at the rate of twelve percent (12%) per annum from the time the amount falls due until it is fully paid, in case any amount payable by the Issuer under any of the Commercial Papers, whether for principal, interest, or otherwise, is not paid when due
Person…………………….	means an individual, firm, partnership, limited liability company, joint venture, association, trust, corporation, government, committee, department, authority, or any body, incorporated or unincorporated, whether having a distinct legal personality or not

Petron………………………	Petron Corporation
PFRS………………………	Philippine Financial Reporting Standards
PGMI………………………	Phoenix Global Mercantile, Inc.
PGV LLC………………….	Phoenix Gas (Vietnam) Limited Liability Company
Philippines…………………	Republic of the Philippines
PhilRatings…………………	Philippines Ratings Services Corp.
Phoenix Gas Vietnam……	Phoenix Gas (Vietnam) Limited Liability Company
Phoenix System………..…	The unique system relating to the establishment, development and operation of the Phoenix retail gasoline station developed by the Company. The distinguishing characteristics of the system include, but are not limited to, petroleum products, services and signages, and the operations manual; uniform operating methods, procedures and techniques; other confidential operation procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, sales promotion, marketing and advertising; and optional operation of onsite convenience store, all of which may be changed, improved and further developed by the Company.
PLPI……………………….	Phoenix LPG Philippines, Inc., formerly Petronas Energy Philippines, Inc.
PNB Capital……………..	PNB Capital and Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City
PNOC………………………	the Philippine National Oil Company
PNX SG………………….	PNX Petroleum Singapore Pte. Ltd.
POS………………………	point of sale
PPHI………………………	P-H-O-E-N-I-X Petroleum Holdings, Inc.
PPIPC…………………….	Phoenix Petroterminals & Industrial Park Corporation, now Calaca Industrial Seaport Corp.
PPM……………………….	parts per million
PPMI………………………	P-F-L Petroleum Management Inc.
PRC………………………..	People’s Republic of China
Principal Shareholders…...	UC, together with PPHI and ESGI. They directly or indirectly controlled 86.02% of the outstanding share capital of the Company

PTC…………………………	Phoenix Tsuper Club
PTPPI………………………	PT Phoenix Petroleum Indonesia
PVPL……………………….	PNX Vietnam Pte Ltd.
R.A. 8762………………….	Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000
Register of Commercial Paper Holders……….…….	means the electronic records of the Registrar bearing the official information on the names and addresses of the Commercial Paper Holders and the number of Commercial Papers they respectively hold, including all transfers and the names of subsequent transferee Commercial Paper Holders, maintained pursuant to and under the Master Registry and Paying Agency Agreement
Registrar and Paying Agent………………………	Philippine Depository & Trust Corp., being the registrar and paying agent appointed by the Issuer to maintain the Register of Commercial Paper Holders pursuant to the Master Registry and Paying Agency Agreement
Registration Statement……	refers to the registration statement filed with the SEC in connection with the offer and sale to the public of up to ₱7,000,000,000, which includes the Offer
Registry and Paying Agency Agreement………..	the Registry and Paying Agency Agreement executed on [●] among the Issuer, the Registrar, and the Paying Agent
Revised Guidelines……….	DOE Department Circular No. DC2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol
Revised Retail Rules……..	DOE Department Circular No. 2017-11-0011, otherwise known as the Revised Rules and Regulations Governing the Business of Retaining Liquid Fuels
RS Effectivity Date………..	refers to the date of effectivity of the Registration Statement
SAF…………………………	Special Action Force
SCC………………………..	Standards Compliance Certificate from the OIMB, which is required before engaging in any LPG Industry Activity
Seaoil……………………….	Seaoil Philippines, Inc.
Shell……………………….	Pilipinas Shell Petroleum Corporation
Sole Issue Manager……..	refers to PNB Capital being the Sole Issue Manager
SPTTI………………………	Subic Petroleum Trading and Transport Phils., Inc.

SRC………………………..	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"
SRC-IRR…………………..	means the implementing rules and regulations of the SRC
Supreme Court…………...	Supreme Court of the Philippines
S&P…………………………	S&P Global
TA……………………….…	Think Able Ltd.
Tanglawan………………..	Tanglawan Philippine LNG, Inc.
Tax Code………………….	means the National Internal Revenue Code, as amended, and its implementing rules and regulations
TRAIN Law……………….	Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion Act"
Trustee……………………	PNB Trust Banking Group
Trust Indenture……………	Trust Indenture executed on [●] between the Issuer and PNB Trust Banking Group
TIPCO Asphalt…………….	TIPCO Asphalt Public Company Limited
UC…………………………	Udenna Corporation
Udenna Group……………	Udenna Corporation, its subsidiaries and affiliates
UNCLOS…………………..	United Nations Convention on the Law of the Sea
Underwriting Agreement…………………	the underwriting agreement between PNB Capital and Phoenix dated [●]
Unioil………………………	Unioil Petroleum Phils. Inc.
Unrestricted Retained Earnings……………………	the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividend
U.S. Dollars, USD or US$...................................	United States Dollars, the legal currency of the United States of America

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the CP Series D, see the section entitled "Risk Factors" of this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary. Prospective investors should therefore read this Prospectus in its entirety.

COMPANY OVERVIEW

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and Visayas. Its products and services are distributed and marketed under the PHOENIX Fuels Life™ trademark. With a market share of 7.06% of the Philippine oil market as of December 30, 2019, the Company is the largest independent oil company in the Philippines that is engaged in all aspects of the local downstream oil industry.

The Company's operations are divided between trading, and terminalling and hauling services. Under trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations and has a total of 660 opened retail service stations as of March 31, 2020. The retail service stations are classified as company-owned-dealer-operated service stations ("**CODO**"), which account for 49.1% of the stations, dealer-owned-dealer-operated service stations ("**DODO**"), which account for 50.3% of the stations, and company-owned-company-operated service stations ("**COCO**"), which account for the remaining 0.6%. For CODOs, the Company buys or leases the land and owns the retail service station structures and equipment, but are operated by a third-party dealer. For DODOs, a third-party dealer buys or leases the land, builds the retail service station structure according to Company specifications, leases the retail service station equipment from the Company, and operates the DODOs. For COCOs, the Company buys or leases the land, owns the retail service station structures and equipment, and operates the stations. Its main areas of retail operations are in Luzon and Mindanao which account for 48.8% and 37.7%, respectively, of the retail service stations established as of March 31, 2020, while its Visayas operations account for the remaining 13.5% of the network.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) in 16 airports, including Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City, Zamboanga City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu Mactan, and Ninoy Aquino International Airport. The Company manages the majority of Cebu Pacific's into-plane service requirements nationwide. In 2019, it likewise started serving the JetA1 needs of Philippine Airlines and AirAsia in the Philippines.

The Company presently has a nationwide network of depots and retail service stations. Its industrial customers include air, land and sea transport companies and other industrial users.

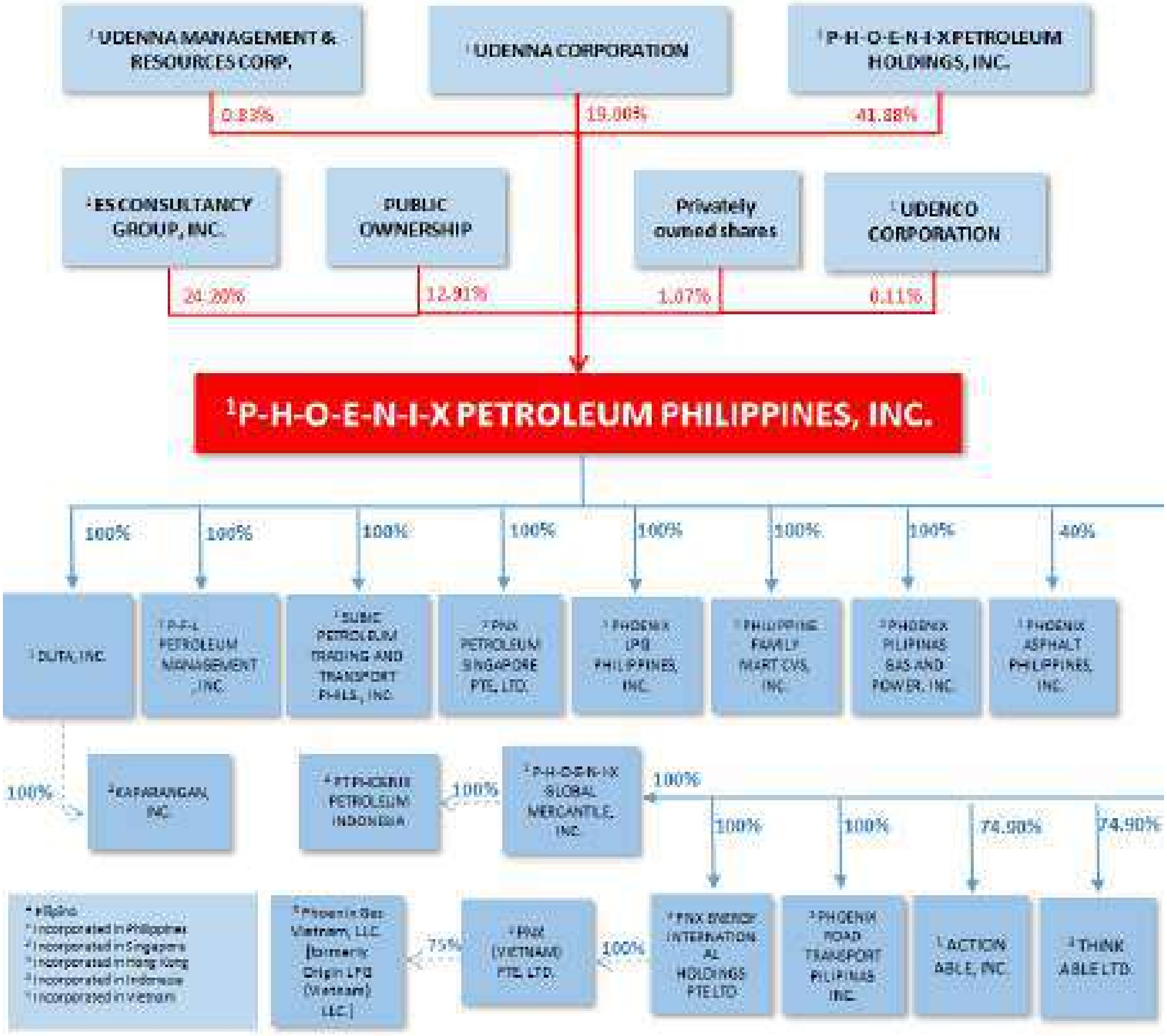
Since its commercial operations in 2002, the Company has expanded rapidly and developed into the fourth largest oil company in the Philippines as of December 31, 2019. The Company has achieved these on the back of strong compounded annual sales volume growth of approximately 38.1% since its public listing in 2007. As of March 31, 2020, the Company had a market capitalization of ₱14,343 million, based on the Company's common share closing price of ₱10.20 on March 31, 2020, the last trading day of the said month.

As at December 31, 2017, 2018 and 2019 and March 31, 2020, the Company's total assets were ₱44,166 million, ₱64,660 million, ₱86,957 million, and ₱80,695 million, respectively. For the years ended December 31, 2017, 2018 and 2019 and March 31, 2020, the Company's total revenues were ₱44,543 million, ₱88,611 million,₱97,823 million and ₱21,894 million, respectively, and net profit was ₱1,521 million, ₱2,767 million and ₱1,495 million, respectively. For the three months ended March 31, 2020, the Company's net loss was ₱215 million.

OWNERSHIP AND CORPORATE STRUCTURE

The Company is a publicly-listed company. As of March 31, 2020, the principal shareholders of the Company include P-H-O-E-N-I-X Petroleum Holdings, Inc. ("**PPHI**"), ES Consultancy Group, Inc. ("**ESGI**") and Udenna Corporation ("**UC**" and, together with PPHI and ESGI, the "**Principal Shareholders**"). As of March 31, 2020, the Principal Shareholders directly or indirectly controlled 86.02% of the outstanding share capital of the Company.

The chart below sets forth the simplified shareholding and corporate structure of the Company as of March 31, 2020:



PPHI was incorporated in the Philippines on 31 May 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.

ESGI was incorporated in the Philippines on 29 December 2016. ESGI is a consulting firm primarily focused on financial strategy, capital mergers and acquisitions as well as joint ventures. ESGI's registered office is located at the Centerpoint Building, Garnet Road, Ortigas Center, Pasig City.

UC (formerly known as Philsummit Corporation) was incorporated in the Philippines on 19 March 2002. UC's primary purpose is 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. UC's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

FIRST QUARTER 2020 RESULTS OF OPERATIONS

See *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Results of Operations".*

RECENT DEVELOPMENTS

The following are some of the significant developments involving the Company since 31 December 2019:

On January 27, 2020, the board of directors of the Company authorized the assignment and transfer of 72 CODO retail stations, worth ₱700,000,000, as part of the capital investment in PPMI as previously approved by the board on June 24. 2019. On the same date, the board of directors approved the amendment of the Company's articles of incorporation extending the corporate term of the Company from 50 years from and after the date of incorporation to perpetual existence as allowed in the Revised Corporation Code. The board of directors also approved the amendment of the Company's by-laws changing the schedule of the annual meeting of stockholders from last Friday of March every year to last Friday of April of each year.

On March 16, 2020, in compliance with the directive from the SEC to submit report on risks and impact of COVID-19 on business operations, the Company disclosed that it has implemented regular temperature checks, strict travel restrictions, quarantine and continued monitoring for anyone who exhibits flu-like symptoms or has been exposed to risks, and regular cascade of the latest updates and reminders. In light of the mobility restrictions then imposed by the government, the Company implemented flexible work arrangements and postponed all previously-arranged gatherings.

On March 23, 2020, the Company issued a press release regarding its execution of a 3-month exclusive contract with Global Business Power Corporation ("**GBP**") to supply fuel to two of GBP's power plants in Toledo City, Province of Cebu.

On April 24, 2020, the Company issued a press release regarding FamilyMart's launch of rolling stores and intended delivery service to make FamilyMart's products more accessible.

On June 2, 2020, the stockholders of the Company approved, among others, the investment of ₱4,900,000,000 of corporate funds in Duta, Inc. over the period of three (3) years. The stockholders also approved the amendments to the Company's articles of incorporation and by-laws as approved by the board on January 27, 2020.

On June 30, 2020, the Company issued a press release regarding the Company's repositioning of its portfolio towards high growth, high margin businesses as the Company diversifies its core petroleum operations. In particular, the Company said that retail will be a major force driving its business going forward. To this end, the Company said that it is building its capabilities in the retail business and planned to further expand its retail portfolio with high growth, high margin brands over time.

On July 1, 2020, the Company issued a press release regarding the completion by the Company's subsidiary, Phoenix Asphalt Philippines Inc., of the construction of the first phase of its asphalt plant in Calaca, Batangas. The press release further provided that the asphalt plant was fully operational to supply quality bitumen products to contractors in the Philippines.

COMPETITIVE STRENGTHS

The Company's competitive strengths have made it the leading independent player and the 4th largest oil company in the Philippines[3]:

- Leading independent oil marketing player in the Philippines
- Strong, diversified brand franchise
- Improving business mix towards higher margin retail and LPG
- Integrated supply chain and strategically located logistics infrastructure
- Seasoned professionals from the oil and gas and retail industries

BUSINESS STRATEGY

The Company continues to expand in other areas by building on its existing business model and by improving the alignment of its frontline revenue units with the logistics and other support areas of the organization. The Company is cognizant of the need to enhance further its profit-oriented and cost-effective approach and maintains a highly responsive organization. Its strategy focuses on the following elements:

- Enhancing the "Phoenix" Brand
- Increase market share in the downstream oil markets in the Philippines
- Improve operational efficiency and profitability and increase market outreach
- Focus on higher margin business
- Build a sustainable growth model

RISKS OF INVESTING

Before making an investment decision, prospective Commercial Paper Holders should carefully consider all of the information set forth in this Prospectus and, in particular, prospective Commercial Paper Holders should evaluate the risks associated with an investment in the CP Series D. See section entitled "*Risk Factors*" of this Prospectus for a more detailed discussion on the risk factors. These risks include:

[3]As of March 31, 2020.

Risks Relating to the Company's Business and Operations

Internal Factors

1. The growth of the Company is dependent on the successful execution of its expansion plans;
2. The Company depends on experienced, skilled and qualified key personnel and senior management, and its business and growth prospects may be disrupted if it is unable to retain their services
3. Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could affect its business and results of operations and result in potential liabilities;
4. The Company requires significant capital for its business and is exposed to the impact of changes in the interest rates of its borrowings. If the Company is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected;
5. The business requires significant capital expenditures and financing, which are subject to a number of risks and uncertainties, that may affect the leverage position and profitability of the company if it depends heavily on debt financing;
6. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims prove to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially affected;
7. The Company's controlling shareholder may have interests that may not be the same as those of other shareholders;
8. The Company may fail to integrate acquired businesses properly, which could adversely affect the Company's results of operations and financial condition;
9. The Company from time to time considers business combination alternatives;
10. Failure to respond quickly and effectively in identifying and importing the relevant alternative fuels in line with market demands or governmental regulations may adversely affect the Company's business and prospects
11. The Company's expansion plans will place additional pressure and demands on the Company's management and key-in house operating divisions

External Factors

1. Volatility of the price of petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition;
2. The Company's business may be materially and adversely affected by the coronavirus outbreak and other adverse public health developments;
3. The Company's business, results of operations and financial condition may be affected by intense competition in the downstream oil industry;
4. The Company may be subject to penalties for non-compliance with its financing agreements, including the term loan agreement with BDO.
5. Regulatory decisions and changes in the legal and regulatory environment (including the Comprehensive Tax Reform Program) could increase the Company's operating costs and affects its business, results of operations and financial condition;
6. The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability will be affected, as it will have to pay income tax at the prevailing rates;
7. The Company's exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations may adversely affect its business, results of operations and financial condition;
8. The Company's business, financial condition and results of operations may be impacted by the fluctuations in the value of the Philippine Peso against the U.S. Dollar;
9. Existing and future claims against the Company and its subsidiaries, or directors or key management may pose as a reputational risk to the Company and its business;

10. The Company relies primarily on a small number of suppliers for a significant portion of its petroleum products;
11. Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects; and
12. Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations;
13. The products that the Company handles are hazardous and could result in spills and/or environmental damage;
14. The Company is subject to joint venture and partnership risks;
15. The Company's franchisees may not be willing or able to renew their franchise agreements with the Company
16. The Company may not be able to obtain suitable locations for its oil depots and the quality of the locations of the Company's current oil depots may decline
17. The Company depends on third-party operators for a significant number of its projects and operations
18. Existing or future claims against the Company and its subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact on the Company and its business
19. Volcanic eruptions like the Taal Volcano eruption in January 2020 which affected the Southern Luzon Region, including areas where the Company operates its import terminal, may affect the Company's supply chain and logistic capability in Luzon.

Risks Relating to the Philippines

1. The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines;
2. Political instability, acts of terrorism, military conflict, or changes in laws or government policies in the Philippines could destabilize the country and may have a negative effect on the Company;
3. The occurrence of natural or man-made catastrophes or major power outages may materially disrupt the Company's operations;
4. If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products could be affected;
5. Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment; and
6. The oil smuggling situation in the Philippines

Risks Relating to the CP Series D

1. The Company cannot guarantee that there will be an active or liquid trading market for the CP Series D;
2. The Company may be unable to redeem the CP Series D;
3. The holder of the CP Series D may face a possible gain or incur a loss when they decide to sell the CP Series D;
4. The Issuer may not be able to retain its credit rating; and
5. The CP Series D has no preference under Article 2244(14) of the Civil Code.

PRINCIPAL OFFICE

The Company's principal office is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines. The Company's telephone number at this address is +6382 235 8888. Information on the Company can be obtained on its website: *www.phoenixfuels.ph.*

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth financial and operating information of the Company. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, including the notes thereto, contained in this Prospectus and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information included herein. The summary financial data as of March 31, 2020 and 2019 and December 31, 2019, 2018 and 2017 were derived from the Company's unaudited and audited consolidated financial statements, including the notes thereto, which are included in this Prospectus and from the Company's 2019 annual report.

The consolidated financial statements as of December 31, 2019, 2018 and 2017 were audited by Punongbayan&Araullo. The consolidated financial information of the Company as of and for the three months ended March 31, 2020 and 2019 have not been audited by the Company's independent auditor. As a result, the consolidated financial statements of the Company as of March 31, 2020 and 2020 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Company's financial condition and results of operations. The Company's financial information included in this Prospectus were prepared in accordance with the Philippine Financial Reporting Standards("PFRS"). The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date. The Sole Issue Manager, Lead Arranger and Sole Bookrunner and any of its affiliates, directors, officers and advisers disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Company.

INCOME STATEMENT DATA

Income Statement Data	**For the six months ended March 31**		**For the years ended December 31**		
(in ₱thousands, except Earnings per share (EPS))	**2020 Unaudited**	**2019 Unaudited**	**2019 Audited**	**2018 Audited**	**2017 Audited**
Revenues	21,894,397	24,092,632	97,823,109	88,610,768	44,542,982
Cost and Expenses	21,715,434	23,071,473	93,329,353	84,580,715	42,552,132
Other Charges	418,199	555,087	2,651,519	656,323	61,359
Profit Before Tax	(239,236)	466,072	1,842,237	3,373,730	1,929,490
Tax Expense	(24,585)	51,401	347,659	606,588	408,067
Net Profit	(214,651)	414,671	1,494,578	2,767,142	1,521,423
Other Comprehensive Income	24,123	(28,824)	4,130	858,536	6,051
Total Comprehensive Income	(190,528)	385,847	1,498,708	3,625,678	1,527,473
Basic Earnings per share*	(0.27)	0.24	0.61	1.72	1.11
Diluted Earnings per share**	(0.27)	0.24	0.61	1.72	1.10

**Basic earnings per share is based on weighted average number of outstanding common shares (in thousands): 1,404,437 as at March 31, 2020; 1,403,304 as at March 31, 2019; 1,404,437 as at December 31, 2019; 1,424,576 as at December 31, 2018; 1,372,487 at December 31, 2017.*

*** Diluted earnings per share is based on weighted average number of outstanding common shares (in thousands): 1,405,613 as at March 31, 2020; 1,403,304 as at March 31, 2019; 1,405,613 as at December 31, 2019; 1,424,593 as at December 31, 2018; 1,377,270 at December 31, 2017.*

BALANCE SHEET DATA

	As at March 31	As at December 31		
(in ₱thousand)	**2020 Unaudited**	**2019 Audited**	**2018 Audited**	**2017 Audited**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5,776,852	9,810,770	7,889,709	1,831,558
Trade and other receivables – net	16,217,335	15,973,134	15,030,715	7,705,308
Inventories – net	10,438,397	11,679,617	11,135,494	12,416,237
Due from related parties	72,570	1,987	937,904	518,005
Restricted deposits	55,065	54,462	52,719	51,282
Input value-added tax – net	2,332,816	2,905,879	1,517,537	1,773,091
Derivative Assets	828,738	-	-	-
Prepayments and other current assets	2,639,588	1,931,536	695,699	610,271
Total Current Assets	38,361,361	42,357,385	37,259,777	24,905,752
NON-CURRENT ASSETS				
Property, plant and equipment — net	26,260,375	27,378,865	18,715,995	13,399,980
Right of Use Asset	1,617,702	1,142,726	-	-
Intangible assets — net	293,508	274,931	275,037	72,384
Investment properties	1,114,430	1,114,780	-	390,210
Investment in Joint Venture	45,353	-	-	158,689
Goodwill — net	4,499,542	3,990,667	10,222	84,517
Deferredtax assets — net	263,418	231,866	46,192	0
Other non-current assets	416,494	223,467	192,084	338,273
Total Non-current Assets	22,058,523	19,236,399	9,525,848	13,887,076
TOTAL ASSETS	46,128,644	44,470,900	26,538,038	30,926,608
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	37,734,614	38,143,059	26,309,487	16,796,874
Trade and other payables	6,622,024	11,841,661	7,434,839	3,584,624
Derivative financial liabilities	-	311,020	-	-
Lease liabilities	127,705	153,361	-	-
Income tax payable	54,045	49,872	99,381	3,671
Total Current Liabilities	20,637,759	20,646,844	14,595,795	15,001,171
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	11,650,683	11,753,129	13,590,520	11,374,560

	As at March 31	As at December 31		
(in ₱thousand)	**2020 Unaudited**	**2019 Audited**	**2018 Audited**	**2017 Audited**
Lease liabilities	1,255,339	1,096,852	-	-
Deferred tax liabilities — net	804,398	748,399	631,776	225,027
Other non-current liabilities – net	929,386	937,269	620,602	497,806
Total Non-currentLiabilities	14,639,807	14,535,649	14,842,899	12,097,393
TOTAL LIABILITIES	59,178,194	65,034,622	48,686,606	32,482,562
EQUITY				
Capital stock	1,119,904	1,119,904	1,112,004	1,456,538
Additional paid-in capital	12,042,788	12,042,788	7,233,692	5,709,303
Revaluation reserves	832,687	806,869	852,439	(736,459)
Retained earnings	7,449,622	7,876,464	6,812,482	5,254,155
Minority Interest	71,650	76,730	(36,945)	-
Total Equity	21,516,652	21,922,755	15,973,673	11,683,538
TOTAL LIABILITIES AND EQUITY	80,694,846	86,957,377	64,660,279	44,166,100

The table below sets forth the comparative performance indicators of the Company and its subsidiaries:

	March 31	December 31		
	2020	2019	2018	2017
Current Ratio[1]	0.86 : 1	0.84 : 1	1.1 : 1	1.2 : 1
Debt to Equity Ratio[2]	2.75 : 1	3.0 : 1	3.0 : 1	2.8 : 1
Net Book Value per Share (in ₱)[3]	9.07	9.36	8.53	8.33
Debt to Equity Interest-Bearing[4]	2.30 : 1	2.28 : 1	2.5 : 1	2.36 : 1
Return on Equity [5]	(1.0%)	7.9%	20.0%	14.2%
Earnings (Loss) per Share (in ₱) [6]	(0.27)	0.61	1.72	0.97

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

SUMMARY OF THE OFFER

The Offer relates to the fourth series of the commercial papers of the Issuer, with an aggregate principal amount of up to Two Billion Pesos (₱2,000,000,000), with an oversubscription option of up to One Billion Five Hundred Million Pesos (₱1,500,000,000).

Issuer	:	P-H-O-E-N-I-X Petroleum Philippines, Inc. ("**Phoenix**" or the "**Issuer**")
Issue	:	The fourth series under the Issuer's commercial papers (the "**CP Series D**").
Issue Amount	:	Aggregate principal amount of up to Two Billion Pesos (₱2,000,000,000) with an oversubscription option of up to One Billion Five Hundred Million Pesos (₱1,500,000,000).
Oversubscription Option	:	The Sole Issue Manager, Lead Arranger and Sole Bookrunner has the right, in consultation with the Issuer, to increase the offer size of up to Two Billion Pesos (₱2,000,000,000) worth of CP Series D by up to an additional One Billion Five Hundred Million Pesos (₱1,500,000,000) worth of CP Series D (the "**Oversubscription Option CP Series D**") to cover oversubscriptions, if any (the "**Oversubscription Option**"). In the event that the Oversubscription Option is exercised, the Issue Manager, Lead Arranger and Sole Bookrunner, in consultation with the Issuer, shall have exclusive rights and priority toward the offer and sale of any Oversubscription Option CP Series D.
Use of Proceeds	:	The net proceeds of the Issue are intended to be used to finance working capital requirements of the Issuer for the regular importation of fuels and lubricants.
Manner of Distribution	:	Public offering
Issue Price	:	The CP Series D will be issued at a discount to face value.
Form and Denomination	:	The CP Series D shall be issued in scripless form in denominations of ₱100,000 each, as a minimum, and in multiples of ₱10,000 thereafter.
Sole Issue Manager, Lead Arranger and Sole Bookrunner	:	PNB Capital and Investment Corporation ("**PNB Capital**")

Offer Period	:	The Offer shall commence at 9:00am [August 10, 2020] and end at 5:00pm [August 10, 2020], or on such other date as the Issuer and PNB Capital may agree upon.
Issue Date	:	[August 12, 2020] or the immediately succeeding Business Day, if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and PNB Capital.
Maturity Date	:	[Three forty six (346)] days from Issue Date or [July 24, 2021]; provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be the immediately succeeding Business Day.
Discount Rate	:	The CP Series D will be issued at a fixed discount rate of [5.00]% per annum. The Discount Rate shall be computed on a true-discount basis.
Final Redemption	:	The CP Series D will be repaid in full (or 100% of face value) on the Maturity Date. If the principal repayment on the CP Series D is due on a day that is not a Business Day, the principal repayment date shall be made on the immediately succeeding Business Day. No additional interest will be paid in such case.
Redemption for Taxation Reasons	:	If payments under the CP Series D become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the CP Series D in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee) at par or 100% face value.
Status	:	The CP Series D shall constitute the direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Issuer and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law. The CP Series D shall effectively be subordinated to the right of payment to, among others, all of Issuer's secured debts to the extent the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code without a waiver of preference or priority.

Negative Pledge	:	The CP Series D shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
Taxation	:	Except: (i) tax on a CP Series D Holder's interest income on the CP Series D which is required to be withheld by the Issuer, and (ii) capital gains tax/income tax, documentary stamp tax and other taxes on the transfer of CP Series D (whether by assignment or donation), if any and as applicable, which are for the account of the CP Series D Holder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for, and will not gross-up the payments of interest on the principal amount of the CP Series D so as to cover any final withholding tax applicable on interest earned on the CP Series D prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. Documentary stamp tax on the original issue of the CP Series D and the documentation, if any, shall be for the Issuer's account. A CP Series D Holder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the PNB Capital, together with its Application to Purchase: ● Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof; ● A duly notarized undertaking (in the prescribed form and substance by Phoenix) declaring and warranting that the same CP Series D Holder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify Phoenix and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold Phoenix, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

		● Such other documentary requirements as may be required by Phoenix, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue Memorandum Order No. 8-17, evidence of the applicability of a tax treaty provision, a consularized proof of the CP Series D Holder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Commercial Paper Holder is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by Phoenix to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the CP Series D Holder has adequately evidenced exemption. The tax treatment of a CP Series D Holder may vary depending upon such person's particular situation and certain holders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a CP Series D Holder. CP Series D Holders are advised to consult their own tax advisers on the ownership and disposition of the CP Series D, including the applicability and effect of any state, local or foreign tax laws.
Purchase and Cancellation	:	The Issuer may at any time purchase any of the CP Series D in the open market or by tender or by contract at market price, without any obligation to make pro-rata purchase (and the CP Series D Holders shall not be obliged to sell) from all CP Series D Holders. Any CP Series D so purchased shall be redeemed and cancelled. Upon listing of the CP Series D on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Issuer Rating	:	The Issuer has a rating of [PRS Aa minus (corp.) with a Stable Outlook[4]] as assigned by Philippines Ratings Services Corp. on [July 20, 2020]. The rating is subject to annual review, or more frequently as market developments may dictate, for as long as the CP Series D is outstanding.
Registrar and Paying Agent	:	Philippine Depository & Trust Corp.

[4]A "Stable Outlook" is defined as "the rating is likely to be maintained or to remain unchanged in the next twelve months."

Trustee	:	PNB Trust Banking Group
Listing	:	The Issuer intends to list the CP Series D on the PDEx on Issue Date.
Governing Law	:	Philippine Law

RISK FACTORS

The Company believes that the following factors may affect its ability to fulfil its obligations under the CP Series D. Most of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the CP Series Dare described below. While the Company believes that these factors represent the principal risks inherent in investing in the CP Series D, there may be other risks that are currently unknown and/or immaterial to the Company which could materially and adversely affect its business operations, financial condition, results of operations and prospects. The inability of the Company to pay distributions, principal or other amounts on or in connection with the Offer Shares may occur for other reasons which may not be considered significant risks by the Company based on information currently available to it or which it may not currently be able to anticipate.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in the forward- looking statements. See "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Phoenix, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

The means by which the Company intends to address the risk factors discussed herein are principally presented under "The Company — Strengths" beginning on page [●]*, "The Company — Strategy Pillars" beginning on page* [●]*, "Management's Discussion and Analysis of Financial Position and Results of Operations" beginning on page* [●]*, "Corporate Governance and Management" on page* [●]*and "Board of Directors and Management of the Company" beginning on page* [●] *of this Prospectus.*

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Offer Shares. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

GENERAL RISK WARNING

The price of securities can and does fluctuate; any individual security may experience upward or downward movements; and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities. Investors deal in a range of investments, each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the CP Series D and the Company from the SEC, Exchange and PDEx.

PROFESSIONAL ADVICE

An investor should seek professional advice if he/it is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

RISK FACTORS

An investment in the CP Series D described in this Prospectus involves a certain degree of risk. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of the Company, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for ease of reference. Additional considerations and uncertainties not presently known to the Company or which the Company currently deems immaterial may also have an adverse effect on an investment in the CP Series D.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the CP Series D. The Company’s business, financial condition and results of operations could be materially affected by any of these risk factors.

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARIES

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects of investment in the CP Series D. Investors are encouraged to make their own independent legal, financial, and business evaluation of the Company.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Description of Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry and Competitive Overview," and "Corporate Governance" of this Prospectus.

Internal Factors

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

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

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. This enables the Company to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans.

The Company depends on experienced, skilled and qualified key personnel and senior management, and its business and growth prospects may be disrupted if their services are lost.

Certain experienced, skilled and qualified key executives and employees are important for the efficient management and operation of the Company's business. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted. In this case, costs, including costs related to contract labor, productivity, and safety may rise. Failure to hire and train replacement employees, including the transfer of significant internal historical knowledge and expertise to the replacements or the limited availability and rising cost of contract labor may adversely affect the Company's ability to manage and operate and its business. The loss of a significant number of qualified personnel could adversely affect the Company's ability to compete in its industry which could consequently result in a potential material effect on the financial condition and operating results of the Company.

In addition, in the event of any criminal conviction against a member of the Board of Directors, this could result in such director being disqualified from acting as a director of the Company under the laws of the Philippines. As of the date of this Prospectus, the Petition for Review on Certiorari dated 27 March 2017 (the "**Petition for Review**") filed by the Office of the Solicitor General of the Philippines (the "**Petitioner**") against Dennis A. Uy remains pending with the Supreme Court of the Philippines (the "**Supreme Court**"). There can be no assurance that there will be a favorable outcome in the proceedings or that there will be no future appeals in the proceedings from other parties and in the event of an unfavorable outcome from the relevant proceedings, this would result in a disqualification of such director, which would result in reputational damage for the Company and could in turn have a material adverse effect on its financial condition, business and operating results of the Company.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are competitive and within industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs locally and abroad to ensure that their knowledge and skills are continually updated. The Company has also established a Company-wide succession plan.

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

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

The Company has purchased insurance policies covering a majority of foreseeable risks such as property damage, marine cargo, third party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

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

The Company requires significant capital for its business and is exposed to the impact of changes in the interest rates of its borrowings. If the Company is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected

The Company's trading and terminalling and hauling operations are capital intensive. The Company requires significant capital resources to fund its trading operations, to maintain, renew and replace its operating assets and infrastructure and to maintain and improve its operation efficiency. A significant amount of capital resources is also required for further growth in the scale of the Company's operations, and expansion into new markets and new business areas may call for increased capital expenditure, further increasing its funding requirements.

While the Company aims to gradually model its trading operations using a strategic partnership model instead of the existing company-owned-dealer-operated ("**CODO**") and dealer-owned-dealer-operated ("**DODO**") service station models to reduce its capital investment, the Company historically financed its working capital requirements and capital expenditure through a combination of internal cash flow and external financing through various channels, including bank and other borrowings, equity financing and debt issuances. The Company's ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including:

- the conditions of the financial markets;
- potential changes in monetary policies with respect to bank interest rates and lending policy; and
- the performance of the Company's operations. If the Company is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake further growth or implement policies as planned or seize on new opportunities as they may arise. This would restrict the Company's ability to grow and, over time, may reduce the quality and reliability of the service that the Company provides and adversely affect the Company's business, results of operations and financial condition.

The business requires significant capital expenditures and financing, which are subject to a number of risks and uncertainties, that may affect the leverage position and profitability of the Company if it depends heavily on debt financing.

The Company's business is capital intensive, particularly for importing, storing and distributing petroleum products which require substantial capital. The Company's financial condition, sales, net income and cash flow, will depend on its capital expenditures for, among others, the construction of storage and wholesale distribution facilities and equipment, and the construction of retail gas stations. Its business strategies involve the construction of new terminal facilities and the expansion of its service station networks. If the Company fails to complete its capital expenditure projects on time or at all or within the allotted budget, or to operate such facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits or to capture additional market share as planned, and its business, results of operations and financial condition could be affected. Furthermore, there can be no assurance that the Company's storage and wholesale distribution facilities will be utilized at its expected capacity or achieve the expected demand profile. Any of the foregoing factors can affect the Company's business, financial condition and results of operations.

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

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs. The Company is likewise enhancing its working capital management to increase internal cash generation and decrease its reliance on debt to fund operations, capital expenditures, and other investments. Further, the Company has been undertaking a capital-light model of expansion for its retail business through strategic partnerships/ joint ventures.

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

The Company's terminalling, hauling and marketing and distribution of refined petroleum products in the Philippines are subject to inherent risks, such as equipment defects, malfunctions, failures or misuse, which could cause environmental pollution, leaks or spills, personal injury or loss of life, as well as damage to, and destruction of the environment, which could result in liabilities that exceed the Company's insurance coverage and have a material adverse effect on its financial condition and results of operations. The Company could also be adversely affected by business interruptions caused by war, terrorist activities, mechanical failure, human error, political action, labor strikes, fire and other circumstances or events.

The Company has insurance and reinsurance policies that cover property damage, marine cargo, third party liability, and comprehensive general liability to mitigate the potential impact of these risks. However, these policies do not cover all potential losses, and insurance may not be available for all risks or on commercially reasonable terms. The Company estimates the liabilities associated with the risks retained by it in part by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect their uncertainty and variability including, but not limited to, future inflation rates, discount rates, litigation trends, legal interpretation and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessment, the Company's financial condition, results of operations and cash flows may be materially affected.

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

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

As of March 31, 2020, P-H-O-E-N-I-X Petroleum Holdings, Inc. ("**PPHI**"), ES Consultancy Group, Inc. ("**ESGI**") and Udenna Corporation ("**UC**" and, together with PPHI and ESGI, the "**Principal Shareholders**"), directly or indirectly, controlled 86.02% Of the outstanding share capital of the Company. Accordingly, the Principal Shareholders are able to elect members of the Board and pass shareholder resolutions, both of which under the By-laws generally require a majority vote by its shareholders (except for certain extraordinary shareholder resolutions which under Philippine law have higher voting requirements). In addition, a number of Principal Shareholders sit on the Board of Directors of the Company with Domingo T. Uy serving as Chairman Emeritus, Dennis A. Uy serving as Chairman and Chief Strategy Officer and Cherylyn Chiong-Uy serving as Director. Accordingly, the Principal Shareholders exercise control over or have significant ability to influence majority policy decisions of the Company, including its overall strategic and investment decisions, dividend policy and issuances of securities. If the interests of the Principal Shareholders conflict with the interests of the other shareholders of the Company, there can be no assurance that the Principal Shareholders would not cause the Company to take action in a matter which might differ from the interests of the other shareholders.

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

The Company may fail to integrate acquired businesses properly, which could adversely affect the Company’s results of operations and financial condition.

From time to time, the Company considers selective opportunities to expand both domestically and internationally through strategic acquisitions of businesses geared towards the creation of operation synergies. However, there can be no assurance that the Company will be able to integrate its acquisitions fully in line with its strategy. Any failure to do so could have a material adverse effect on the business, results of operations and financial conditions of the Company.

To mitigate this risk, the Company pursues synergistic acquisitions that are aligned to support and grow its core business. For example, the Company’s integration of the Family Mart convenience stores into its service stations is part of its refurbishment initiative with the goal of creating a convenient one-stop service experience for its customers, at the same time, Family Mart can still operate on a standalone basis due to its being an established brand. The venture into the digital payments platform through Action.Able allows the Company to harness new channels of retail for its existing products while adding offerings to the existing network of Phoenix Petroleum retail stations and Family Mart branches as customers can also process payments through these alongside their traditional fuel and retail store purchases. Phoenix Asphalt Philippines sells bitumen which is a product of the oil refining process and is poised to support the infrastructure growth of the country by providing high quality construction material.

The Company’s business combination activities may expose the Company to additional financial and operational risks and the business combinations it pursues may not be successful

Although the Company’s loan covenants contain certain restrictions on business combinations, the Company will be able to engage in certain types of combinations. Business combinations involve financial and operational risks and could result in significant changes to the Company’s operations, management and financial condition. These changes could adversely affect the Company’s ability to fulfill its obligations under the Securities and reduce the value of the Securities.

To mitigate this risk, the Company carefully considers each potential business combination and undertakes a thorough assessment of a potential business combination, including the financial, technical and legal aspects thereof, taking into consideration the impact or potential impact of such business combination on the Company’s operations, management and financial condition.

Further, the Company’s ability to complete acquisitions, joint ventures, investments or other transactions may be constrained or delayed by regulatory requirements, including PCC review for transactions that meet the PCC’s thresholds for notification. The Company may not be in a position to either control or predict the extent of any PCC review process or the timeline for addressing the requirements of such processes but believes it would be able to address the regulatory requirements of any transaction that is subject to PCC review.

Failure to respond quickly and effectively in identifying and importing the relevant alternative fuels in line with market demands or governmental regulations may adversely affect the Company's business and prospects

Any potential increase in oil prices and environmental concerns could make it more attractive for the Company's customers to switch to alternative fuels such as natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In addition, in recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. As the Company imports all of its product requirements, in the event that the Company does not respond quickly and effectively to identifying and importing the relevant alternative fuels in line with market demands or governmental regulations, its business and prospects may be adversely affected.

The Company continues to explore possible investments in alternative fuels to complement its current product portfolio and to enable the Company to adapt to possible changes in consumer preferences. The Company remains abreast of the shift in landscape of both local and international fuel markets, and thus aims to be at the forefront of providing alternative fuel sources to traditional gasoline via its Vietnam and Philippine investments in LPG. This will allow the Company to remain highly competitive not only in the fuel oil category but in other significant product categories as well in anticipation of shifts in market demand.

The Company's expansion plans will place additional pressure and demands on the Company's management and key-in house operating divisions

Rapid growth in the Company's trading and terminalling and hauling operations will place additional pressure and demands on its management team, marketing team, in-house project management division and its financial reporting and information systems. The Company's continued expansion will also require the Company to maintain the consistency of its products and the quality of its services to ensure that its business does not suffer as a result of any deviations, whether actual or perceived.

There is no assurance that the Company will be able to effectively and efficiently manage the growth of its operations, recruit and retain qualified personnel, and integrate new properties into its operations. Any failure to effectively and efficiently manage its expansion may materially and adversely affect the Company's ability to capitalize on new business opportunities, which in turn may have a material adverse effect on its business, financial condition, results of operations and prospects.

In order to manage and support its growth, the Company continues to improve its existing operation, administrative and technological systems and its financial and management controls, and recruits, trains and retains qualified management personnel as well as other administrative sales and marketing personnel.

External Factors

Volatility of the price of petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's financial results are primarily affected by the relationship, or margin, between the prices of its petroleum products and the prices for the crude oil which is the main raw material for the Company's products. In the year ended 31 December 2019 and the three months ended 31 March 2020, the cost of inventories accounted for approximately 99.0% Of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including, but not limited to, the changes in global supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and domestic and foreign governmental regulation as well as other factors over which the Company has no control.

International crude oil prices have been volatile and are likely to continue being volatile going forward, particularly in light of the economic disruption stemming from the COVID-19 pandemic and the Russia-Saudi Arabia oil price war. International crude oil prices recorded steady increases in 2019 in which Brent spot crude oil ended at U.S.$66.00/barrel at year end, December 2019. The first half of 2020 recorded a significant downward trend in which Brent spot crude oil ended as low as U.S.$19.33/barrel in April 2020, representing a U.S.$46.67/barrel or 29.29% Decrease over the year end 2019 figure. There is no clear sign and/or assurance that prices will remain stable over the near and medium term.

The Company holds between 30 to 40 days of inventory and uses the average method to account for its inventory. In the event that global fuel prices suddenly drop significantly, the Company may be constrained to sell its petroleum products at a price below acquisition cost of its existing inventory. Furthermore, in a period of fluctuating crude oil prices, social and competitive concerns, and government intervention, the Company may be further constrained to keep the then current selling prices, resulting in its inability to pass on to the consumers the price increases in a timely manner, or at all. In addition, the Philippine government has historically intervened to restrict price increases for petroleum products from time to time, such as when a state of national calamity was declared by former President Gloria Macapagal-Arroyo after typhoons 'Ondoy' and 'Pepeng' left a trail of disaster. In 2013, during the declaration of a state of calamity brought about by the monsoon rains in Luzon and the earthquake in Bohol, Cebu and neighbouring places, the Department of Trade and Industry issued a price freeze order on basic commodities, including fuel. Another declaration of a state of national calamity or any act of the Philippine government may result in the Company being unable to pass on price increases effectively, which could affect profitability for the period of effectivity of such order. Any inability to pass on fluctuations in the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition. In addition, even if the Company was able to pass on increases in the price of petroleum products to its customers, demand for the Company's products may also be affected as a result of price increases.

In addition, a sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company's financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital or unfavourable pricing terms.

While the Company actively monitors international and domestic market fuel prices as it seeks to anticipate any price movements and plan contingencies to manage the disposition of existing inventory as necessary to various distributors and wholesalers, the Company remains systematically exposed and vulnerable to the crude oil price fluctuations.

The Company's business may be materially and adversely affected by the coronavirus outbreak and other adverse public health developments.

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China (the "**PRC**"), later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As of the date of this Prospectus, the COVID-19 disease has continued to spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially.

Governments and health authorities around the world have imposed sweeping measures designed to contain the pandemic, including, among others, travel restrictions, border closures, curfews, quarantines, cancellations of gatherings and events and closures of universities, schools, restaurants, stores and other business. The economic repercussions of the pandemic and the efforts around the world to contain it have been severe, and include reduced global trade, lower industrial production, broad reductions in general consumption and economic activity and major disruptions to international travel and global air traffic.

In a move to contain the COVID-19 outbreak, on 12 March 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from 17 March 2020 (at midnight), unless earlier lifted or extended as circumstances may warrant, and imposed an enhanced community quarantine ("**ECQ**") throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended as circumstances may warrant. On 24 March 2020, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act", was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the COVID-19 pandemic. On 7 April 2020, the Office of the President of the Philippines released a memorandum extending the ECQ over the entire Luzon island until 30 April 2020. On 1 May 2020, the Government further extended the ECQ over, among others, certain portions of Luzon, including Metro Manila, until 15 May 2020, while easing restrictions in other parts of the country. On 11 May 2020, the Inter-Agency Task Force of Emerging Infectious Disease ("**IATF**") placed high-risk local government units under modified ECQ ("**MECQ**") from 16 May 2020 until 31 May 2020, where certain industries were allowed to operate under strict compliance with minimum safety standards and protocols. On 27 May 2020, the IATF reclassified various provinces, highly urbanized cities and independent component cities depending on the risk-level. Meanwhile, on 28 May 2020, the Government placed Metro Manila under general community quarantine ("**GCQ**"), allowing for the partial reopening of certain businesses and public transportation while continuing to limit general movements. These measures have caused disruption to businesses and economic activities, and their impacts on businesses continue to evolve. On June 16, 2020, the Philippine Government extended until June 30, 2020 the GCQ over, among others, Metro Manila, and imposed ECQ until June 30, 2020 in the City of Cebu following the rise of COVID-19 cases in the city. On July 1, 2020, the Philippine Government further extended the GCQ over Metro Manila and the ECQ over the City of Cebu until July 15, 2020. On July 16, 2020, the GCQ over Metro Manila was further extended until July 31, 2020, while MECQ was imposed in the City of Cebu until July 31, 2020. On August 2, 2020, Presidet Duterte approved a Cabinet recommendation to again place Metro Manila, Laguna, Cavite, Rizal, and Bulacan under MECQ from August 4 to 18

The Philippine government expects the country's gross domestic product to fall by 2% To 3.4% Due to the economic effects of the outbreak, and the resulting domestic shutdowns, reduced tourism, disrupted trade and manufacturing and financial market spill overs. On 7 May 2020, the National Economic Development Authority reported that the Philippine economy had slowed down for the first time in 22 years, contracting 0.2% In the first quarter of 2020, from a 5.6% Growth rate in the first quarter of 2019.

The outbreak of the COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Company's business, financial condition and results of operations. These may include, temporary closures of the Company's facilities or premises, hospitalization or quarantine of its employees, supply chain disruptions, delay or suspension of supplies from its suppliers, disruptions or suspension of its operational activities, and labour shortages due to restrictions on the ability of the Company's employees to travel. Although the Company has taken a number of measures to minimize the negative effect of COVID-19 on its operations, there is no certainty that such measures will be sufficient or that the Company will not be required to incur additional expense to address the effect of COVID-19 on its operations. See "*Business——Recent Developments—— COVID-19*". As of the date of this Prospectus, the Company has incurred additional expenses, amounting to approximately ₱6.48 million, relating to, among other things, the purchase of protective equipment for its employees, testing of select employees, arranging for the transportation of employees who report to the work premises, the provision of an interconnectivity allowance for employees working from home, advance payment of salaries and Christmas bonuses, and the provision of vitamin supplements and food subsidies for certain on-site workers. The Company likewise initiated external activities, such as providing support to the community and frontline workers through the provision of meals and bedding, as well as to provide assistance to government efforts in addressing the impact of the pandemic through measures such as the donation of fuel to support logistical requirements.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, there is significant uncertainty relating to future developments of the outbreak of the COVID-19 and what actions the Philippine government will take.

For the three months ended 31 March 2020, the Company's revenues decreased by 9.1% For the three months ended 31 March 2020 as compared to the same period in 2019, due to, among other things, the impact of the quarantine measures put in place as a result of COVID-19. With the quarantine measures in place for the majority of the second quarter of 2020, the Company saw a substantial reduction in retail and commercial sales volumes as compared to pre-ECQ levels, primarily due to the slowdown in commercial road transport, marine transport and aviation industries. In addition, the Company's LPG sales, including to commercial customers such as hotels and restaurants, decreased for the quarter, as did revenues from convenience stores due to the limited operation of the Company's FamilyMart stores.

The impact of the outbreak of the COVID-19 on the Company's results of operations for the remainder of 2020 remains highly uncertain. As of the date of this Prospectus, the Company is not able to estimate the extent to which the disruptions resulting from the COVID-19 pandemic may materially impact the Company's financial position, results of operations or cash flows. The severity of the consequences for, and the extent of the future impact of the pandemic on, the Company for the year ended 31 December 2020 and onwards will depend on several factors, including the duration and spread of the outbreak, the actions taken to contain COVID-19, and the impact on the Company's customers, suppliers and employees, all of which are highly uncertain and cannot be predicted. There is no assurance that the COVID-19 pandemic will not have a material adverse impact on the future results of the Company.

The Company's business, results of operations and financial condition may be affected by intense competition in the downstream oil industry.

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines. Competition is driven and dictated primarily by the price as oil is one of the basic commodities. Differences in product specifications and other overhead costs such as transportation, distribution and marketing costs account for the price differentials amongst the industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources, and access to capital than the Company and could arguably dictate domestic marketing and selling conditions to the detriment of the Company. In addition, there have also been an increasing number of new sponsor-driven independent oil player entrants which could intensify the downstream oil industry in the long term.

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

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

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

The Company may be subject to penalties for non-compliance with its financing agreements, including the term loan agreement with BDO.

The Company is subject to certain restrictive covenants contained in its financing agreements, including the ₱6,000.0 million seven-year term loan agreement entered into with BDO in 2017 (the "**BDO Loan Agreement**"). Under the BDO Loan Agreement, the Company is required, among other things, to maintain a debt-to-equity ratio of not more than 3:1, a current ratio of at least 1.1, a borrower's ratio of not more than 6.0 and an interest coverage ratio of at least 1.5.

In light of the economic impact of the COVID-19 pandemic, the Company has requested and obtained written pre-clearance with BDO Management for the testing of the Company's current ratio to February 2021 based on the Company's consolidated audited financial statements as of 31 December 2020. In May 2020, the Company requested an extension or deferment of the testing period on its compliance with its current ratio covenant to first quarter of 2021 based on the Company's 2020 consolidated audited financial statements. In July 2020, BDO advised the Company that its request for extension is for approval by BDO's executive committee, which is scheduled on or before August 31, 2020.

Any future non-compliance by the Company with the terms of its financing agreements may give rise to financial or other penalties or sanctions, including termination of such financing agreements, which may adversely affect the Company's business, prospects and results of operations.

Regulatory decisions and changes in the legal and regulatory environment (including the Comprehensive Tax Reform Program) could increase the Company's operating costs and affects its business, results of operations and financial condition.

Notwithstanding that the local downstream oil industry is a deregulated industry, the Philippine government has historically intervened to limit and restrict increases in the prices of petroleum products. On 2 October 2009, a state of national calamity in view of the devastation caused by typhoons 'Ondoy' and 'Pepeng' was called by former President Gloria Macapagal-Arroyo. Executive Order No. 839 was issued, which called for the prices of petroleum products in Luzon to be kept at 15 October 2009 levels effective 23 October 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company, affecting its profitability in Luzon for such period that the executive order was in effect. On 16 November 2009, the price freeze was lifted. There have been similar price freezes in some areas in Visayas during periods of calamities. In September 2018, the Department of Energy ("**DOE**") called on oil companies to suspend the implementation of oil price adjustments in areas declared under a state of calamity following typhoon "Ompong", which pummeled certain areas of Luzon. The above-described price freezes were undertaken pursuant to Republic Act 7581, as amended by Republic Act 10623, which contains the state's policy to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. Under the same, "basic necessities" are those goods vital to the needs of consumers for their sustenance and existence. Under the same, and unless otherwise declared by the President of the Philippines, prices of basic necessities in an area shall automatically be frozen at their prevailing prices or placed under automatic price control whenever (a) such area is proclaimed or declared a disaster area or under a state of calamity, (b) such area is declared under an emergency, (c) the privilege of the writ of habeas corpus is suspended in that area, (d) such area is placed under martial law, I such area is declared to be in a state of rebellion or (f) a state of war is declared in such area. Unless sooner lifted by the President, price control of basic necessities under this section shall remain effective for the duration of the condition that brought it about, but not for more than 60 days. Under the same law, the President may likewise impose a price ceiling on any basic necessity or prime commodity under certain conditions. There is no assurance that the Philippine government will not invoke similar measures or reinstate price regulation in the future, which in turn may affect the Company's business, results of operations and financial condition.

The Company's operations are subject to various taxes, duties and tariffs arising from the oil industry. The oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in 1 January 2005 from 3.0% To 5.0%, which was then rolled back to 3.0% In 2006, an additional 12.0% Value-added tax was imposed by the Philippine government on the sale or importation of petroleum products. As of 4 July 2010, import duties on crude oil and petroleum products were lifted. On 2 May 2020, in light of Republic Act No. 11469 or the "Bayanihan To Heal as One Act" which granted the President temporary emergency powers to provide measures reasonable and necessary to implement the national policy against the coronavirus, President Rodrigo Duterte issued Executive Order No. 113 ("**E.O. No. 113**"). E.O. No. 113 imposed an additional import duty of 10%. on crude oil and refined petroleum products, on top of their existing most favored nation and preferential import duties. E.O. No. 113 became effective on 5 May 2020 and remained enforceable until such time that Republic Act No. 11469 ceases to take effect, or upon reversion of the modified rates of import duty to zero percent (0%) in accordance with the provisions of E.O. No. 113. Based on the provisions of Republic Act No. 11469, said law ceased to be effective three (3) months from 26 March 2020.

On 19 December 2017, the Tax Reform for Acceleration and Inclusion Law or Republic Act No. 10963 (the "**TRAIN Law**") was signed into law and took effect on 1 January 2018. The increase in excise tax rates on petroleum under the TRAIN Law will significantly increase the excise taxes and value-added tax payable by the Company on its importation of petroleum products. For the period covering 2018 to 2020, there shall be a scheduled increase in the excise tax on fuel. While the TRAIN's first package of the Comprehensive Tax Reform Program ("**CTRP**") of the Duterte administration brought about extensive changes to individual income taxation, it did not include changes in corporate income taxation. This is, instead, expected to be addressed in the second package of the CTRP, which has been approved by the lower house on third and final reading last 10 September 2019. In light of the COVID-19 Pandemic, package 2 of the CTRP was recalibrated and is now referred to as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**"). This was done to make it more relevant and responsive to the needs of businesses, especially those facing financial difficulties, and increase the ability of the Philippines to attract investments that will benefit the public interest. The Senate Committee report on this was filed on 17 February 2020. It is currently pending its second reading with the Senate as Senate Bill No. 1357. The second package reportedly aims to lower corporate income taxes while reducing fiscal incentives for corporations, such as income tax holidays, special rates and custom duty exemptions. If passed into law, the fiscal incentives enjoyed by the Company may be affected. There can be no assurance that any future tax changes in the Philippines would not have a material and adverse effect on the Company's business, financial condition and results of operations. Given the vulnerability of the Company to price sensitivities of petroleum products, any increase in taxes will have a corresponding impact on the prices of petroleum products, which in turn could negatively affect the business of the Company. There can be no assurance that the taxes, duties and tariffs may not change going forward and in the event of any such increases, this could result in a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Company's corporate affairs department is dedicated to monitoring compliance with regulations, as well as anticipating any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability will be affected, as it will have to pay income tax at the prevailing rates.

Under its registration with the Board of Investments of the Philippines ("**BOI**"), the Company enjoys certain benefits, including an income tax holiday on the operations of the Villanueva – Misamis Oriental, Tayud – Cebu City, Calapan – Oriental Mindoro, Calaca – Batangas Expansion, General Santos City and Calaca, Batangas Expansion 2 depots. The Company received approval in 2012 for BOI registration with corresponding income tax holidays for its Villanueva and Bacolod depots, which expired in 2017. New income tax holidays for Villanueva expansion, Tayud, Calapan and the Calaca – Batangas Expansion depots were granted in 2017, and the General Santos City and Calaca – Batangas Expansion 2 depots were granted in 2019, each of which runs for a period of five years from the commencement of operations of such depot. Upon expiration of a tax holiday, the Company's income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the income tax holiday. In such an event, the Company may not be able to continue to avail itself of the benefits under the income tax holiday. The loss of the income tax holiday would affect the Company's profitability as it may have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar income tax holidays for any new depots that it may establish in the future or for the statutes granting said income tax holidays to be superseded or amended. For example, the Company's registration in respect of the Villanueva – Cagayan De Oro City facility as a new industry participant with new investment in storage, marketing and distribution of petroleum products (with Certificate of Registration No. 8RC0001097108E) provides that it was entitled to an income tax holiday until 9 May 2017. After the lapse of the income tax holiday, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy income tax holiday benefits may have a material effect on its business prospects, financial condition and results of operations. While the Company continuously monitors the requirements and conditions imposed by the BOI, there can be no assurance of its continued compliance therewith.

The Company's exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations may adversely affect its business, results of operations and financial condition.

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

The Company has incurred and expects to continue to incur operating costs to comply with safety, health, environmental and zoning laws and regulations.

Safety, health, environmental and zoning laws and regulations in the Philippines have become increasingly stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, or increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

In addition, if the measures implemented by the Company to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates and expose the Company to potential liabilities, including administrative penalties. If the Company fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that the Company will not become involved in future litigation or other proceedings relating to safety, health and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to the Company's business and operations, regardless of the merits of the claims. There is no assurance that the Company will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which the Company's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect the Company's financial condition and results of operations.

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

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

The Company's revenues are denominated in Philippine Pesos while the bulk of its expenses, notably the cost of its imported petroleum products, is U.S. dollar-denominated. The Company's reporting currency in its financial statements is in Pesos. Changes in the U.S. dollar-Peso exchange rate may affect the financial condition of the Company. Should the Peso depreciate, this would translate to higher foreign currency denominated costs and effectively affecting the Company's financial condition. There can be no assurance that the Company could increase its Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. From 1 January 2017 to 31 March 2020, the value of the Peso against the U.S. dollar fluctuated from a low of ₱49.404 to a high of ₱54.345. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company's margins, results of operations and financial condition.

While the Company seeks to limit its exposure to foreign currency denominated liabilities by engaging in plain vanilla hedging instruments, such as options and currency forwards, its exchange rate exposure is not fully protected.

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

Existing or future claims against the Company and its subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact to the Company and its business.

From time to time, the Company, its subsidiaries, or joint ventures or directors or key management officers may be subject to litigation, investigations, claims and other proceedings. For a description of certain legal proceedings, see "*Certain Legal Proceedings"* and "*Directors, Executive Officers and Control Persons – Involvement in Certain Legal Proceedings"* of this Prospectus. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming with unpredictable outcomes and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the business, financial position and results of operations and cash flows of the Company.

In particular, the Petition for Review filed by the Petitioner against Dennis A. Uy remains pending with the Supreme Court. As of the date of this Prospectus, the Supreme Court has yet to issue a resolution directing Dennis A. Uy to comment on the Petition for Review. While awaiting a resolution from the Supreme Court on the parties' Memoranda, in a "Manifestation in Lieu of Reply" filed by the Office of the Solicitor General on 10 July 2019, the Secretary of Justice has prayed that the parties' manifestation be duly considered and to dismiss all three petitions without prejudice to the possible filing of supplemental memoranda from the parties if the Supreme Court desires. In the event that the Supreme Court issues such a resolution directing Dennis A. Uy to comment on the Petition for Review and thereafter issues a ruling granting the Petition for Review, Dennis A. Uy could be subject to trial in respect of the alleged violations of the Tariff and Customs Code of the Philippines. While the Company will continue to assert the same defenses for Dennis A. Uy, there can be no assurances that there will be a favourable outcome in the proceedings or that there will be no future appeals in the proceedings from the other parties. In the event that Dennis A. Uy is convicted of the alleged violations of the Tariff and Customs Code of the Philippines, he could be subject to a monetary fine ranging from ₱600 to ₱5,000 and imprisonment for a period ranging from six months to two years and consequentially, may also lose his eligibility as Chairman and Chief Strategy Officer of the Company. In addition, while the Company believes that the eventual monetary liability under the proceedings, if any, will not have a material or adverse effect on the Company's financial position and results of operations, the Company could still be subject to reputational damage and there can be no assurance that there will not be any unforeseen impact on its business and operations thereafter.

Being the face of the Company, any negative publicity against Dennis A. Uy may have a negative impact on the Company and its business. Against this reputational risk, the Company will continue to assert the same strong defenses for Mr. Uy which have been correctly upheld by the courts. The Company notes that while Mr. Dennis A. Uy is the face of the company, it's day to day operations and strategies are managed and decided upon by professionals.

Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties. The Company, notes, however, that these proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

The Company relies primarily on a small number of suppliers for a significant portion of its petroleum products

The Company sources its various petroleum requirements from a small number of suppliers. The ability of such suppliers to supply the Company is subject to a variety of factors beyond the Company's control, such as political developments, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall economic conditions. Any disruption in the operations of one or more of its suppliers could negatively impact the Company's supply. If the Company's supply is disrupted, the Company would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time of the disruption, such purchases from other suppliers or the spot market could be at higher prices than the Company's purchases from its existing suppliers, which would adversely affect the Company's financial condition and results of operations.

To mitigate this risk, the Company has adopted an inventory management system based on historical sales and forecast demands which allows the Company to timely meet the supply needs of its clients. In addition, the Company established PNX SG which acts as a regional hub handling the purchase of the Company's various petroleum requirements.

Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects.

Any potential increase in oil prices and environmental concerns could make it more attractive for the Company's customers to switch to alternative fuels such as natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In addition, in recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. As the Company imports all of its product requirements, in the event that the Company does not respond quickly and effectively to identifying and importing the relevant alternative fuels in line with market demands or governmental regulations, its business and prospects may be adversely affected.

To mitigate this risk, the Company continues to explore possible investments in alternative fuels to complement its current product portfolio and to enable the Company to adapt to possible changes in consumer preferences.

Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations.

The PFRS Council issues, from time to time, new standards and amendments to existing standards and interpretations. There can be no assurance that the Company's financial condition, results of operations or cash flows will not appear to be materially worse under the new standards. For example, with effect from 1 January 2019, lessees are no longer allowed to classify their leases as either operating or finance leases in accordance with Philippine Accounting Standard 17. Rather, lessees are required to apply the single-asset model. Under this model, lessees recognize the assets and related liabilities for most leases on their balance sheets and, subsequently, depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The Company adopted PFRS 16 with effect from 1 January 2019, which resulted in the recognition of current and noncurrent lease liabilities, which had previously been classified as operating leases, equal to ₱1,250,213,075 as of 31 December 2019, as well as the creation of a new account for right-of-use assets, the net amount of which was ₱1,142,426,144 as of 31 December 2019. Any failure by the Company to successfully adopt any new standards in the future or the adoption of any new standards which has a material impact on the presentation of the Company's financial information may adversely affect the Company's results of operations or financial condition.

The products that the Company handles are hazardous and could result in spills and/or environmental damage

As part of the Company's terminalling and hauling services involving the leasing out of storage space in its terminal depots and hauling and into-plane services, the terminalling and hauling of certain types of materials that the Company handles such as petroleum is subject to the risk of leaks and spills, causing environmental damage. While the Company believes it does not handle or store these hazardous chemicals in quantities above specified limits, there can be no assurance that it has not in the past or will not in the future violate applicable environmental regulation or result in an oil leak and spill which causes environmental damage, each of which may subject the Company to fines and penalties or result in the closure or temporary suspension of its operations and may have a material adverse effect on the Company's business and results of operations.

The Company closely monitors the compliance of its terminalling and hauling services with the applicable laws, rules and regulations. The Company has established standard operating procedures and safety policies how to handle hazardous materials and continuously conducts trainings for its employees to cascade these procedures and safety policies to the whole organization.

The Company is subject to joint venture and partnership risks

The Company may enter into joint ventures, alliances or partnerships in respect of its business and operations. For example, the Company entered into a joint venture agreement with TIPCO Asphalt and PhilAsphalt Development Corporation in January 2018. More recently, the Group had also (a) entered into a memorandum of understanding with CNOOC Gas and Power Group Co. Ltd., a subsidiary of China National Offshore Oil Corporation, the largest offshore oil and gas company in China and also one of the largest independent oil and gas exploration and production companies in the world ("**CNOOC Gas and Power**"), for the construction of an integrated liquefied natural gas (LNG) import and regasification terminal in the Philippines with the aim of entering into a formal joint venture agreement and (b) entered into a joint venture with CNI for the marketing and distribution of LPG in Vietnam. Going forward, as part of its plans to reduce capital investment, the Company aims to also gradually model its trading operations using a strategic partnership model alongside the existing CODO and DODO models.

Joint ventures, alliances and partnerships may involve special risks associated with the possibility that the joint venture partner may (i) have economic or business interests or goals that are inconsistent with that of the Company, (ii) take actions contrary to the Company's interests, (iii) be unable or unwilling to fulfil its obligations under the joint venture agreement or (iv) experience financial difficulties. There can be no assurance that the Company's best commercial interests and business philosophy will be consistent with its major joint venture partners. There is also a possibility that such partners or joint venture partners may enter into the same or similar businesses that the Company currently operates. As a result, the Company may face increasing competition which may adversely affect its business and results of operations. A serious dispute with the Company's partners or joint venture partners or the early termination of the Company's partnership or joint venture agreements could adversely affect the Company's business, financial condition and results of operations and would divert resources and management's attention. In addition, any actual or perceived deterioration in the reputation of the Company's partners or joint venture partners could have an adverse impact on the Company's business operations, profitability and prospects.

The Company carefully considers each potential joint venture and/or partnership and undertakes a thorough assessment of thereof, including its financial, technical and legal aspects before committing to any agreement with another party. The Company also continuously monitors its existing joint venture and/or partnership contracts to ensure compliance with the terms of a particular joint venture and/or partnership as well as harmonious relations between the partners.

The Company's franchisees may not be willing or able to renew their franchise agreements with the Company

The Company offers franchising options, through dealership agreements, that provide accredited partners the right to operate Phoenix retail gasoline stations. These agreements have a typical duration between five to 10 years (renewable under certain conditions). The Company's franchisees who have entered into such agreements to operate one or several retail gasoline stations may be unwilling or unable to renew their franchise agreements with the Company for a number of reasons, including low sales volume, high rental costs, lack of profitability or a desire to retire. If the Company's franchisees cannot, or decide not to, renew their agreements with the Company, the Company will have to find a replacement franchisee to operate their retail gasoline stations or otherwise operate them themselves. If a substantial number of franchises are not renewed, the Company's business, results of operations and financial condition could be adversely affected.

The Company has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective franchisees/partners. In addition, the Company aims to also gradually model its trading operations using strategic partnerships instead of merely relying on the existing CODO and DODO models.

The Company may not be able to obtain suitable locations for its oil depots and the quality of the locations of the Company's current oil depots may decline

The success of the Company's terminalling and hauling services depends in large part on the locations of its oil depots and import terminals. As demographic and economic patterns change, current locations may not continue to be attractive or profitable. Possible decline in locations and the infrastructures therein where the Company's oil depots or import terminals are currently situated could result in reduced attractiveness and revenue in such locations. In addition, desirable locations for new openings or for the relocation of existing oil depots or import terminals may not be available at an acceptable cost when the Company identifies a particular opportunity or due to geographical constraints, and the Company may face competition for the same or nearby locations. Furthermore, the Company may relocate or establish oil depots or import terminals in new areas in anticipation of future developments which ultimately do not materialize. The occurrence of one or more of these events could adversely affect the Company's business, results of operations and financial condition.

As of date, the Company's oil depot location and quality are sufficient for the needs of its business and their capacity is able to service the current and future requirements of the Company. Moreover, the Company consistently exerts efforts to diversify its oil depot locations to lessen the impact of unsatisfactory locations.

The Company depends on third-party operators for a significant number of its projects and operations

A portion of the Company's growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable. The terms of the relevant dealership agreements and franchise agreements that the Company enters into are influenced by contract terms offered by its competitors, among other things. The Company is unable to provide assurance that any of its current arrangements will continue or that it will be able to enter into future collaborations, renew agreements or enter into new agreements in the future on terms that are as favorable to the Company as those that exist today.

Development activities that involve the Company's co-investment with third parties may result in disputes that could increase project costs, impair project operations or increase project completion risks. Partnerships, joint ventures, and other business structures involving the Company's co-investment with third parties which it has entered into or acquired generally include some form of shared control over the operations of the business and create added risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with those of the Company. Actions by another investor may present additional risks of project delay, increased project costs or operational difficulties following project completion. Such disputes may also be more likely to occur in difficult business environments.

The Company has numerous third-party owners/operators. Hence, in case of the termination of any of its current agreements with them, its potential negative impact to the Company is minimal.

Existing or future claims against the Company and its subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact on the Company and its business

From time to time, the Company, its subsidiaries, or joint ventures or directors or key management officers may be subject to litigation, investigations, claims and other proceedings. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the reputation, business, financial position and results of operations and cash flows of the Company.

For a description of certain legal proceedings involving the Company and/or its directors and officers, please refer to the section entitled "*Legal Proceedings*" starting on page 51 of this Information Memorandum.

In particular, the Petition for Review filed by the Petitioner against Dennis A. Uy remains pending with the Supreme Court. As of the date of this Information Memorandum, the Supreme Court has yet to issue a resolution directing Dennis A. Uy to comment on the Petition for Review. In the event that the Supreme Court issues such a resolution directing Dennis A. Uy to comment on the Petition for Review and thereafter issues a ruling granting the Petition for Review, Dennis A. Uy could be subject to trial in respect of the alleged violations of the Tariff and Customs Code of the Philippines. While the Company will continue to assert the same defenses for Dennis A. Uy, there can be no assurances that there will be a favorable outcome in the proceedings or that there will be no future appeals in the proceedings from the other parties. In the event that Dennis A. Uy is convicted of the alleged violations of the Tariff and Customs Code of the Philippines, he could be subject to a monetary fine ranging from ₱600 to ₱5,000 and imprisonment for a period ranging from six months to two years and consequentially, may also lose his eligibility as President and CEO of the Company. Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties. The Company, notes, however, that these proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

Volcanic eruptions like the Taal Volcano eruption in January 2020 which affected the Southern Luzon Region, including areas where the Company operates its import terminal, may affect the Company's supply chain and logistic capability in Luzon.

In January 2020, the Taal Volcano eruption blanketed certain towns in Batangas and Cavite with heavy ashfall and displaced thousands of residents and disrupted business operations in the Southern Luzon region and nearby areas, including the Company's import terminal located within the affected region.

During the height of the volcanic activity, the Company reduced its activities relating to its import terminal to ensure the safety of its employees. In general, however, disruptions to the operations of the Company's import terminal located within the Southern Luzon Region were minimal in view of the regular maintenance and safety checks being implemented.

In case of potential disruptions due to volcanic activities, the Company has a business continuity plan to eliminate or minimize any impact on its import terminal operations. For transport, it has three alternate routes in case the main route to its terminal and depot becomes unavailable for whatever reason. For product sourcing, it has likewise identified other supply points outside the area where it can obtain products and serve the market needs at minimal disruption. The Company has also identified other depots outside the area, which may be leased for alternative long-term storage should the need arise.

RISKS RELATING TO THE PHILIPPINES

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

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

In the past, the Philippine economy and the securities of Philippine companies have been influenced, to varying degrees, by economic and market conditions in other countries, particularly other countries in Southeast Asia, as well as investors' responses to those conditions. The uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate. Any downturn in the Philippine or Malaysian economies may negatively affect consumer sentiment and general business conditions in the Philippines, which may lead to a reduction in demand for the Company's products and materially reduce the Company's revenues, profitability and cash flows. Moreover, there can be no assurance that current or future Philippine government policies will continue to be conducive to sustaining economic growth.

A slowdown in the Philippine economy may affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth. The Company has diversified its sources of revenues outside of the Philippines through its trading operations in Singapore and LPG operations in Vietnam.

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

The Philippines has from time to time experienced political and military instability, including acts of political violence. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Philippine government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous administration. In addition, a number of current and past officials of the Philippine government have been indicted for graft, corruption, plunder, extortion, bribery or usurpation of authority.

There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

On 27 March 2014, the Philippine government and the Moro Islamic Liberation Front ("**MILF**") signed a peace agreement, the Comprehensive Agreement on Bangsamoro. On 10 September 2014, the draft of the Bangsamoro Basic Law ("**BBL**") was submitted by then-President Benigno C. Aquino III to the Philippine Congress. The BBL is a draft law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which will replace the existing Autonomous Region in Muslim Mindanao. Following the Mamasapano incident, where high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters ("**BIFF**") and MILF leading to the deaths of members of the Special Action Force ("**SAF**") of the Philippine National Police, MILF, the BIFF and several civilians, Congress stalled deliberations on the BBL.

On 27 March 2015, former President Aquino convened a Peace Council, originally composed of five members, to study the draft BBL. An additional 17 co-convenors were later named as part of the Peace Council. The Council examined the draft law and its constitutionality and social impact. The Council Members testified before both Houses of Congress, and submitted their report, which endorsed the draft BBL but with some proposed amendments. On 13-14 May 2015, the Senate conducted public hearings on the BBL in Zamboanga, Jolo and Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity. The House committee approved the draft and renamed it as Basic Law for the Bangsamoro Autonomous Region, while the Senate renamed its version as Bangsamoro Autonomous Region Law. Congress, however, failed to pass the law before it adjourned.

Presidential elections for the Philippines were held on 9 May 2016 and on 30 June 2016 President Rodrigo Duterte assumed the presidency with a solid mandate to advance his 'Ten-

Point Socio-Economic Agenda' focusing on policy continuity, tax reform, infrastructure spending and countryside development, among others. The Duterte administration has initiated efforts to build peace with communist rebels and other separatists through continuing talks with these groups.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections will join the senators elected in the 2016 elections. There are allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections.

A new version of the BBL was crafted under the Duterte administration, which was finally signed into law by President Rodrigo Duterte on 26 July 2018. The Bangsamoro Organic Law ("**BOL**") abolished the Autonomous Region in Muslim Mindanao and created the Bangsamoro Autonomous Region in Muslim Mindanao ("**BARMM**"). The BARMM is parliamentary-democratic in form, and is headed by an interim chief minister, who presides over an 80-member parliament. The plebiscite to ratify the BOL was scheduled to be held on two separate dates, January 21, 2019 and February 6, 2019. On January 25, 2019, the Commission on Elections *en banc*, sitting as the National Plebiscite Board of Canvassers proclaimed the BOL as deemed ratified considering that majority of the votes cast in all provinces and cities of the present ARMM voting as one geographical area is in favor of approval of the said law. The National Plebiscite Board of Canvassers also proclaimed that Cotabato City shall form part of the BARMM considering that majority of the votes cast in the city is in favor of the city's inclusion. However, Isabela City, Basilan shall not be part of BARMM for the majority of the votes cast is not in favor of inclusion.

On 11 May 2018, the Supreme Court granted a *quo warranto petition* filed against then Chief Justice Lourdes A. Sereno resulting in her removal as Chief Justice. On 19 June 2018, the Supreme Court affirmed its decision. On June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking among other offences. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and drug users have been killed in police operations and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

Currently, the Duterte administration is pushing for a shift to a federal-parliamentary form of government. For this purpose, President Duterte signed Executive Order No. 10 in December 2016, creating a 25-member consultative committee to study and review the provisions of the 1987 Constitution. On January 25, 2018, President Duterte appointed 19 of the 25 members of the consultative committee. On January 16, 2018, the House of Representatives adopted a resolution to convene as a constituent assembly to amend the 1987 Constitution. The proposals, among others, include a shift to a federal-parliamentary form of government and the division of executive powers between a President (as the head of state) and a Prime Minister (as the head of government). As of the date of this Prospectus, the Senate has yet to pass a similar resolution to form a constituent assembly. A disagreement between the two houses of Congress still remains as to the voting procedure in the constituent assembly, particularly on whether the House and the Senate must vote jointly or separately. This issue has not been resolved and is expected to be brought to the Supreme Court.

There can be no assurance that the Duterte administration will continue to implement the economic policies favoured by the previous administration. Major deviations from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. The President's unorthodox methods may also increase the risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's business, prospects, financial condition and results of operations.

The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business, such as the imposition of additional levies on the sale of new vehicles or vehicular volume reduction programs. There can be no assurance that any changes in such regulations or policies imposed by the Philippine government from time to time will not have an adverse effect on the Company's business, financial condition, results of operations and prospects.

Furthermore, the Philippines has also been subject to a number of terrorist attacks since 2000 and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. Additionally, there have been clashes with various separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in September 2013, a faction of the Moro National Liberation Front ("**MNLF**") allegedly led by Nur Misuari, a former governor of the Autonomous Region of Muslim Mindanao, staged an armed uprising in Zamboanga City. The incident resulted in, among others, hostage situations and renewed tension between the Philippine Armed Forces and the MNLF in the southern part of the country. In an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on 25 January 2015, 44 police commandos were killed in a 12-hour firefight with two Muslim rebel groups, MILF and BIFF, in the Southern Philippines.

On 23 May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the Philippine government's offensive to capture the alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared martial law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on 22 July 2017, both Houses of Congress voted to grant the request of President Duterte to extend martial law in Mindanao until the end of 2017 as the rebellion could not be completely quashed over the initial 60-day period of martial law. Prior to the end of 2017, in a special joint session convened on 13 December 2017, both Houses of Congress voted to grant the request of President Duterte to further extend martial law in Mindanao until the end of 2018 as there are continued threats from local and ISIS-inspired terrorist groups. Some sectors, however, are wary of the prolonged extension of martial law, citing its negative impact on business, tourism, the country's image (as this relates to the current administration's ability to quickly restore peace and order in Marawi) and investor confidence. For the third time on 12 December 2018, martial law was extended by both Houses of Congress until 31 December 2019. In January 2019, members of the House of Representatives, human rights lawyers, and Mindanao residents filed separate petitions with the Supreme Court questioning the third extension of martial law in Mindanao. On 19 February 2019, the Supreme Court en banc voted to uphold the constitutionality of the third extension of martial law in Mindanao and to dismiss the petitions. The martial law in Mindanao was lifted on 1 January 2020; however, certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. The clashes have resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the

Philippine economy. Any such destabilization could cause interruption to parts of the Company's businesses and materially and adversely affect its financial condition, results of operations and prospects.

The occurrence of natural or man-made catastrophes or major power outages may materially disrupt the Company's operations.

The Philippines has encountered and is expected to experience a number of major natural and man-made catastrophes, including typhoons, volcanic eruptions, earthquakes, mudslides, droughts or floods. Such catastrophes may restrict the Company's ability to distribute its products and impair the economic conditions in the affected areas, as well as the overall Philippine economy. Power outages are also experienced caused by insufficient power generation following strong typhoons and other natural catastrophes. These types of events may materially disrupt and affect the Company's business and operations.

While the Company has insurance policies that cover business interruption and material damage to its facilities caused by natural catastrophes, the Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or major power outages, including possible business interruptions.

Investors may face difficulties enforcing judgments against the Company

The Company is organized under the laws of the Philippines and substantially all of its assets are located in the Philippines. It may be difficult for investors to effect service of process outside the Philippines upon the Company with respect to claims pertaining to the Securities. Moreover, it may be difficult for investors to enforce in the Philippines judgments against the Company obtained outside the Philippines, in any actions pertaining to the Securities, particularly with respect to actions for claims to which the Company has not consented to service of process outside the Philippines. In addition, substantially all of the directors and senior management of the Company are residents of the Philippines, and all or a substantial portion of the assets of these persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process outside the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

The Philippines is not a party to any international treaty relating to the recognition or enforcement of foreign judgment but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Philippine law provides that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law and (iv) such judgment was not contrary to public policy or good morals in the Philippines.

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

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. There are restrictions on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange is needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system. The Monetary Board of the Bangko Sentral ng Pilipinas (the "**BSP**"), with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

The Company purchases some critical materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. Although the Philippine government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Philippine government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restrictions imposed in the future could affect the ability of the Company to purchase petroleum and other materials and equipment from abroad in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency denominated obligations, including its obligations under the Securities, which could materially and adversely affect its financial condition and results of operations.

Corporate governance and disclosure standards in the Philippines may be different from those in other countries

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in the United States or certain other countries. Requirements of the Philippine SEC and the PSE with respect to corporate governance standards may also be different from those applicable in certain other jurisdictions. Further, rules against self-dealing and those protecting minority shareholders may be different from or less developed in the Philippines than in other countries. These standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

The Company may not be able to purchase U.S. dollars from the Philippine banking system to settle its obligations under the Securities

Under existing foreign exchange controls in the Philippines, foreign currency denominated loan obligations or foreign currency denominated guarantees duly approved by, and/or registered with, the BSP can be paid in foreign currency obtained through the Philippine banking system without further prior approval of the BSP (subject to any conditions contained in the BSP approval). BSP approval and registration will allow a borrower to access the Philippine banking system to obtain U.S. dollars to service its relevant debt obligations rather than from other sources of U.S dollars such as the non-banking system or foreign currency revenue streams. Since the Securities are not eligible for such BSP approval and registration, the Company may not be able to purchase U.S dollars from the Philippine banking system to settle its obligations under the Securities. There is no assurance that the Company will be able to obtain sufficient U.S dollars outside the Philippine banking system to settle its obligations under the Securities.

The sovereign credit ratings of the Philippines may adversely affect the Company's business.

The sovereign credit ratings of the Philippines directly affect companies resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global ("**S&P**"), to BBB+ with stable outlook, while Fitch Ratings ("**Fitch**"), and Moody's Investors Service ("**Moody's**"), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. On 28 February 2020, Fitch revised its rating of Philippines long-term foreign currency-denominated debt to BBB, with a positive outlook, following its expectation that sound macroeconomic management will continue to support high growth rates with stable inflation while ongoing tax reforms were expected to improve fiscal finances. On 7 May 2020, Fitch affirmed its rating of Philippines long-term foreign currency-denominated debt to BBB, but revised the outlook to stable, to reflect the deterioration in the Philippines' near-term macroeconomic and fiscal outlook as a result of the impact of the COVID-19 pandemic and domestic lockdown to contain the spread of the virus. By the end of May 2020, S&P and Moody's affirmed its rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Company. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine Government and Philippine companies, including the Company, to raise additional financing, and will increase borrowing and other costs.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognised principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

On 12 July 2016, the Permanent Court of Arbitration ruled in favour of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that: (a) China has 'no historical rights' to the resources within the sea areas falling within the 'nine-dash line'; (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obliging the Chinese government to stop further activities in the West Philippine Sea; and (c) China had violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognise the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious.

In April 2020, the Philippines expressed its opposition to China's declaration of two new districts which covered areas in the West Philippine Sea.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine Coast Guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and this may materially and adversely affect the Company's financial condition and results of operations.

RISKS RELATING TO THE COMMERCIAL PAPERS

The Company cannot guarantee that there will be an active or liquid trading market for the CP Series D.

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the CP Series D will always be active or liquid. Even if the CP Series D are listed on PDEx, trading in securities such as the CP Series D may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors. There is no assurance that the CP Series D may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

The Company has no control of this risk as active trading of the CP Series D is highly dependent on the Commercial Paper Holders.

The Company may be unable to redeem the CP Series D.

At their respective maturity dates, the Company will be required to redeem all of the CP Series D on the relevant maturity date. If such an event were to occur, the Company may not have sufficient cash on hand or may not be able to arrange financing to redeem the maturing CP Series D in time, or on acceptable terms, or at all. The ability to redeem the maturing CP Series D in such event may also be limited by the terms of other debt instruments of the Company. The failure by the Company to repay, repurchase or redeem the maturing CP Series D would constitute an event of default under the CP Series D, which may also constitute a default under the terms of other indebtedness of the Company.

The Company has a strong recurring cash flow and a high level of liquidity in its balance sheet. The Company believes that it has sufficient resources which will allow it to redeem the CP Series D.

The holder of the CP Series D may face a possible gain or incur a loss when they decide to sell the CP Series D.

As with all fixed income securities, the market value of the CP Series D moves (either up or down) depending on the change in interest rates. The CP Series D when sold in the secondary market are worth more if interest rates decrease since the CP Series D have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the CP Series D are worth less when sold in the secondary market. Therefore, holders who may either make a gain or incur a loss when they decide to sell the CP Series D.

The Issuer may not be able to retain its credit rating.

There is no assurance that the credit rating of the Issuer will be retained throughout the life of the CP Series D. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The CP Series D have no preference under Article 2244(14) of the Civil Code.

The CP Series D will not be evidenced by a public instrument and, as such, have no preference under Article 2244(14) of the Civil Code. However, there are other loans or other debt of the Issuer evidenced by a public instrument that currently or that may, when incurred in the future, have preference of priority over the CP Series D as accorded to public instruments under Article 2244(14) of the Civil Code, unless the relevant lenders execute waivers of the right to the benefit of any such preference or priority. The Issuer shall at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the CP Series D as may be practicable. There can be no assurance that the Issuer will be able to procure a waiver of the preference created by such notarization and if the Issuer is unable to procure such waiver the Issuer may equally and ratably extend such preference to the CP Series D.

MANAGEMENT OF RISKS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies. See the subsections entitled *“Competitive Strengths”* and *“Business Strategy”* under the *“Description of Business”* section of this Prospectus.

USE OF PROCEEDS

Following the offer and sale of the CP Series D, and assuming that the Offer is fully subscribed and the Oversubscription Option is fully exercised, the Company expects that the gross proceeds of the Offer shall amount to approximately **₱[**3,333,333,333**]**, while the net proceeds of the Offer shall amount to approximately ₱[3,277,679,945]after deducting the applicable fees, commissions and expenses.

Assuming that the oversubscription option is exercised, the net proceeds from the Offer are estimated as follows:

		Total
Face value of the CP Series D		**₱3,500,000,000**
Discount (based on a fixed discount rate of [5.00]% and assuming true discount computation)		166,666,667
Gross Proceeds		[3,333,333,333]
Less:		
Documentary Stamp Tax	₱26,250,000	
Issue Management, Arrangement and Selling Fee	22,105,263	
SEC filing and legal research fee	2,335,625	
Estimated Professional Expenses & Agency fees	4,462,500	
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	500,000	
Total Estimated Expenses		55,653,388
Estimated net proceeds to Company		[**₱3,277,679,945]**

Aside from the fees enumerated above, the Company expects the following annual expenses related to the Offer:

1. The Company will be charged the annual maintenance fee amounting to [₱75,000] per annum, to be paid in advance upon the approval of the Listing;
2. The Company will pay an annual retainer fee to the Trustee amounting to [₱400,000] per annum; and
3. The Registrar will charge a monthly maintenance fee based on the face value of the CP Series D and the number of relevant Commercial Paper Holders.

Expenses incurred in connection with the Offer, including documentary stamp tax, fees of the Trustee, and the Registrar and Paying Agent will be for the account of the Issuer.

The net proceeds of the Offer amounting to approximately **₱[●]**shall be used primarily to finance working capital requirements of the Issuer for the regular importation of fuels and lubricants, such as those set out in the schedule presented below.

No.	Item	Estimated Cargo Cost	%	Timing of Disbursement
1	Importation of Fuels	477,360,000.00	15%	August
2	Importation of Fuels	185,640,000.00	6%	August
3	Importation of Fuels	71,910,000.00	2%	August
4	Importation of Fuels	185,640,000.00	6%	August
5	Importation of Fuels	318,240,000.00	10%	August
6	Importation of Fuels	397,800,000.00	12%	September
7	Importation of Fuels	477,360,000.00	15%	September
8	Importation of Fuels	47,940,000.00	1%	September
9	Importation of Fuels	47,940,000.00	1%	September
10	Importation of Fuels	119,850,000.00	4%	September
11	Importation of Fuels	131,835,000.00	4%	September
12	Importation of Fuels	185,640,000.00	6%	September
13	Importation of Fuels	71,910,000.00	2%	September
14	Importation of Fuels	397,800,000.00	12%	October
15	Importation of Fuels	160,814,945.00	5%	October
		3,277,679,945.00	**100%**	

**Final cargo cost will depend on prevailing FX and fuel price during the period. Cargo amounts will also change depending on the economics of our supply chain (e.g. splitting one order to 2 shipments to accommodate freight costs).*

In case the net proceeds of the Offer will not be sufficient, the balance will be financed from the Company's internally generated funds.

Pending the above use of proceeds, the Company intends to invest the net proceeds of the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

Except for the purposes stated in the preceding paragraphs, there are no other current plans for the proceeds or any significant portion thereof. The proceeds shall not be used to reimburse any of the officers, directors, employees or other shareholders for services rendered, assets previously transferred, loans, advances or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. Any material or substantial deviation/adjustment/reallocation in the planned use of proceeds shall be approved by the Company's Board of Directors and the Company shall seek approval of the SEC within 30 days prior to its implementation.

DETERMINATION OF OFFER PRICE

The CP Series D shall be issued at a discount to face value. Below is an illustration of the computation of the Offer Price for the CP Series D.

Sample Offer Price Computation - CP Series D	
Days per year	360
Taxes on interest	20%
CP Series D	
Issue Date	08/12/2020
Maturity Date	07/24/2021
Tenor (Days)	346
Discount Rate	5.00%
in ₱	
Face Value	3,500,000,000
Less: Issue Discount	- 160,482,375
Tax on Discount	32,096,475
Cost	**3,371,614,100**
Offer Price	**96.3318%**

PLAN OF DISTRIBUTION

The Company plans to issue the CP Series D to institutional and retail investors in the Philippines through a general public offering to be conducted by the Sole Issue Manager, Lead Arranger and Sole Bookrunner.

THE SOLE ISSUE MANAGER, LEAD ARRANGER AND SOLE BOOKRUNNER

PNB Capital, pursuant to an Underwriting Agreement with Phoenix dated [●] (the "**Underwriting Agreement**"), has agreed to act as the Sole Issue Manager, Lead Arranger and Sole Bookrunner for the Offer and as such, distribute and sell the CP Series D at the issue price, and has also committed to underwrite the CP Series D with a face value of up to Two Billion Pesos (₱2,000,000,000), subject to the satisfaction of certain conditions and in consideration for certain fees and expenses. In addition, the Issuer has granted the Sole Issue Manager, Lead Arranger and Sole Bookrunner the right, in consultation with the Issuer, to increase the offer size of up to Two Billion Pesos (₱2,000,000,000) worth of CP Series D by up to an additional One Billion Five Hundred Million Pesos (₱1,500,000,000) worth of CP Series D (the "**Oversubscription Option CP Series D**") to cover oversubscriptions, if any (the "**Oversubscription Option**"). In the event that the Oversubscription Option is exercised, the Issue Manager, Lead Arranger and Sole Bookrunner, in consultation with the Issuer, shall have exclusive rights and priority toward the offer and sale of any Oversubscription Option CP Series D.

For the Offer of the CP Series D, the Sole Issue Manager, Lead Arranger and Sole Bookrunner will receive a fee of up to 0.60% on the underwritten principal amount of the CP Series D issued. Such fee shall be inclusive of underwriting and participation commissions.

There is no arrangement for the Sole Issue Manager, Lead Arranger and Sole Bookrunner to return any unsold CP Series D to Phoenix. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Phoenix of the net proceeds of the CP Series D.

The Sole Issue Manager, Lead Arranger and Sole Bookrunner is duly licensed by the SEC to engage in underwriting or distribution of the CP Series D. The Sole Issue Manager, Lead Arranger and Sole Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business with Phoenix, its affiliates and subsidiaries, or other members of the Udenna Group.

PNB Capital is duly licensed by the SEC to engage in underwriting and distribution of securities. It was incorporated in July 30, 1997 and commenced operations in October 8, 1997. PNB Capital provides investment banking services such as underwriting of equity and debt securities, loan syndication, project finance, private placement and financial advisory. PNB Capital is authorized to buy and sell for its own account, securities issued by private corporations and the Government.

The Sole Issue Manager, Lead Arranger and Sole Bookrunner has no direct relations with Phoenix in terms of ownership by either of their respective major stockholder/s, and has no right to designate or nominate any member of the Board of Directors of Phoenix.

SALE AND DISTRIBUTION

The distribution and sale of the CP Series D shall be undertaken by the Sole Issue Manager, Lead Arranger and Sole Bookrunner and the selling agents (if any) who shall sell and distribute the CP Series D to third party buyers/investors. Nothing herein shall limit the right of the Sole

Issue Manager, Lead Arranger and Sole Bookrunner from purchasing the CP Series For their own respective accounts.

OFFER PERIOD

The Offer Period shall commence at 9:00am [August 10, 2020] and end at 5:00pm [August 10, 2020], or on such other date as the Issuer and the Sole Issue Manager, Lead Arranger and Sole Bookrunner may agree upon.

APPLICATION TO PURCHASE

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the CP Series D during the Offer Period by submitting to the Sole Issue Manager, Lead Arranger and Sole Bookrunner properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the CP Series Din the manner provided therein.

Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, validly issued tax identification number issued by the BIR, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the CP Series D and designating the authorized signatory(ies) thereof, together with the identification documents of said signatories. Individual applicants must also submit, in addition to the foregoing, a photocopy of any one of the following identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age). Additional documents may be requested from the applicants by the Sole Issue Manager, Lead Arranger and Sole Bookrunner , the selling agents (if any) and/or the Registrar in the implementation of their internal policies regarding "know your customer" and anti-money laundering.

Commercial Paper Holders claiming exemption from any applicable tax shall submit the following documentary requirements as proof of its tax-exempt status to the Registrar:

a. A certified true copy of the (dated no later than required to be considered valid under the applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

b. A duly notarized undertaking (in the prescribed form) declaring and warranting that the same Commercial Paper Holder named in the tax exemption certificate, ruling or opinion described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue Memorandum Order No. 8-17, evidence of the applicability of a tax treaty provision, a consularized proof of the Commercial Paper Holder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Commercial Paper Holder is not doing business in the Philippines.

Completed Applications to Purchase and corresponding payments must reach the Sole Issue Manager, Lead Arranger and Sole Bookrunner and the relevant selling agents (if any) prior to the end of the Offer Period, or such earlier date as may be specified by the Issuer and the Sole Issue Manager, Lead Arranger and Sole Bookrunner . Acceptance by the Sole Issue Manager, Lead Arranger and Sole Bookrunner and the relevant selling agents (if any) of the completed Application to Purchase shall be subject to the availability of the CP Series D and the acceptance by Phoenix. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱100,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

ALLOTMENT OF THE OFFERED CPS

If the CP Series D are insufficient to satisfy all Applications to Purchase, the available CP Series D shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to Phoenix's right of rejection.

ACCEPTANCE OF APPLICATIONS

Phoenix and the Sole Issue Manager, Lead Arranger and Sole Bookrunner , and the relevant selling agents (if any), reserve the right to accept or reject applications to purchase the CP Series D, and in case of oversubscription, allocate the CP Series D available to the applicants in a manner they deem appropriate.

REJECTION OF APPLICATIONS

The Sole Issue Manager, Lead Arranger and Sole Bookrunner and the relevant selling agents (if any) shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

(a) Applications may be rejected if (i) the Offer Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the applications are not received by the Sole Issue Manager, Lead Arranger and Sole

Bookrunner and the relevant selling agents (if any) on or before the end of the Offer Period; (iv) the number of CP Series D subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information or are not supported by the required documents.

(b) Applications may be reduced if the Offer is oversubscribed, in which case the number of CP Series D covered by the applications shall be reduced *pro rata*.

In the event an Application to Purchase is rejected or the amount of CP Series D applied for is scaled down for a particular applicant, the Sole Issue Manager, Lead Arranger and Sole Bookrunner and the relevant the selling agent (if any) shall notify the applicant concerned that his/her application has been rejected or that the amount of CP Series D applied for is scaled down.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Sole Issue Manager, Lead Arranger and Sole Bookrunner or the relevant selling agents (if any) from whom such application to purchase the CP Series D was made.

Refunds shall be made, at the option of the Sole Issue Manager, Lead Arranger and Sole Bookrunner or the relevant selling agent, either (i) through the issuance of check(s) payable to the order of the relevant applicant and crossed “Payees’ Account Only” and mailed or delivered, at the risk of the applicant, to the address specified in the Application to Purchase, or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant applicants, as indicated in their respective Applications to Purchase.

PAYMENTS

The principal of and all other amounts payable on the CP Series D shall be paid to the Commercial Paper Holders by crediting of the cash settlement accounts designated by each of the Commercial Paper Holders. The principal of the CP Series D shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the CP Series D remains outstanding, there shall at all times be a Paying Agent for the purposes of the CP Series D and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the CP Series D which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Commercial Paper Holders at the latter’s risk and shall be dealt in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

PURCHASE AND CANCELLATION

The Issuer may at any time purchase any of the CP Series D in the open market or by tender or by contract at market price, without any obligation to purchase (and the Commercial Paper

Holders shall not be obliged to sell) CP Series D pro-rata from all Commercial Paper Holders. Any CP Series D so purchased shall be redeemed and cancelled. Upon listing of CP Series D on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

SECONDARY MARKET

The Issuer intends to list the CP Series on PDEx on Issue Date.

DESCRIPTION OF THE COMMERCIAL PAPERS

The following is a description of certain terms and conditions of the CP Series D (the "Terms and Conditions"). This description of the Terms and Conditions of the CP Series D set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the CP Series D, copies of which are available for inspection at the offices of the Trustee. The Terms and Conditions set out in this section will, subject to amendment, be set out in the Trust Indenture between the Issuer and the Trustee.

Prospective investors are enjoined to carefully review the Company's Articles of Incorporation, By-Laws, and resolutions of its Board of Directors, the information contained in this Prospectus, Trust Indenture, and other agreements relevant to the Offer such as the Application to Purchase, and perform their own independent investigation and analysis of the Issuer and the CP Series D. Prospective purchasers of the CP Series D are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the CP Series D.

GENERAL

The issuance of CP Series D with an aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000 was authorized by a resolution of the Board of Directors of Phoenix dated August 3, 2020. The CP Series D will be issued with an aggregate principal amount aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000,maturing [three forty six (346)] days from the Issue Date, to be issued at a fixed discount rate of [5.00]% per annum.

On August 3, 2020, Phoenix filed a Registration Statement with the SEC in connection with the offer and sale to the public of the CP Series D up to an aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000.

The SEC is expected to issue an order rendering the Registration Statement effective (the "**RS Effectivity Date**"), and a corresponding permit to offer securities for sale covering the CP Series D. Within three (3) years following the RS Effectivity Date, the Company may, in consultation with the Sole Issue Manager, Lead Arranger and Sole Bookrunner, issue up to an aggregate principal amount of up to ₱2,000,000,000 with oversubscription option of up to ₱1,500,000,000, of CP Series D covered by such Registration Statement.

The Commercial Paper shall be constituted by a Trust Indenture executed on [●] (the "**Trust Indenture**") between the Issuer and PNB Trust Banking Group (the "**Trustee**", which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the Terms and Conditions of the Commercial Paper set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Registry and Paying Agency Agreement executed on [●] (the "**Registry and Paying Agency Agreement**") among the Issuer, the Registrar, and the Paying Agent.

PDTC has no interest in or relation to Phoenix which may conflict with its roles as Registrar and as Paying Agent of the CP Series D. PNB Trust Banking Group has no interest in or relation to Phoenix which may conflict with its role as Trustee for the CP Series D. PNB Trust Banking Group is an affiliate of PNB Capital and Investment Corporation, the Sole Issue Manager, Lead Arranger and Sole Bookrunner for the CP Series D.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar, respectively. The Commercial Paper Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The CP Series D shall be issued in scripless form, in minimum denominations and multiples to be set by the Issuer, in consultation with the Sole Issue Manager for each Commercial Paper Series.

The CP Series D will be traded in denominations of ₱10,000 in the secondary market.

(b) Title

Legal title to the Commercial Papers shall be shown on and recorded in the Register of Commercial Paper Holders maintained by the Registrar. A notice confirming the principal amount of the Commercial Papers purchased by each applicant shall be issued by the Registrar to all Commercial Paper Holders following the relevant Issue Date. Upon any assignment, title to the Commercial Papers shall pass by recording the transfer from a transferor to the transferee in the Register of Commercial Paper Holders. Settlement in respect of such transfer or change of title to the Commercial Papers, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Commercial Paper Holder or the transferee, as applicable.

(c) Issuer Credit Rating

The Company has a rating of [PRS Aa minus (corp.), with Stable Outlook,[5]] as assigned by PhilRatings on [July 20, 2020.]

In coming up with the rating, PhilRatings considered the following factors: (i) continuous growth of the Company's retail presence and market leadership, especially among independent oil players; (ii) significant growth potential given the entry into other related or complementary business ventures; (iii) improving sales volume, which, however, is offset by rising costs, expenses and finance charges; and (iv) declining coverage ratios in relation to debt servicing. PhilRatings also took into consideration the increasing economic uncertainty and the immediate adverse impact of the community quarantine attributable to the COVID-19 pandemic on the company's business.

The rating is subject to annual review, or more frequently as market developments may dictate, for as long as the CP Series D is outstanding. After the relevant Issue Date, the Trustee shall monitor the compliance of CP Series D with the regular annual reviews, as applicable.

[5] A "Stable Outlook" is defined as "the rating is likely to be maintained or to remain unchanged in the next twelve months."

2. Register and Secondary Trading

(a) Register of Commercial Paper Holders

The Issuer shall cause the Register of Commercial Paper Holders to be kept by the Registrar, in electronic form, at the specified office of the Registrar.

A Master Certificate of Indebtedness representing the Commercial Papers issued with respect to the CP Series D shall be issued to and registered in the name of the Trustee, on behalf of the Commercial Paper Holders. Legal title to the CP Series D shall be shown in the Register of Commercial Paper Holders to be maintained by the Registrar. Initial placement of the CP Series D and subsequent transfers of interests in the CP Series D shall be subject to applicable Philippine selling restrictions prevailing from time to time.

The names and addresses of the Commercial Paper Holders and the particulars of the CP Series D held by them and of all transfers of Commercial Papers shall be entered into the Register of Commercial Paper Holders. Transfers of ownership shall be effected through book-entry transfers in the scripless Register of Commercial Paper Holders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Commercial Paper Holder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Commercial Papers that is effected in the Registrar's system (at the cost of the Issuer). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Commercial Paper Holder as of the date thereof. Any requests of Commercial Paper Holders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Commercial Paper Holder. No transfers of the Commercial Papers may be made during the period commencing the Record Date.

(b) Transfers; Tax Status

Subject to the compliance with all procedures set forth under the Registry and Paying Agency Agreement, and as the same may be amended by the Registrar with notice to the Issuer, as well as payment by the relevant Commercial Paper Holder of the proper fees, if any, to PDEx and/or the Registrar, a transfer or assignment of Commercial Papers may generally be done at any time. The Registrar, however, shall not reflect any transfers in the relevant Registry accounts where the same are restricted transfers on the Commercial Papers as follows:

(i) transfers between persons of varying tax status;

(ii) transfers by Commercial Paper Holders with deficient documents;

(iii) transfers during a Closed Period;

(iv) except as otherwise contemplated under the terms and conditions, none of the Commercial Paper Holders shall have the right to require the Issuer to redeem and repay any and all of the Commercial Papers before the Maturity Date. Transfers of the Commercial Papers to a person other than the Issuer shall not constitute pre-termination.

As used herein, the term "Closed Period" means the periods during which the Registrar shall not register any transfer or assignment of the Commercial Papers, specifically the period of two (2) Business Days preceding the due date for any payment of the principal amount of the Commercial Papers.

A Commercial Paper Holder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar.

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with the Application to Purchase:

(i) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;

(ii) A duly notarized undertaking (in the prescribed form) declaring and warranting that the same Commercial Paper Holder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify Phoenix and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold Phoenix, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(iii) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue Memorandum Order No. 8-17, evidence of the applicability of a tax treaty provision, a consularized proof of the Commercial Paper Holder’s legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Commercial Paper Holder is not doing business in the Philippines.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Telephone no:	(632) 8884-4425
Fax no:	(632) 8230-3346
E-mail:	baby_delacruz@pds.com.ph
Attention:	Josephine Dela Cruz, Director

(d) Secondary Trading of the Commercial Papers

The Issuer intends to list the CP Series D on PDEx for secondary market trading. Secondary market trading on PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between Commercial Paper Holders of different tax status and shall be subject to the relevant fees of PDEx and PDTC.

The CP Series D will be traded in a minimum board lot size of ₱10,000 as a minimum, and in multiples of ₱10,000 in excess thereof for as long as any of the Commercial Paper are listed on PDEx.

3. Ranking

The Commercial Papers shall constitute the direct, unconditional, unsecured and unsubordinated obligations of Phoenix and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of Phoenix, other than obligations preferred by law. The Commercial Papers shall effectively be subordinated to the right of payment to, among others, all of Phoenix's secured debts to the extent the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code without a waiver of preference or priority.

4. Interest

The Commercial Papers is a discounted security. Interest shall be discounted from the face value of the Commercial Papers, accrued and payable on the relevant Maturity Dates (as defined in the discussion on *"Final Redemption"*). The Discount Rate shall be calculated on a true-discount basis based on the actual number of days to maturity and on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

5. Final Redemption, Purchase and Reissuance

(a) Final Redemption

Unless otherwise earlier redeemed, or previously purchased and cancelled, the Commercial Papers shall be repaid in full (or 100% of face value) on the relevant Maturity Date, unless, upon due presentation, payment of the principal in respect of the Commercial Papers then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

The cut-off date in determining the existing Commercial Paper Holders entitled to receive interest, principal amount or any amount due under the CP Series D shall be two (2) Business Days prior to the relevant Maturity Date (the "**Record Date**"). No transfers of the Commercial Papers may be made commencing on the Record Date.

(b) Purchase and Cancellation

The Issuer may at any time purchase any of the Commercial Papers in the open market or by tender or by contract at market price, without any obligation to purchase (and the Commercial Paper Holders shall not be obliged to sell) Commercial Papers pro-rata from all Commercial Paper Holders. Any Commercial Papers so purchased shall be redeemed and cancelled. Upon listing of the CP Series D on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

(c) Redemption for Taxation Reasons

If payments under the Commercial Papers become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the relevant Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Commercial Papers in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.

(d) Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Commercial Paper Holders under the Trust Indenture and the Commercial Papers:

(i) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the Commercial Papers shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.

(ii) Any provision of the Trust Indenture or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Indenture or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.

(iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

(iv) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated as a Change of Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Commercial Paper Holders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30) day period, may declare the outstanding principal of the Commercial Papers, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any prepayment penalty, anything contained in the Trust Indenture or in the Commercial Papers to the contrary notwithstanding, subject to the notice requirements under the discussion on *Notice of Default* in the Terms and Conditions of the Commercial Papers.

6. Payments

The principal of and all other amounts payable on the Commercial Papers shall be paid to the Commercial Paper Holders by crediting of the cash settlement accounts designated by each of the Commercial Paper Holders. The principal of the Commercial Papers shall be payable in Philippine Pesos.

7. Payment of Additional Amounts; Taxation

Interest income on the Commercial Papers is subject to a final withholding tax at rates of between twenty percent (20%) and thirty percent (30%) depending on the tax status of the relevant Commercial Paper Holder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The withholding tax applicable on interest income earned on the Commercial Papers prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

   (i) certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR confirming the exemption or preferential rate. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

   (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and

   (iii) such other documentary requirements as may be required by Phoenix, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue

Memorandum Order No. 8-17, evidence of the applicability of a tax treaty and consularized proof of the Commercial Paper Holder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Commercial Paper Holder is not doing business in the Philippines; provided further that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments, or government charges, subject to the submission by the Commercial Paper Holder claiming the benefit of any exemption of reasonable evidence of such exemption to Phoenix, the Registrar, and the Sole Issue Manager, Lead Arranger and Sole Bookrunner/relevant selling agent (if any);

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Commercial Paper Holder, whether or not subject to withholding;

(d) Value-added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337; and

(e) Any applicable taxes on any subsequent sale or transfer of the Commercial Papers by any Commercial Paper Holder which shall be for the account of such Commercial Paper Holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Commercial Papers and the execution of the Commercial Paper Agreements, if any, shall be for the Issuer's account. As used herein, the term "Commercial Paper Agreements" shall mean the Trust Indenture, the Registry and Paying Agency Agreement, the underwriting agreement, and the Master Certificate of Indebtedness (inclusive of the Terms and Conditions), including any amendment or supplement thereto.

See the section entitled *"Philippine Taxation"* of the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition (e.g. secondary transfer) of the Commercial Papers.

8. Financial Ratios

The Issuer shall ensure that, for as long as any of the Commercial Papers remain outstanding, and unless the Majority Commercial Paper Holders otherwise consents, a ratio of its total Financial Indebtedness to Total Equity ratio does not exceed of 3.0:1.0 as referenced to its consolidated audited financial statements as of its fiscal year ended 31 December and consolidated interim financial statements as of 31 March, 30 June and 30 September of each year.

9. Negative Covenants

For as long as any of the Commercial Papers remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Commercial Paper Holders who hold, represent or account for more than fifty percent (50%) of the aggregate principal amount of the Commercial Papers then outstanding (the "**Majority Commercial Paper Holders**"), sell all or substantially all of its assets or businesses, permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligation (a "**Lien**") in favor of any creditor or class of creditors without providing the Commercial Paper Holders with a Lien, the benefit of which is extended equally and ratably among them to secure the Commercial Papers; provided however that, this restriction shall not prohibit “Permitted Liens,” which are:

(a) Liens for taxes, assessments or governmental charges or levies, including custom duties, which are being contested in good faith;

(b) Liens arising by operation of law (except any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines) on any property or asset of the Issuer or a Subsidiary, including, without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or material manor other similar liens arising in the ordinary course of business or arising out of pledges or deposits under workers’ compensation laws, unemployment, insurance and other social security laws;

(c) Liens incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations or regulatory requirements, performance or return of money bonds, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, leases, government contracts and similar obligations) and deposits for the payment of rent;

(d) Liens created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which the Issuer has established adequate reserves on its books in accordance with Philippine Accounting Standards (“**PAS**”)/Philippine Financial Reporting Standards (“**PFRS**”);

(e) Liens arising from leases or subleases granted to others, easements, building and zoning restrictions, rights-of-way and similar charges or encumbrances on real property imposed by applicable Law or arising in the ordinary course of business that are not incurred in connection with the incurrence of a debt and that do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Issuer or its Subsidiary;

(f) Liens incidental to the normal conduct of the business of the Issuer or its Subsidiary or ownership of its properties and which are not incurred in connection with the incurrence of a debt and which do not impair the use of such property in the operation of the business of the Issuer or its Subsidiary or the value of such property for the purpose of such business;

(g) Liens upon tangible personal property acquired in the ordinary course of business after the date hereof (by purchase or otherwise) granted by the Issuer or its Subsidiary to the vendor, supplier, any of their affiliates or lessor of such property;

(h) Liens arising from financial lease, hire purchase, conditional sale arrangements or other agreements for the acquisition of assets entered into in the ordinary course of business on deferred payment terms to the extent relating only to the assets which are subject of those arrangements, subject to such financial leases, hire purchase, conditional sale agreements or other agreements for the acquisition of such assets on deferred payment terms;

(i) Liens arising over any asset to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer or its Subsidiary in the ordinary course of business; (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset; or (iv) the rediscounting of receivables of the Issuer or its Subsidiary;

(j) Rights of set-off arising in the ordinary course of business between the Issuer or its Subsidiary and its suppliers, clients or customers;

(k) Netting or set-off arrangement entered into by the Issuer or its Subsidiary in the ordinary course of business of its banking arrangements for the purpose of netting debt and credit balances; and

(l) Any Lien to be constituted on the assets of the Issuer or its Subsidiary after the date of the Trust Indenture, which is disclosed in writing by the Issuer or its Subsidiary to the Trustee prior to the execution of the Trust Indenture.

10. Events of Default

The Issuer shall be considered in default under the Commercial Papers and the Trust Indenture in case any of the following events (each an "**Event of Default**") shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Commercial Paper Holders under the Trust Indenture and the Commercial Papers, and such failure, if due to causes other than the willful misconduct or gross negligence of the Issuer, is not remedied within five (5) Business Days from receipt by the Issuer of written notice of such non-payment from the Trustee.

(b) Representation/Warranty Default

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Commercial Paper Holders shall approve) after receipt of written notice from the Commercial Paper Holders to that effect.

(c) Other Default

The Issuer fails to perform or violates any other provision, term of the Trust Indenture and the Commercial Papers, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratio, (particularly a Debt to Equity Ratio of 3:1 and within ten (10) Business Days from the date of the occurrence of said violation, with respect to any other covenant or obligation; provided that, the Events of Default constituting insolvency initiated by the Issuer or closure default, or a violation of a negative covenant shall not be remediable.

(d) Cross Default

The Issuer violates any material term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Indenture and the Commercial Papers; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds ₱500,000,000.

(e) Insolvency Default

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets.

(f) Judgment Default

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000 or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(g) Writ and Similar Process Default

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) calendar days after its issue or levy.

(h) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or *force majeure.*

11. Notice of Default

The Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge of, the occurrence of any Event of Default under any of the Commercial Papers, give to the Commercial Paper Holders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in the section *Payment Default* in the Terms and Conditions of the Commercial Papers*,* the Trustee shall immediately notify the Commercial Paper Holders upon the occurrence of such payment default. The existence of a written notice required to be given to the Commercial Paper Holders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Commercial Paper Holders or their duly authorized representatives may obtain an important notice regarding the Commercial Papers at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

12. Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing, and has not been waived in writing by the Majority Commercial Paper Holders, the Trustee may on its own, or upon the written direction of the Majority Commercial Paper Holders whose written instructions/consents/letters shall delivered to the Issuer, with a copy furnished to the Paying Agent and Registrar, or the Majority Commercial Paper Holders, by notice in writing delivered to the Issuer and the Trustee, with a copy furnished to the Paying Agent and Registrar, declare the Issuer in default ("**Declaration of Default**") and declare the principal of the Commercial Papers, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without presentment, demand, protest, or further notice of all kinds, all of which are hereby expressly waived by the Issuer. A copy shall be furnished to the Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon the Issuer shall make all payments due on the Commercial Papers in accordance with the Registry and Paying Agency Agreement.

(b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default*,* the Majority Commercial Paper Holders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such Declaration of Default made by the Trustee pursuant to a consequence of default*,* and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon. Any such rescission and annulment of a Declaration of Default shall be conclusive and binding upon all the Commercial Paper Holders and upon all future holders and owners of the Commercial Papers.

(c) At any time after any Declaration of Default under any Commercial Papers, and such declaration has not been waived by the Majority Noteholders, the Trustee may, with notice in writing to the Issuer:

(i) require the Registrar and the Paying Agent to deliver all sums, documents, and records held by them in respect of the Commercial Papers to the

Trustee or as the Trustee shall direct in such notice, provided that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any law or regulation or contract (including the RPAA); and

(ii) require the Issuer to make all subsequent payments in respect of the Commercial Papers to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, proviso (i) above and the Issuer's positive covenant to pay principal and interest, net of applicable withholding taxes, on the Commercial Papers, more particularly set forth in the Trust Indenture, shall cease to have effect.

13. Penalty Interest

In case any amount payable by the Issuer under any of the Commercial Papers, whether for principal, interest, or otherwise, is not paid when due, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay penalty interest to the Commercial Paper Holders on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the "**Penalty Interest**") from the time the amount falls due until it is fully paid.

14. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default under any of the Commercial Papers shall have occurred and be continuing, and has not been remedied or waived by the Majority Commercial Papers Holders, then, in any such case, the Issuer shall pay to the Commercial Paper Holders, through the Paying Agent, and provided that there has been a Declaration of Default and acceleration of payment pursuant to "Consequences of Default", the whole amount which shall then have become due and payable on all such outstanding Commercial Papers with interest at the rate borne by the Commercial Papers on the overdue principal, net of applicable withholding taxes, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

The Issuer shall reimburse the Trustee all reasonable costs and expenses incurred in connection with enforcing payment of principal and/or interest on the Commercial Papers upon the occurrence of an Event of Default. Notwithstanding any contrary provision, any such costs incurred by the Trustee shall not require the prior approval of the Issuer.

15. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: (a) to the pro-rata payment to the Trustee, the Paying Agent, and the Registrar of the costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith; (b) to the payment of the Penalty Interest, net of withholding taxes, in the order of the maturity of the relevant Commercial Papers; (c) to the payment of the principal amount of the Commercial Papers then due and unpaid, which payment shall be made pro-rata among the Commercial Paper Holders; and (d) the remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Commercial Papers shall require the conformity of the Trustee. The Paying Agent shall deliver to the Trustee and the Issuer a certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

16. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

17. Remedies

All remedies conferred by the Trust Indenture and these Terms and Conditions to the Trustee and the Commercial Paper Holders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Commercial Paper Holders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion on *Ability to File Suit* in the Terms and Conditions of the Commercial Papers.

No delay or omission by the Trustee or the Commercial Paper Holders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Commercial Paper Holders may be exercised from time to time and as often as may be necessary or expedient.

18. Ability to File Suit

No Commercial Paper Holder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, net of applicable withholding taxes, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Commercial Paper Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of Commercial Paper Holders to take up matters related to their rights and interests under the Commercial Papers; (ii) the Majority Commercial Paper Holders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee, for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Commercial Paper Holders, it being understood and intended, and being expressly covenanted by every Commercial Paper Holder with every other Commercial Paper Holder and the Trustee, that no one or more Commercial Paper Holders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Commercial Papers or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Commercial Paper Holders.

19. Waiver of Default by the Commercial Paper Holders

The Majority Commercial Paper Holders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Commercial Paper Holders waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Commercial Paper Holders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Commercial Paper Holders shall be conclusive and binding upon all Commercial Paper Holders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Commercial Papers.

20. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	PNB Trust Banking Group
Attention:	Josephine E. Jolejole
Designation:	Head, Fiduciary Services Division
Subject:	Phoenix Commercial Papers Series D
Address:	Trust Banking Group – Fiduciary Services Division Philippine National Bank 3F PNB Financial Center President Diosdado Macapagal Boulevard, Pasay City, Philippines
Telephone:	(632) 8573-4657
Facsimile:	(632) 8526-3379

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters must be communicated by the Commercial Paper Holder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the Commercial Paper Holder shall pay to the Trustee upfront a fee of ₱1,500 (the "**Activity Fee**") plus the costs of legal review, courier and the like. The Activity Fee may be adjusted from time to time, at the discretion of the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within ninety (90) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

(b) Notice to the Commercial Paper Holders

The Trustee shall send all Notices to Commercial Paper Holders to their mailing address as set forth in the Register of Commercial Paper Holders. Except where a specific mode of notification is provided for herein, notices to Commercial Paper Holders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Commercial Paper Holders. The Trustee shall rely on the Register of Commercial Paper Holders in determining the Commercial Paper Holders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by Issuer to the Philippine SEC or the PSE on a matter relating to the Commercial Papers shall be deemed a notice to Commercial Paper Holders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Commercial Paper Holders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Commercial Paper Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

21. Duties and Responsibilities of the Trustee

(a) The Trustee is hereby appointed as trustee for and on behalf of the Commercial Paper Holders and accordingly shall perform such duties and shall have such responsibilities as expressly provided in the Trust Indenture.

(b) The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations under and pursuant to the Trust Indenture. The Trustee shall not be presumed to have knowledge of any Event of Default.

(c) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture.

(d) In case of default, the Trustee shall exercise such rights and powers as are specifically set forth in the Trust Indenture and use such judgment and care under the circumstances then prevailing that an individual of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(e) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Indenture, with the care, prudence and diligence necessary under the circumstances then prevailing that a prudent man, acting in like capacity and familiar with such matters, would exercise in the conduct of an enterprise of like character and with similar aims, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion, and intelligence, and familiar with such matters, exercise in the management of their own affairs.

(f) The Trustee shall submit to the Commercial Paper Holders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Commercial Paper Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount, and the circumstances surrounding the making of such advance; provided that such advance remaining unpaid amounts to at least 10% of the aggregate outstanding principal amount of the Commercial Papers at such time.

(g) The Trustee may, from time to time, request the Issuer to submit certifications of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Commercial Papers and the Trust Indenture, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Commercial Papers and the Trust Indenture.

The request shall be reasonable, made not less than 72 hours prior to the intended date of examination, and shall be in writing addressed to the Issuer and including in reasonable detail the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants, and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended, as stated in the request; provided that such requirement or limitation shall not apply if the same conflicts with the duties and responsibilities of the Trustee under any provision of the Trust Indenture or conflicts with any Law.

(h) The Trustee shall hold on behalf of the Commercial Paper Holders the Master Certificate of Indebtedness for the total issuance.

(i) Unless a fixed period is otherwise specified in the Trust Indenture and in the absence of a period specifically agreed to by the Trustee and the Issuer and in the case of notices required to be sent by the Trustee to Commercial Paper Holders, the Trustee must act promptly in the sending of such notices but in any case shall have a period of not more than thirty (30) days to complete the sending of all such notices in the manner allowed by the Trust Indenture.

(j) Notwithstanding the above, the Trustee, on its own discretion, may send notices or disclose to the Commercial Paper Holders any fact, circumstance or event, which would have the effect of effectively reducing the principal amount of the Commercial Papers then outstanding, including changes in Laws.

(k) For the avoidance of doubt, the Trustee shall perform such other powers and functions as provided for elsewhere in the Trust Indenture.

22. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Commercial Paper Holders of such resignation.

(b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Commercial Paper Holders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Commercial Paper Holder who has been a bona fide holder for at least six (6) months (the "**Bona Fide Commercial Paper Holder**") may, for and in behalf of the Commercial Paper Holders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee. Subject to Section (e) below, a successor Trustee must possess all the qualifications required under pertinent laws.

(c) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any Bona Fide Commercial Paper Holder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee. Subject to Section (e) below, a successor Trustee must possess all the qualifications required under pertinent laws.

(d) The Majority Commercial Paper Holders may at any time remove the Trustee for cause, and, with prior consultation with the Issuer, except in an Event of Default, appoint a successor Trustee, by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Commercial Paper Holders in the Terms and Conditions of the Commercial Papers. For the avoidance of doubt, the Commercial Papers Holders shall have the sole discretion to appoint a successor trustee for the Commercial Papers by vote of the Majority Commercial Papers Holders. Such removal shall take effect thirty (30) days from receipt of such notice by the Trustee.

(e) Any resignation or removal of the Trustee and the appointment of a successor Trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture (the "**Resignation Effective Date**"); provided however that, until such successor Trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor Trustee promptly upon the appointer thereof by the Issuer; provided finally that, such successor Trustee possesses all the qualifications as required by pertinent laws.

23. Successor Trustee

(a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Commercial Paper Holders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Commercial Paper Holders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Commercial Paper Holders to be notified at the expense of the Issuer.

24. Reports to the Commercial Paper Holders

(a) The Trustee shall submit to the Commercial Paper Holders on or before February 28 of each year from the relevant Issue Date until full payment of the CP Series D a brief report dated as of December 31 of the immediately preceding year with respect to:

   (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Commercial Paper Holders on the date of such report; and

   (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Commercial Papers, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Commercial Paper Holders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Commercial Paper Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Commercial Papers at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

   (i) Trust Indenture
   (ii) Registry and Paying Agency Agreement

(iii) Articles of Incorporation and By-Laws of the Company
(iv) Registration Statement of the Company with respect to the Commercial Papers

25. Meetings of the Commercial Paper Holders

A meeting of the Commercial Paper Holders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Commercial Paper Holders of any specified aggregate principal amount of Commercial Papers under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the relevant Commercial Paper Holders.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Commercial Paper Holders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Commercial Papers may direct in writing the Trustee to call a meeting of the Commercial Paper Holders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Commercial Paper Holders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Commercial Paper Holders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Commercial Papers shall have requested the Trustee to call a meeting of the Commercial Paper Holders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Commercial Paper Holders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Commercial Paper Holders, personally or by proxy. The presence of the Majority Commercial Paper Holders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Commercial Paper Holders.

(d) Procedure for Meetings

(i) The Trustee shall preside at all the meetings of the Commercial Paper Holders, unless the meeting shall have been called by the Issuer or by the Commercial Paper Holders, in which case the Issuer or the Commercial Paper Holders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Commercial Paper Holders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Commercial Papers represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Commercial Paper Holders, a person shall be a registered holder of one or more Commercial Papers or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Commercial Paper Holders shall be entitled to one (1) vote for every ₱10,000 interest. The only persons who shall be entitled to be present or to speak at any meeting of the Commercial Paper Holders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

Except as provided under the provisions on *Amendment* in the Terms and Conditions of the Commercial Papers, all matters presented for resolution by the Commercial Paper Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Commercial Paper Holders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Commercial Paper Holders which has been duly approved with the required number of votes of the Commercial Paper Holders as herein provided shall be binding upon all the Commercial Paper Holders and the Issuer as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Commercial Paper Holders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Commercial Paper Holders, in regard to proof of ownership of the Commercial Papers, the appointment of proxies by registered holders of the Commercial Papers, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee or such other Person appointed by the Majority Commercial Paper Holders during the meeting.

26. Evidence Supporting the Action of the Commercial Paper Holders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Commercial Papers may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Commercial Paper Holders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Commercial Paper Holders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Commercial Paper Holders.

27. Non-Reliance

Each Commercial Paper Holder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Commercial Paper Holder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Commercial Paper Holders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.

28. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Terms and Conditions of the Commercial Papers if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Commercial Paper Holders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Commercial Paper Holders and provided further that all Commercial Paper Holders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Commercial Papers with notice to every Commercial Paper Holder following the written consent of the Majority Commercial Paper Holders (including consents obtained in connection with a tender offer or exchange offer for the Commercial Papers) or a vote of the Majority Commercial Paper Holders at a meeting called for the purpose. However, without the written consent of each Commercial Paper Holder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of the Commercial Papers outstanding that must consent to an amendment or waiver;

(b) reduce the interest / discount rate of or extend the time for payment of interest on the Commercial Papers;

(c) reduce the principal of or extend the Maturity Date of the Commercial Papers;

(d) impair the right of any Commercial Paper Holder to receive payment of principal of and interest on such Commercial Paper Holder’s Commercial Papers on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Commercial Paper Holder;

(e) reduce the amount payable upon the redemption or repurchase of the Commercial Papers under the Terms and Conditions or change the time at which the Commercial Papers may be redeemed;

(f) make the Commercial Papers payable in money other than that stated in the Commercial Papers;

(g) subordinate the Commercial Papers to any other obligation of the Issuer;

(h) release any security interest that may have been granted in favor of the Commercial Paper Holders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Commercial Paper Holders;

(j) make any change or waiver of this Condition;

(k) affect the rights of some of the Commercial Paper Holders without similarly affecting the rights of all the Commercial Paper Holders; or

(l) reduce the percentage of the Commercial Paper Holders required to be obtained under the Trust Indenture for their consent to or approval of any supplemental agreement of any waiver provided for in the Trust Indenture, without the consent of all Commercial Paper Holders.

It shall not be necessary for the consent of the Commercial Paper Holders under this condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Commercial Paper Holders in the manner provided in the paragraph entitled *Notice to the Commercial Paper Holders* in the Terms and Conditions of the Commercial Papers. Any consent given pursuant to this section shall be conclusive and binding upon all Commercial Paper Holders and upon all future holders and owners thereof or of any Commercial Papers issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Commercial Papers.

29. Governing Law

The Terms and Conditions are governed by and are construed in accordance with Philippine law.

30. Venue

Any suit, action, or proceeding against the Issuer with respect to the Commercial Papers or the Terms and Conditions or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Pasay, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Commercial Paper Holders expressly waiving other venue.

31. Waiver of Preference

The obligation created under the Terms and Conditions of the Commercial Papers shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

32. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Commercial Papers. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the Commercial Papers have the meanings ascribed to them in the Trust Indenture.

(a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.

(b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person’s properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person’s properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.

(c) **Current Liabilities** means the aggregate (as of the relevant date of calculation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long Term Debt which falls due within one (1) year (but excluding the current portion of any provision for estimated liability for land and property development) and such other liabilities as would be determined as such under the Philippine Financial Reporting Standards.

(d) **Financial Indebtedness** means with respect to the Issuer and its Subsidiaries:

(i) All financial obligations or other obligations of the Issuer and its Subsidiaries for borrowed money evidenced by a promissory note or other instrument or for the deferred purchase price of property (excluding suppliers’ credit) or services;

(ii) All financial obligations or other obligations of any other corporation, person or other entity, the payment or collection of which the Issuer and its Subsidiaries has guaranteed (except by reason of endorsement for collection in the ordinary course of business) or otherwise, including, without limitation, liability by way of agreement to purchase, to provide funds for payment, or to supply funds to such person or entity;

(iii) All financial obligations or other obligations of any other corporation, person or other entity for borrowed money evidenced by a promissory note or other instrument or for the deferred purchase price of property or services secured by (or for which the holder of such financial obligations has an existing right, contingent or otherwise to be secured) any Lien upon or in property (including without limitation, accounts receivables and contract rights) owned by the Issuer or any Subsidiary, whether or not the Issuer or any Subsidiary has assumed or become liable for the payment of such financial obligation or obligations;

(iv) All financial obligations arising from any currency swap, or interest rate swap, cap or dollar arrangement or any other derivative instrument; and

(v) Capitalized lease obligations of the Issuer and its Subsidiaries.

(e) **Lien** means any mortgage, charge, pledge, lien, security interest or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or any of its Subsidiaries' and Affiliates' obligations.

(f) **Long Term Debt** means the aggregate (as of the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of reserve for land development and deferred credits, i.e., unearned income and/or unrealized gains.

(g) **Majority Commercial Paper Holders** means the Commercial Paper Holders of more than fifty percent (50%) in principal amount, of the CP Series D then outstanding.

(h) **Subsidiary** means an entity from time to time of which a person owns directly more than 50% of the share capital or of which such person may nominate or appoint a majority of the members of the board of directors of such other body performing similar functions in such entity.

(i) **Total Liabilities** means the aggregate (as of the relevant date for calculation) of Current Liabilities and Long-Term Debt.

(j) **Total Stockholders' Equity** means the aggregate (as of the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the property, plant and equipment of the Issuer effected in compliance with the Philippine Financial Reporting Standards, and any reserve for expansion projects, less treasury stocks.

INDEPENDENT AUDITORS AND COUNSELS

LEGAL MATTERS

All legal opinion/matters in connection with the offering of the CP Series D which are subject of this Offer will be passed upon by Picazo Buyco Tan Fider& Santos for the Company and for the Sole Issue Manager, Lead Arranger and Sole Bookrunner.

Counsel does not have any shares in Company or any right, whether legally enforceable or not, to nominate persons or to subscribe for the Company's securities. None of the counsels will receive any direct or our indirect interest in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The Company's results of operations and financial position have been and will be affected by certain changes to the PFRS, which are intended to further align PFRS with the International Financial Reporting Standards.

The Audited Financial Statements of the Company as of December 31, 2019, 2018 and 2017 appearing in this Prospectus have been audited by Punongbayan & Araullo, independent auditors, as set forth in their report thereon appearing elsewhere in this Prospectus. The partner-in-charge for the year 2019 is Mr. Ramilito L. Nañola.

The Company's audit committee reviews and approves the scope of audit work of the independent auditor and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards the services rendered by the external auditor other than the audit of financial statements, the scope of and the amount for the same are subject to review and approval by the Audit Committee.

The Company's aggregate audit fees for each of the last three fiscal years for professional services rendered by the external auditor were [₱8,254,060], ₱5,364,970, and ₱4,648,000 for 2019, 2018, and 2017, respectively.

The Company's independent auditors do not provide the Company other services that are not reasonably related to the performance of the audit or review of financial statements.

There is no arrangement that experts shall receive direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

INDUSTRY AND COMPETITIVE OVERVIEW

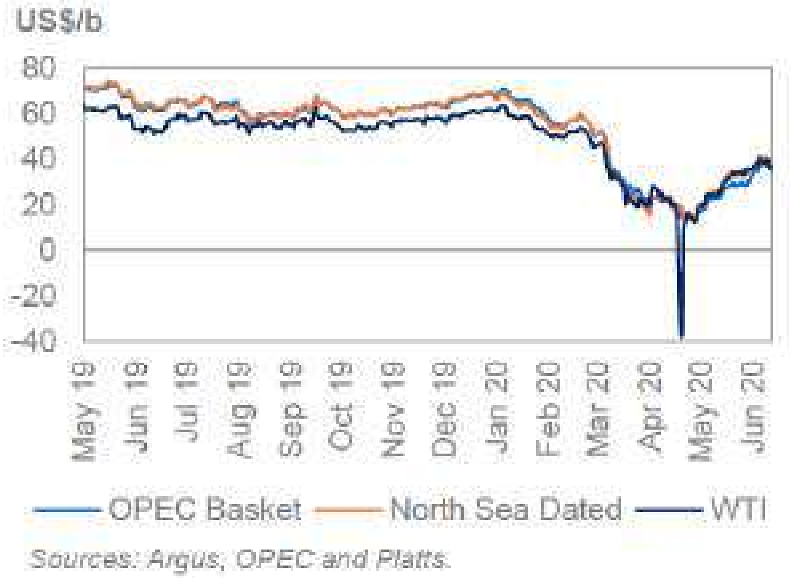
*The information and data contained in this section has been taken from publicly available sources, including the Economist Intelligence Unit, International Energy Agency and the Department of Energy (the "**DOE**"). The Company does not have any knowledge that the information provided herein is inaccurate or incomplete in any material respect. Neither the Company, the Sole Issue Manager and Lead Arranger or any of their respective affiliates or advisers has independently verified or updated the information and data or any assumptions relied upon thereon included in this section. Additional factors, which should be considered in assessing the usefulness of the market and competitive data and, in particular, the projected growth rates, are described elsewhere in this Prospectus, including those set out in the section entitled "Risk Factors".*

Global Oil Market Outlook

Global oil demand fell by 16.4 million barrels per day ("**mb/d**") year-on-year in the second quarter of 2020 as lockdowns were imposed to combat the COVID-19 pandemic. Meanwhile, global oil supply fell by 2.4 mb/d in June 2020, to a nine-year low of 86.9 mb/d due to robust compliance with the OPEC+ output deal and steep declines from other producers, according to the International Energy Agency.

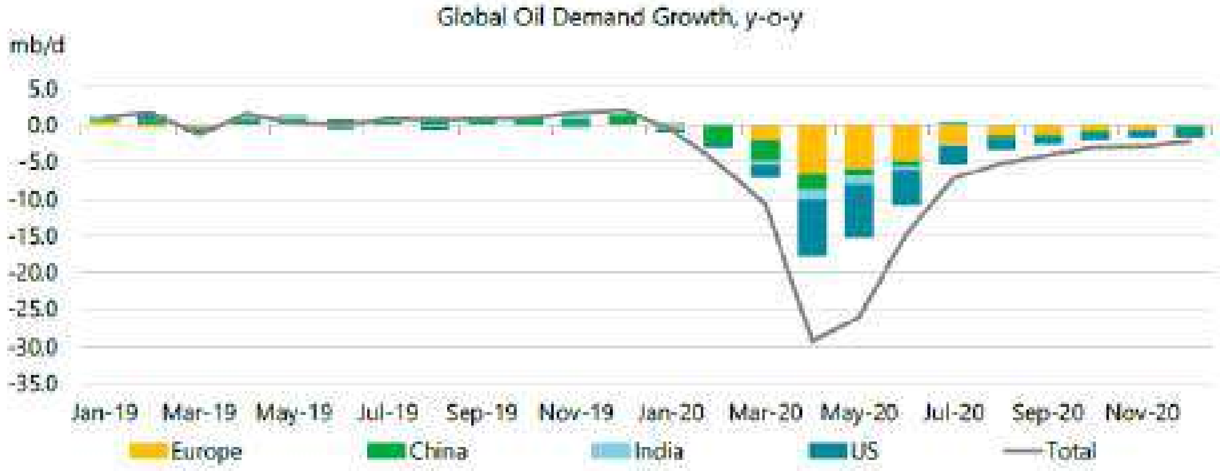
Crude prices increased in June 2020 for the second successive month. North Sea Dated prices oscillated between $38-$43/bbl, supported by tighter fundamentals but capped by the rising numbers of COVID-19 cases and economic uncertainty. By early July 2020, prices were firmly above $43/bbl. The flatter contango seen recently will encourage crude stock draws. With ample stocks, product prices lagged crude, squeezing cracks and refinery margins. Freight rates continued to ease over the month.

Crude Oil Price Movement



Global Oil Demand

Global oil demand fell by 16.4 mb/d year-on-year in the second quarter of 2020 as lockdowns were imposed to combat the COVID-19 pandemic. Demand rebounded strongly in China and India in May 2020, increasing by 0.7 mb/d and 1.1 mb/d month-on-month, respectively. World oil demand is projected to decline by 7.9 mb/d in 2020 and to recover by 5.3 mb/d in 2021. The recent increase in COVID-19 cases and the introduction of partial lockdowns introduces more uncertainty to the forecast.



Source: International Energy Agency Oil Market Report 2020

The damage done by COVID-19 to global oil demand has become wider and deeper since March 2020 as a growing number of countries have imposed strict containment measures. Following the early example of China, 187 countries and territories have implemented such containment policies. For 2020 as a whole, the International Energy Agency forecasts that global oil demand will be 90.6 mb/d, which represents a fall of 9.3 mb/d versus 2019, the largest in history. Oil consumption will have returned to its 2012 level.

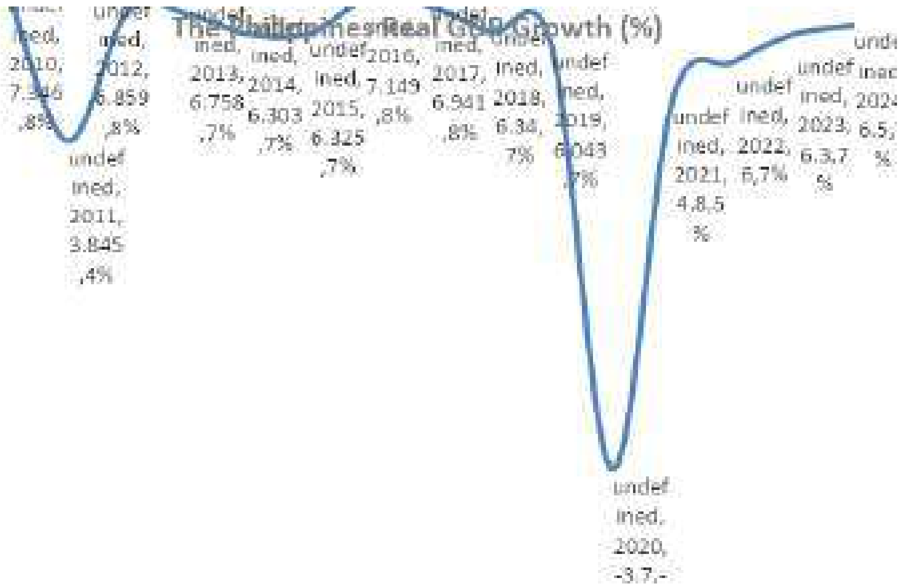
Global Oil Supply

With global oil demand falling at an astonishing rate and storage tanks filling up fast, Saudi Arabia and Russia set aside their differences and on 12 April 2020 OPEC+ producers struck an agreement unprecedented in its scale and duration. The 23 nations agreed to slash crude supply by 9.7 mb/d for May and June 2020, by 7.7 mb/d during the second half of 2020 and by 5.8 mb/d from January 2021 through April 2022.

Global oil supply fell by 2.4 mb/d in June 2020, to a nine-year low of 86.9 mb/d. Robust compliance with the OPEC+ output deal and steep declines from other producers, led by the United States and Canada, has cut world oil output by nearly 14 mb/d since April 2020. If the OPEC+ cuts stay in place as agreed, global supply could fall by 7.1 mb/d in 2020 before seeing a modest recovery of 1.7 mb/d next year.

The Philippine Macroeconomic Environment

The Philippines is one of the fastest growing economies in Southeast Asia. The Philippines continues to be a growing and emerging market in the Southeast Asia region, driven by strong and robust underlying economic fundamentals and a competitive workforce. Real GDP grew at 6.0 % in 2019, making it one of the fastest growing countries in the region. In 2020, the economy is expected to shrink by 3.7 %, owing to a deep fall in private consumption and investment spending as a result of the stringent quarantine measures and a collapse of remittances, amid the pandemic. Nonetheless, with expected increases in government spending and recovery from the pandemic, the Economist Intelligence Unit data suggests the Philippines real GDP growth will return to 4.8 % in 2021 and continue the growth afterwards.



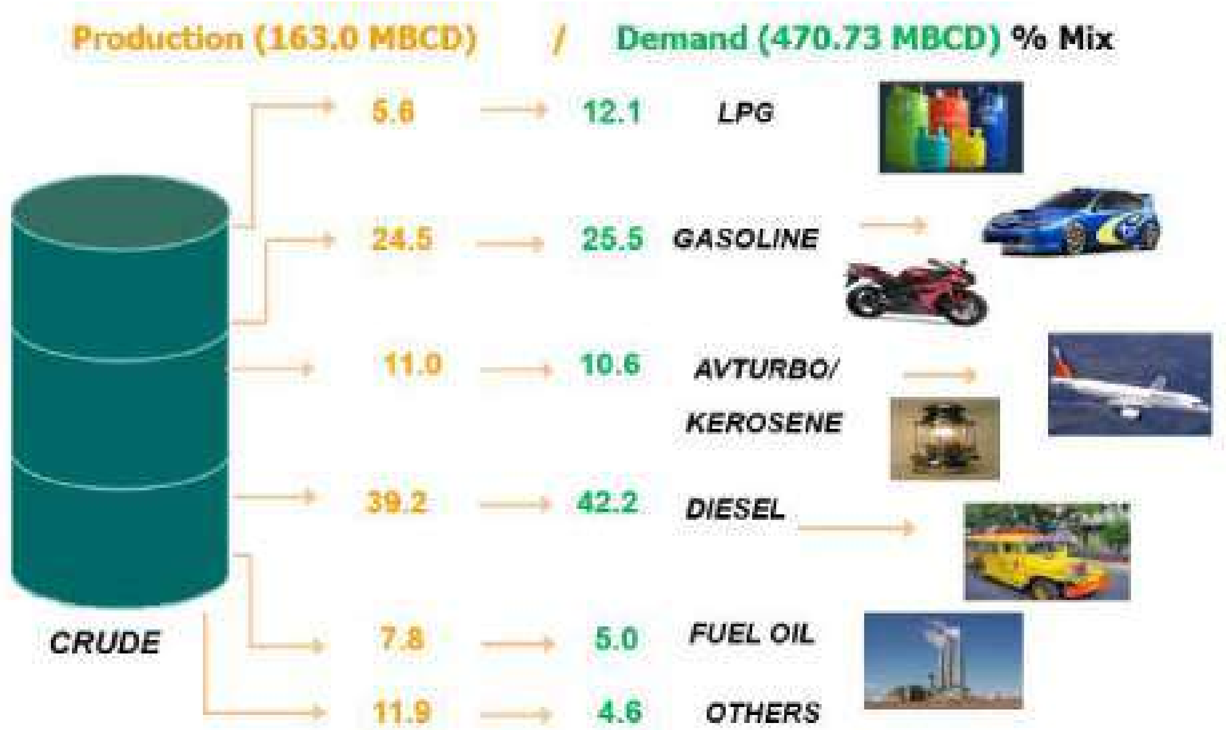
Source: Economist Intelligence Unit Country Report – the Philippines (July 2020)

Based on ENI's World Oil Review 2019, the oil consumption per capita for the Philippines remains at relatively low levels compared to several other Southeast Asian countries. According to Marketline, consumption volume of the Philippines increased with a compound annual growth rate ("**CAGR**") of 6.2 % between 2014 and 2018, to reach a total of 188.4 million barrels ("**mb**") of oil equivalent in 2018. The market's volume is expected to rise to 206.7 mb of oil equivalent by the end of 2023, representing a CAGR of 1.9 % from 2018 to 2023.This suggests that the Philippines has one of the highest growth potential in the region.

The Philippines Oil Market

The Philippines is a heavy importer of finished petroleum products and the petroleum products industries have been growing steadily since 2013.

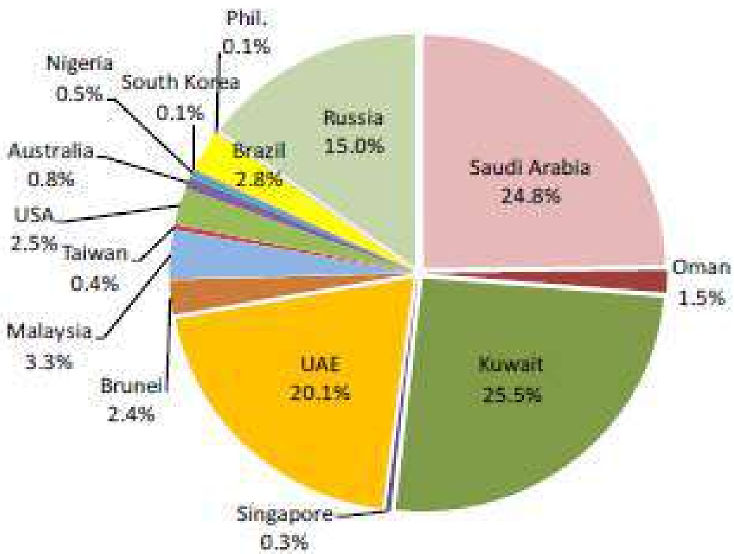
Based on data from the DOE, total demand of petroleum products in 2019 totaled 171.8 mb, an increase of 1.8 % from 168.8 mb in 2018. This can be translated to an average daily requirement of 470.7 thousand barrels compared with 462.5 thousand barrels in 2019. Product demand mix comprises of diesel oil at 42.2 %, gasoline at 25.5 %, LPG at 12.1 %, kerosene/avturbo at 10.6 %, fuel oil at 5.0 percent and other products at 4.6 % share in the total product mix.



Source: Oil Industry Management Bureau's Year-end Comprehensive Report 2019

However, with the COVID-19 pandemic, the Philippines' petrochemicals industry witnessed a contraction in the first quarter of 2020 with the value of basic chemicals output down 15.9 % while plastic production declined 3.0 % and rubber fell 5.4% The slump began well before the lockdown imposed by President Duterte in Manila due to COVID-19 and followed a period of slowdown in the sector that began in the fourth quarter of 2019. The lockdown will likely bring domestic activity to a near standstill, with a recovery through the third quarter of 2020 to be slow as containment measures are gradually eased. Manufacturers halting operations or seeing drops in new orders are reducing demand for petrochemicals products. End-market contraction will result from rising unemployment and cuts in remittances from abroad with private consumption being forecasted to contract 2.5 % in 2020.

Furthermore, the DOE reported crude oil imports in the Philippines oil market for 2019 decreased by 27.1 % from 85.8 mb in 2018 to 62.5 mb. This decrease was attributed to the emergency and successive maintenance shutdown and turnaround schedules of the two refineries in the country. This resulted in high imports of finished petroleum products to augment their supply requirements and to ensure continuous supply during the period of shutdown. The majority of the crude oil imports were sourced from the Middle East (71.9 %), of which 25.5 % came from Kuwait, 24.8 % from Saudi Arabia and 20.1 % from the United Arab Emirates. After the Middle East, Russia was the next largest source of crude oil for the Philippines, accounting for 15.0 % of imports in 2019.

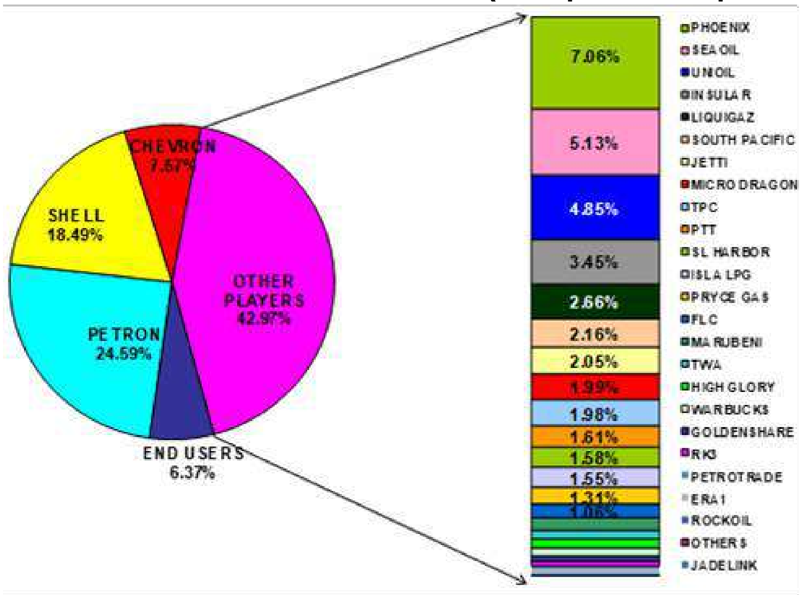


Source: Oil Industry Management Bureau's Year-end Comprehensive Report 2019

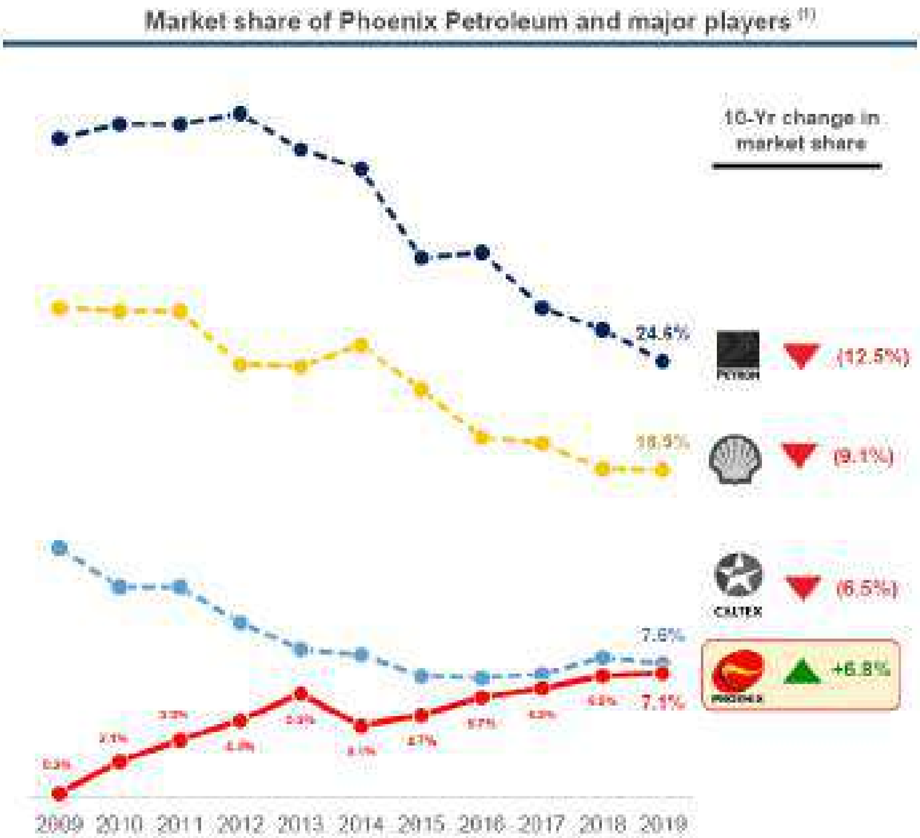
The enactment of the Oil Deregulation Law in the Philippines effectively removed the rate-setting function of the Government through what was then known as the Energy Regulatory Board, leaving the price-setting to market forces. This opened the oil industry to free competition. Although the market is still dominated by the three major players – Petron, Shell and Chevron – the industry has seen the entry of more than 200 market participants since the enactment of the Oil Deregulation Law in 1998.

The major players accounted for a combined 50.65 % of the total market share as of 31 December 2019 while Phoenix Petroleum accounted for a significant share of 7.06%

Market Share as of 31 December 2019 (total petroleum products)



Source: Oil Industry Management Bureau's Year-end Comprehensive Report 2019



Note: Based on the total market demand of petroleum products based on industry data from the DOE

Global Petrochemical Outlook

The petrochemicals industry has historically been cyclical and has usually coincided with the business cycles of global and regional economies. Changes in supply and demand and resulting utilisation levels are key factors that affect profitability. Periods of low industry profitability typically alternate with high profitability and result in periods of over-and under-investment. The long lead times for the construction of new facilities can result in capacity additions coinciding with, and subsequently exacerbating, weakening market conditions. U.S.-China trade tensions added volatility in global petrochemical markets. The effects of the ongoing issue have become visible across downstream petrochemical markets.

Furthermore, with the COVID-19 pandemic, refinery margins globally came under heavy pressure and plummeted to record lows on the back of oil product gluts amid stronger feedstock prices. The middle section of the barrel suffered the most as the manufacturing, freight and distribution systems still operate at reduced rates. Although gasoline markets showed some upside, owing to a gradual recovery in mobility as the pandemic restrictions continue to be eased, this was insufficient to prevent the hard downfall in refining economics.

Philippine Petroleum Product Outlook

The Philippines will see a temporary jolt to the petrochemicals market in 2020 with a major impact on key automotive and construction petrochemicals consuming sectors as a result of the COVID-19 pandemic. The pandemic led to a lockdown, in common with many countries, which has closed factories and therefore impacted negatively on petrochemicals consumption. Market disruption has prompted the delay in the planned expansion of the Philippines' petrochemicals capacity to later in 2020. However, capital investment in the sector will continue. This growth will be underpinned by an expected strong post-lockdown rebound in demand, although some lag in the automotive sector is expected. The market is set to bounce back strongly, albeit from a low base, and the country will be the fastest growing petrochemicals markets in Southeast Asia from 2021, according to Fitch Solutions.

Philippine Petroleum Product Imports

Petroleum product imports into the Philippines in 2019 increased by 15.3 percent from 97.6 mb in 2018 to 112.5 mb. This was due to the reduced production volume of the local refiners because of extended refinery shutdowns; thus, shifting more to importation of finished petroleum products to supplement the required supply.

The top imported product for the period was diesel oil with an increase of 27.5 percent from 38.8 mb to 38.2 mb this year. Gasoline was next with a growth of 17.1 percent. Kerosene/avturbo imports were also up by 22.8 percent. Likewise, LPG imports grew by 4.8 percent as compared to 2018. Fuel oil imports on the other hand, fell by 3.5 percent.

The other industry players import volume of 70.4 mb was 62.6 percent or majority of the total imports volume but was a decrease of 6.4 percent from last year's 75.2 mb. The oil majors (Petron, Chevron and Pilipinas Shell) accounted for the remaining 37.4 percent or 42.1 mb which marked an increase of 88.1 percent from last year's 22.4 mb.

The local refiners (Petron and Pilipinas Shell) accounted for only 26.7 percent of the total product imports, including blending stocks, and 73.3 percent share went to direct importers.
Product import mix comprised mostly of diesel oil at 44.0 percent in addition to gasoline at 19.8 percent, LPG at 14.2 percent, kerosene/ avturbo at 10.4 percent, fuel oil at 4.5 percent and other products at 7.1 percent share.

Philippine Petroleum Product Demand

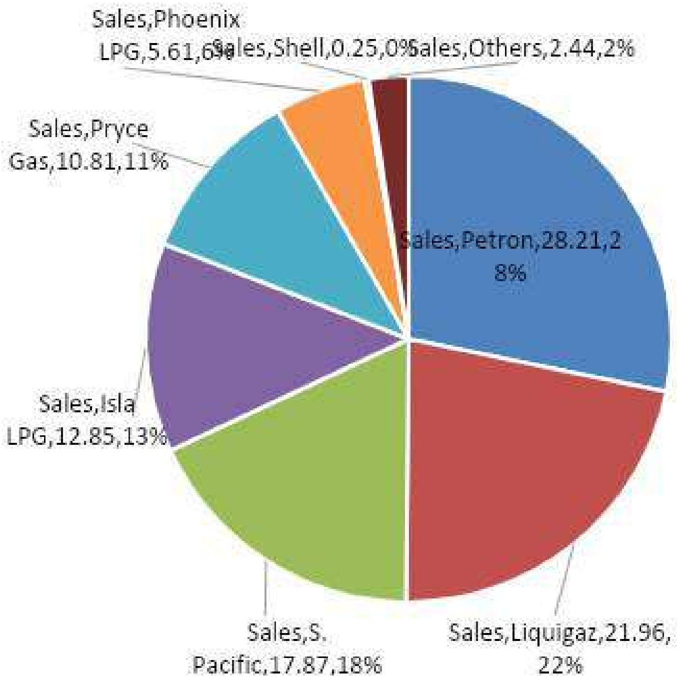
Demand for petroleum products in 2019 totaled 171.8 mb, an increase of 1.8 percent from 168.8 mb last year. This can be translated to an average daily requirement of 470.7 thousand barrels compared with last year's level of 462.5 thousand barrels. Compared with 2018 figures, gasoline and diesel oil demand increased by 8.3 and 2.9 percent, respectively. Similarly, demand for LPG and kerosene/avturbo grew by 1.4 and 1.3 percent, respectively. While, fuel oil demand dropped by 8.6 percent.

The product demand mix comprises diesel oil at 42.2 percent, gasoline at 25.5 percent, LPG at 12.1 percent, kerosene/ avturbo at 10.6 percent, fuel oil at 5.0 percent and other products at 4.6 percent share in the total product mix.

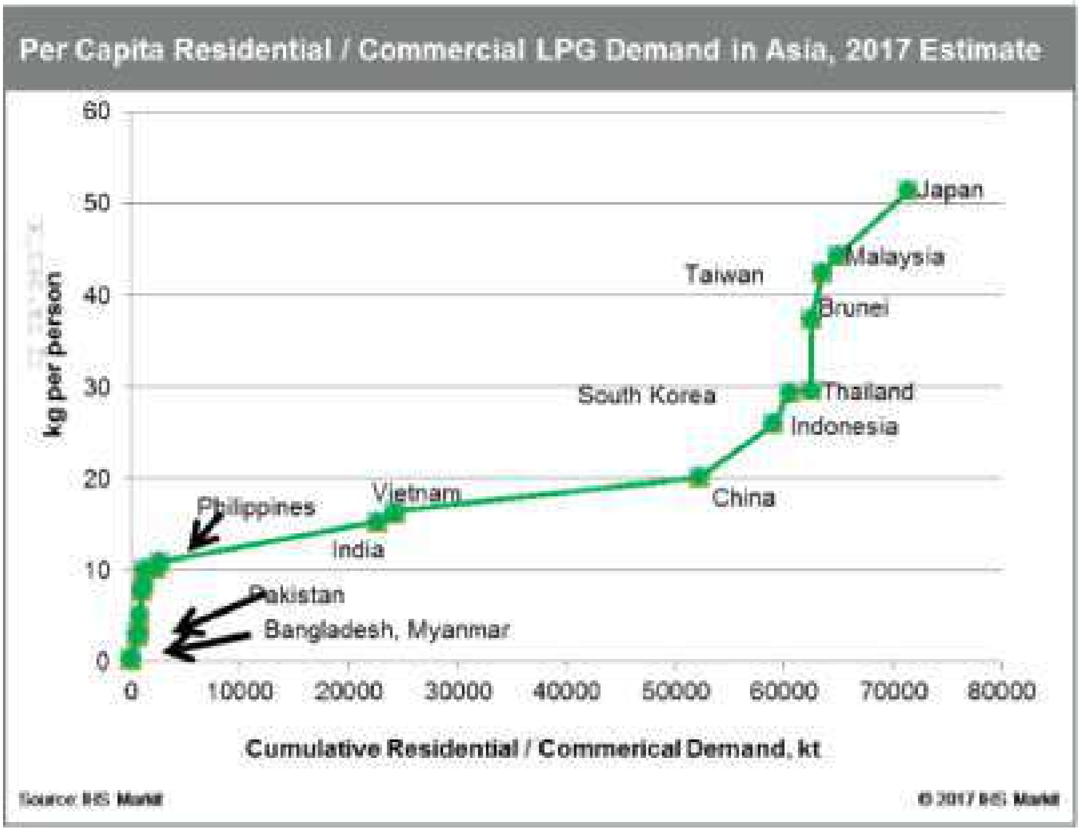
LPG

Petron continues to dominate the total LPG demand with 28.2 % of the total market share. Phoenix LPG has 5.6 % of market share, while approximately 91.8 % of market is held by top five players. Other large players include Liquigaz and South Pacific.

Market Share as of 31 December 2019 (total petroleum products)



Source: Oil Industry Management Bureau's Year-end Comprehensive Report 2019



Trends in the Industry

Tighter Fuel Specifications

The Clean Air Act was enacted in 1999 which required gasoline and automotive diesel to have lower sulfur and benzene content. The Clean Air Act was intended to address growing and looming concerns over the hazardous effects of gas emissions to both the environment and human health. Although local requirements lag behind international standards, local fuel specifications are expected to catch up and meet the stricter standards of developed countries going forward. In January 2016, the DOE implemented Euro IV fuel standard with sulfur contents reduced to 50 parts per million ("**PPM**") from its previous 500 PPM specification.

Alternative Fuels

The Biofuels Act of 2006 calls for the mandatory blending of biofuels of oil companies into their oil products to offer ethanol-blended gasoline products. The Biofuels Act also calls for incentives to biofuels producers. A 5.0% blend of ethanol is mandated for gas by 2009 and 10.0 % by 2011. For diesel products, a 1.0 % blend of biodiesel was required by 2007 and 2.0 % by 2009.

Taxi owners and operators continue to convert their units to allow the use of LPG instead of gasoline as a means to save on costs and improve their profitability. LPG pumps are slowly increasing in retail service stations of oil companies and new companies are entering the LPG retail service station industry to capture this growing market.

Another alternative fuel being considered is compressed natural gas ("**CNG**"). While Congress has passed the law providing incentives to producers and users of CNG, the necessary infrastructure has not yet been put in place. The planned "mother" and "daughter" natural gas stations of Shell, intended for use by public buses plying the route of Southern Luzon, are not yet operational.

Larger Retail Service Stations

Foreign-owned gasoline stations have put up retail stores following the liberalisation of the retail trade industry. Larger retail service stations have since then been seen more regularly with most of them being put up in strategic areas along major expressways. These retail stations would also have retail establishments where other businesses can look to lease or rent space for their own operations and expansion. Among the common tenants of these retail establishments are quick serve businesses including the likes of Jollibee, McDonalds, KFC and Starbucks, to name a few. These large retail service stations cater to retail clients who look for gasoline products, snacks and refreshments. Among the country's three main island grids, Luzon has the most number of retail outlets operated by the oil players.

Furthermore, oil companies have put up their own convenience stores alongside their retail service stations, carrying their own brand. Petron has "Treats", Shell has "Select" and Chevron has "StarMart". However, in recent years, these oil companies started to outsource the convenience stores to locators like 7/11, Mini-stop and other local brands.

Convenience stores ("**CVS**") is the fastest growing format in retail. In the Philippines, CVS grew from roughly 1,620 nationwide in 2013 to over 4,500 as of August 30, 2019, with increasing expansion in the Visayas and Mindanao regions, based on data from Nielsen. The demand for convenient options is just picking up steam. The need for convenience store retailers and manufacturers to offer more customized solutions that can go beyond product offerings by providing an overall convenience experience is more critical than ever. Innovations in packaging, preparation, portability, ordering, payment, and application technologies are some factors to consider in providing an overall convenience experience. According to Euromonitor International, convenience stores are set to continue to be amongst the most dynamic retailing channels in the Philippines in the future. Modern retailing channels have yet to penetrate deeply in the Philippines, leaving considerable room for further expansion.

DESCRIPTION OF BUSINESS

COMPANY OVERVIEW

The Company is primarily engaged in the marketing and distribution of fuels and other petroleum products to retail, commercial and industrial customers. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and Visayas. Its products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark. With a market share of 7.1% of the Philippine oil market, based on the total market demand of petroleum products based on industry data from the Philippine Department of Energy (the "**DOE**"), as of 31 December 2019, the Company is the leading independent petroleum company in the Philippines.

The Company's operations are principally divided between trading, and terminalling and hauling services. Under trading, the Company engages in the wholesale trade of petroleum products for internal purposes and to external customers, markets and distributes fuels to retail and industrial customers, and distributes fuel and other petroleum products, such as lubricants, asphalt and asphalt-related products to industrial accounts. In addition, the Company markets and distributes LPG and related products. The Company believes it is the fastest-growing retailer and distributor of fuels in the Philippines with an expanding retail platform and commercial and industrial portfolio. The Company sells its products through its nationwide network of retail service stations and has a total of 660 retail service stations as of 31 March 2020. The retail service stations are classified as company-owned-dealer-operated service stations ("**CODO**"), which account for 49.1% of the stations, dealer-owned-dealer-operated service stations ("**DODO**"), which account for 50.3% of the stations and company-owned-company operated service stations ("**COCO**"), which account for the remaining 0.6% as of 31 March 2020. For CODOs, the Company buys or leases the land and owns the retail service station structures and equipment, but each CODO service station is operated by a third-party dealer. For DODOs, a third-party dealer buys or leases the land, builds the retail service station structure according to Company specifications, leases the retail service station equipment from the Company, and operates the DODOs. For COCOs, the Company buys or leases the land, owns the retail service station structures and equipment and operates the stations. The Company's main areas of retail operations are in Luzon and Mindanao, which account for 48.8% and 37.7%, respectively, of the retail service stations established as of 31 March 2020, while its Visayas operations account for the remaining 13.5% of the network.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depots across the country, hauling and into-plane services (including the hauling of Jet A1 fuel to airports and refuelling of aircraft) in 16 airports, including Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City, Zamboanga City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu, Mactan, and Ninoy Aquino International Airport. The Company's industrial customers include air, land and sea transport companies and other industrial users. Since 2005, the Company has been providing all of Cebu Pacific's terminal, hauling and into-plane requirements for its Mindanao operations. The Company likewise services the Jet-A1 fuel requirements of Philippine Airlines and AirAsia's Philippine operations.

In addition to its trading and terminalling and hauling services, the Company provides non-fuel retail services, including convenience store retailing and digital transaction services. For the year ended 31 December 2019, the Company's revenue breakdown by major goods and service lines was 92% petroleum products (excluding LPG), 7% LPG and 1% others.

Since the commencement of its commercial operations in 2005, the Company has expanded rapidly and developed into the fourth largest oil company in the Philippines as of 31 December 2019 based on industry data from the DOE. The Company has achieved this on the back of strong compounded annual sales volume growth of approximately 38.1% since its public listing in

2007. As of 31 March 2020, the Company had a market capitalisation of ₱14,343 million, based on the Company's common share closing price of ₱10.20 on 31 March 2020, the last trading day of the said month.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the Company's total assets were ₱44,166 million, ₱64,660 million, ₱86,957 million and ₱80,695 million, respectively. For the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, the Company's total revenues were ₱44,543 million, ₱88,611 million, ₱97,823 million and ₱97,823 millionand ₱21,894 million, respectively. Net profit for the years ended 31 December 2017, 2018 and 2019 was ₱1,521 million, ₱2,767 million and ₱1,495 million, respectively. For the three months ended 31 March 2020, the Company's net loss was ₱214 million.

The Company is registered with the Board of Investments of the Philippines ("**BOI**") effective 16 November 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under the Oil Deregulation Law.

Pursuant to its registration, the Company was entitled to certain tax and non-tax incentives, including an income tax holiday for five years from 16 November 2005 to 15 November 2010, and was required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment Code of 1987.

The Company obtained additional registration approval from the BOI under the Oil Deregulation Law for its Calaca, Batangas Terminal. This entitled the Company to an income tax holiday on the revenue activities from this additional storage capacity for five years starting 26 February 2010, which expired on 25 February 2015. Another BOI registration was granted to the Davao Terminal expansion facility effective 14 May 2010, which expired on 13 May 2015. The registration of the Davao Terminal expansion facility entitled the Company to another set of incentives, including the five year income tax holiday on its Davao Terminal marketing and storage activities. The Company was also registered with the BOI on 25 November 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under the Oil Deregulation Law for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company was required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The application of the terms and conditions expired on 24 November 2015.

In 2012, the Company obtained new registration approvals from the BOI for two of its then-new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on 10 May 2012, entitling the Company to an income tax holiday for five years from registration until 9 May 2017 in addition to other fiscal and non-fiscal incentives accorded to BOI-registered entities.

In 2017, the Company also obtained new approvals with the BOI for its four new facilities. Expansions of Villanueva, Oriental Mindoro and Calaca, Batangas facilities were registered and issued certification by the BOI on 24 November 2017 and 22 December 2017, respectively, and are due to expire on 23 November 2022 and 22 December 2022, respectively. New facilities in Tayud, Cebu and Calapan, Mindoro were likewise registered and issued certification by the BOI on 9 September 2017 and 12 October 2017, respectively, and are due to expire on 9 September 2022 and 12 October 2022, respectively, each entitling the Company to an income tax holiday for five years from registration in addition to other fiscal and non-fiscal incentives accorded to BOI-registered entities.

In March and April 2019, the Company registered with the BOI its projects for the bulk marketing of petroleum products in General Santos City Oil Depot and in relation to an additional storage tank at the Calaca, Batangas Terminal, respectively. Under its registrations, the Company is entitled to an income tax holiday in respect of transactions relating to General Santos City Oil Depot and the additional storage tank at the Calaca, Batangas Terminal, as the case may be, until 14 March 2024 and 3 April 2024, respectively. In addition, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

These additional income tax holiday incentives will allow the Company to enjoy an effective income tax rate below 30.0 %. as it continuously expands its storage and obtains further incentives from the BOI.

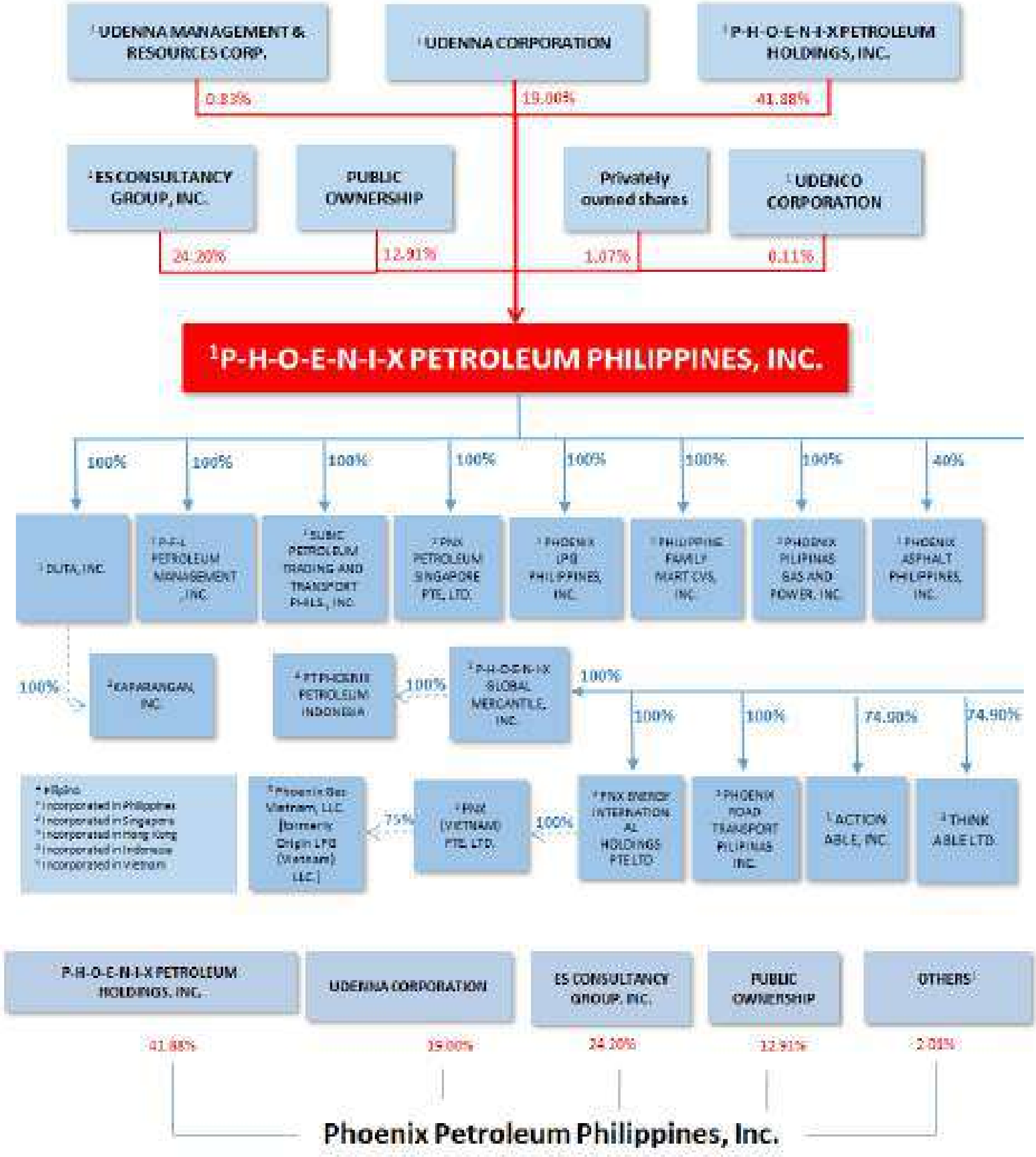
Under its registration, with respect to its transactions relating to its BOI registered investments, the Company is also entitled to certain tax and non-tax incentives. Details of these registrations are as follows:

Location of Project	Date of Registration	Period	Income Tax Holiday Expiry
Bacolod City	10 May 2012	5 years	9 May 2017
Cagayan De Oro City	10 May 2012	5 years	9 May 2017
Villanueva, Misamis Oriental	24 November 2017	5 years	24 November 2022
Tayud, Cebu City	9 September 2017	5 years	9 September 2022
Calapan, Mindoro	12 October 2017	5 years	12 October 2022
Calaca, Batangas Expansion	22 December 2017	5 years	22 December 2022
General Santos City	14 March 2019	5 years	14 March 2024
Calaca, Batangas Expansion 2	3 April 2019	5 years	3 April 2024

CORPORATE STRUCTURE

The Company is a publicly-listed company. As of 31 March 2020, the principal shareholders of the Company include P-H-O-E-N-I-X Petroleum Holdings, Inc. ("**PPHI**"), ES Consultancy Group, Inc. ("**ESGI**") and Udenna Corporation ("**UC**" and, together with PPHI and ESGI, the "**Principal Shareholders**"). As of 31 March 2020, the Principal Shareholders directly or indirectly controlled 86.02% of the outstanding share capital of the Company.

The chart below sets forth the simplified shareholding and corporate structure of the Company as of 31 March 2020:



[1] UDENCO CORPORATION; UDENNA MANAGEMENT & RESOURCES CORP.; and SHARES OWNED BY DIRECTORS AND OFFICERS

PPHI was incorporated in the Philippines on 31 May 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.

ESGI was incorporated in the Philippines on 29 December 2016. ESGI is a consulting firm primarily focused on financial strategy, capital mergers and acquisitions as well as joint ventures.

ESGI's registered office is located at the Centerpoint Building, Garnet Road, Ortigas Center, Pasig City.

UC (formerly known as Philsummit Corporation) was incorporated in the Philippines on 19 March 2002. UC's primary purpose is 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. UC's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

SUBSIDIARIES AND JOINT VENTURES

Subsidiaries

The table below sets forth the Company's direct and indirect equity interests in its primary operating subsidiaries, as of 31 March 2020, as well as their principal businesses and places of incorporation. The Company also has other marketing and trading subsidiaries and interest in realty companies to support its core business.

Name of Company	Place (Date) of Incorporation	Company's Equity Interest (as of 31 March 2020)	Principal Business
Phoenix Global Mercantile Inc. ("**PGMI**")	Philippines (2006)	100.0%	Primarily engaged in the sale of acid oil and coconut fatty acid distillates, both by-products from manufacturing of coconut methyl ester.
P-F-L Petroleum Management Inc. ("**PPMI**")	Philippines (2007)	100.0%	Primarily engaged in the organisation, management, administration, operation, supervision and marketing of various kinds of service-oriented companies such as petroleum service stations.
Subic Petroleum Trading and Transport Phils., Inc. ("**SPTT**")	Philippines (2007)	100.0%	Primarily engaged in the buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use and import of petroleum products from Singapore, Thailand and Taiwan and sells petroleum products to companies operating inside Subic Freeport Zone in Zambales.

PNX Petroleum Singapore Pte, Ltd. ("**PNX SG**")	Singapore (2012)	100.0%	Primarily engaged in the purchase of all types of petroleum products directly from refineries in the region, and the sale and distribution of petroleum products to both local and regional buyers. PNX SG has a satellite office in Hong Kong.
Phoenix LPG Philippines, Inc.	Philippines (1995)	100.0%	Primarily engaged in the buying, selling, storage, distribution and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas ("**LPG**"), LPG-related products and other petroleum products.
Duta, Inc. ("**Duta**")	Philippines (1994)	100.0%	The property holding company of Phoenix LPG Philippines.
Philippine Family Mart CVS, Inc. ("**Philippine FamilyMart**")	Philippines (2012)	100.0%	Primarily engaged in the business of operating CVS under the trademark "FamilyMart" either by direct operations and/or by franchise system in the Philippines, and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.
Action.Able, Inc. ("**AAI**")	Philippines (2015)	74.9%	Primarily engaged in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or e-commerce.
Think.Able Limited. ("**TA**")	Hong Kong (2015)	74.9%	Primarily engaged to handle the trademark of AAI.
PNX Energy International Holdings Pte Ltd. ("**PEIH**")	Singapore (2018)	100.0%	Primarily engaged in managing International investments Including expansion of related business activities and operations in the Asia Pacific region.
Phoenix Pilipinas Gas and Power, Inc.	Philippines (2019)	100.0%	Primarily engaged in selling, trading, on a wholesale basis, natural gas and LNG.

PT Phoenix Petroleum Indonesia ("**PTPPI**")	Indonesia (2018)	100.0 % *(indirect)*	Primarily engaged in distribution and import of traded goods and merchandise of oil and lubricants in Indonesia.
PNX Vietnam Pte Ltd. ("**PVPL**")	Singapore (2018)	100.0 % *(indirect)*	Primarily engaged in the wholesale of solid, liquid, gas fuels and other related products and bottling and storing of LPG in Vietnam.
Kaparangan, Inc.	Philippines (1994)	100.0 % *(indirect)*	Primarily engaged in the business of buying, investing, exchanging, selling of securities and the leasing of land.
Phoenix Gas (Vietnam) Limited Liability Company ("**PGV LLC**")	Vietnam (2006)	75.0 % *(indirect)*	Formerly known as Origin LPG (Vietnam) Limited Liability Company. Primarily engaged in wholesale of solid, liquid and gas fuels and other related products.

Joint Ventures

In January 2018, the Company entered into a joint venture agreement with TIPCO Asphalt and PhilAsphalt Development Corporation to establish Phoenix Asphalt Philippines, Inc. ("**PAPI**") in a 40-40-20% respective share structure. As of 31 March 2020, the Company continued to hold a 40.0% interest in PAPI. PAPI is primarily engaged in importing, manufacturing, marketing and distribution of asphalt and asphalt-related products in the Philippines. The first phase of the construction of the asphalt plant was completed, and commenced operations to supply asphalt products to contracts across the Philippines, in December 2019. See "*—Trading—Asphalt*."

On 25 April 2018, the Company entered into a MOU with CNOOC Gas and Power, a subsidiary of China National Offshore Oil Corporation, the largest offshore oil and gas company in China and also one of the largest independent oil and gas exploration and production companies in the world for the construction of a new integrated liquefied natural gas ("**LNG**") import and regasification terminal in Batangas (the "**LNG Facility Project**"). It is envisaged under the MOU that the Company will purchase and own (a) 40.0% of shares in Tanglawan Philippine LNG, Inc. ("**Tanglawan**") with the remaining 60.0% of shares in Tanglawan to be held by CNOOC Gas and Power and (b) 60.0% of shares in Liwanag Philippine Property Management Inc. ("**Liwanag**") with the remaining 40.0% of shares in Liwanag to be held by CNOOC Gas and Power. Both Tanglawan and Liwanag are special purpose vehicles. Tanglawan will be responsible for the construction, operation and maintenance of the LNG Facility Project while Liwanag will be responsible for the land and other permit requirements related to the LNG Facility Project. On 21 December 2018, Tanglawan secured a "notice to proceed" from the DOE which stipulated that the LNG Facility Project will be located on a plot of land leased by the Company in Bauan, Batangas. However, in November 2019, following the acquisition by Udenna Energy, an affiliate of the Company, of a 45% stake in Malampaya (a deep water gas-to-power project developed and operated by Shell Philippines Exploration B.V. on behalf of joint venture partners Chevron Malampaya LLC and Philippine National Oil Company-Exploration Corporation), Tanglawan Philippines LNG, Inc., one of the joint venture entities, made a request to the DOE that the project and the notice to proceed be suspended to allow for a strategic review of the project's gas offtake arrangement. As of the date of this Prospectus, the DOE has not provided a response to the request for the suspension of the notice to proceed. Accordingly, the Company's plans to enter into a formal joint venture with CNOOC Gas and Power have been put on hold pending the completion of the DOE's strategic review of the project.

In February 2019, PVPL acquired a 75.0% shareholding in Origin LPG (Vietnam) Limited Liability Company, which has since been renamed Phoenix Gas (Vietnam) Limited Liability Company ("**Phoenix Gas Vietnam**"), a company engaging in LPG marketing and distribution in Vietnam. PVPL acquired 51.0% of shares in Phoenix Gas Vietnam from Origin Energy Holdings Pty. Ltd ("**Origin Energy**"), an Australian utility company, and 24.0% shareholding from Cong Ty Tnhh Cong Nghiep ("**CNI**"), a local Vietnamese company specialising in the fabrication of pressurized vessels. The remaining 25.0% shareholding is retained by CNI as minority shareholder. Phoenix Gas Vietnam is a subsidiary of PVPL.

See also "*Note 1 (Group Information)*" to the 2019 Audited Financial Statements.

RECENT DEVELOPMENTS

The following are some of the significant developments involving the Company since December 31, 2019:

On January 27, 2020, the board of directors of the Company authorized the assignment and transfer of 72 CODO retail stations, worth ₱700,000,000, as part of the capital investment in PPMI as previously approved by the board on June 24. 2019. On the same date, the board of directors approved the amendment of the Company's articles of incorporation extending the corporate term of the Company from 50 years from and after the date of incorporation to perpetual existence as allowed in the Revised Corporation Code. The board of directors also approved the amendment of the Company's by-laws changing the schedule of the annual meeting of stockholders from last Friday of March every year to last Friday of April of each year.

On March 16, 2020, in compliance with the directive from the SEC to submit report on risks and impact of COVID-19 on business operations, the Company disclosed that it has implemented regular temperature checks, strict travel restrictions, quarantine and continued monitoring for anyone who exhibits flu-like symptoms or has been exposed to risks, and regular cascade of the latest updates and reminders. In light of the mobility restrictions then imposed by the government, the Company implemented flexible work arrangements and postponed all previously-arranged gatherings.

On March 23, 2020, the Company issued a press release regarding its execution of a 3-month exclusive contract with Global Business Power Corporation ("**GBP**") to supply fuel to two of GBP's power plants in Toledo City, Province of Cebu.

On April 24, 2020, the Company issued a press release regarding FamilyMart's launch of rolling stores and intended delivery service to make FamilyMart's products more accessible.

On June 2, 2020, the stockholders of the Company approved, among others, the investment of ₱4,900,000,000 of corporate funds in Duta, Inc. over the period of three (3) years. The stockholders also approved the amendments to the Company's articles of incorporation and by-laws as approved by the board on January 27, 2020.

On June 30, 2020, the Company issued a press release regarding the Company's repositioning of its portfolio towards high growth, high margin businesses as the Company diversifies its core petroleum operations. In particular, the Company said that retail will be a major force driving its business going forward. To this end, the Company said that it is building its capabilities in the retail business and planned to further expand its retail portfolio with high growth, high margin brands over time.

On July 1, 2020, the Company issued a press release regarding the completion by the Company's subsidiary, Phoenix Asphalt Philippines Inc., of the construction of the first phase of its asphalt plant in Calaca, Batangas. The press release further provided that the asphalt plant was fully operational to supply quality bitumen products to contractors in the Philippines.

COVID-19

Quarantine Measures

As part of the Government's measures to contain the COVID-19 pandemic in the Philippines, the Office of the President issued a memorandum directive to impose stringent social distancing measures in Metro Manila effective 15 March 2020. These measures included placing the island of Luzon, including Metro Manila, under enhanced community quarantine ("**ECQ**"), implementing alternative work arrangements in the executive branch and encouraging flexible work arrangements in the private sector, suspending classes and school activities and restricting travel. Under the ECQ Guidelines, only essential businesses, such as manufacturing and processing plants of basic food products, medicine, medical devices and equipment, and essential products and goods, as well as essential sectors, such as hospitals and power and water providers were allowed to operate. From 16 May 2020, the Government eased its quarantine restrictions and placed Metro Manila, Laguna and Cebu City under modified ECQ ("**MECQ**") while other provinces were placed under general community quarantine ("**GCQ**"). Under the MECQ, industries such as construction, financial services and information service activities were permitted to operate at 50% workforce capacity and only with stringent safety guidelines in place while all other industries were restricted from recommencing operations. On 1 June 2020, the MECQ was lifted in Metro Manila and Metro Manila was placed under GCQ.

Impact on the Company

The Company continues to monitor the COVID-19 situation and has been adjusting its business practices and operations in order to comply with all applicable recommendations and orders issued by the Government. For the duration of the ECQ period, the Company's offices were closed and all operations, including at its terminals and depots, were suspended. As a result of the suspension of operations and the restrictions on mobility and constrained industrial activities brought about by the quarantine measures, demand for petroleum and consumer retail products was significantly affected. In compliance with local governments' public health and safety guidelines, ~10% of the Company's retail station network were closed at the height of the ECQ.
In the first quarter of 2020, domestic fuel sales volume fell by approximately 6% year on year. While the Company experienced an increase in retail sales in anticipation of the community quarantine and lockdown measures coming into place, particularly in Metro Manila, the reduction in total sales volume was primarily led by a drop in wholesale sales as well as commercial sales, particularly to customers in the power and manufacturing sectors who were also affected by the Taal eruption in February 2020. Conversely, the Company's revenue from LPG sales increased by approximately 39% year-on-year. With the quarantine measures in place for the majority of the second quarter of 2020, the Company saw a substantial reduction in retail and commercial sales volumes as compared to pre-ECQ levels, primarily due to the slowdown in commercial road transport, marine transport and aviation industries. In addition, the Company's LPG sales, including to commercial customers such as hotels and restaurants, decreased for the quarter, as did revenues from convenience stores due to the limited operation of the Company's FamilyMart stores.

As the quarantine measures are gradually lifted across the Philippines, demand has started to recover and the Company's sales are nearing the pre-ECQ levels. However, as a result of the economic impact of the pandemic and global restrictions on marine and commercial road transport as well as on the aviation industry, the Company anticipates sales and revenue in its retail and commercial and industrial segments to experience a gradual recovery for the remainder of 2020.

The Company's terminals and depots remain operational under reduced hours with staff on rotating nine-day shifts and approximately two-thirds of the Company's other operations continue following the implementation of work-from-home arrangements. Through the efforts of the Company's Singapore trading office, PNX SG, the Company has a secure supply of fuel and LPG, resulting in a fully-operational supply chain. The delivery of supplies for the Company's commercial and retail customers continues within applicable Government and Company protocols. These protocols extend to the Company's service stations, 95% of which are operational, and FamilyMart stores, 60% of which are operational, to ensure the safety and welfare of its employees and customers. The Company's management continues to work closely with local government units, building administrators and suppliers to ensure products and services are delivered in light of the ongoing Metro Manila lockdown.

Capital Preservation

In response to the challenging market conditions, the Company has identified several priorities to preserve resources and strengthen its financial position to manage the impact of the pandemic, including optimising costs, reducing operating and capital expenditure, managing liquidity and rolling out new customer initiatives.

Cost Structure
The Company continues to pursue structural cost reductions through a range of measures, including the rationalisation of the Company's lubricants business and FamilyMart supply chains, the spin-off of the Company's road transport assets and a number of the Company's retail sites into strategic partnerships. See "*—Consolidation of Real Estate Management*" and "*—Segregation of Road Transport Operations.*"

Operating and Capital Expenditure
The Company expects to reduce its 2020 operating expenditure by ₱800 million, as compared to budget, amounting to approximately 12% reduction in operating expenditure year-on-year, primarily through marketing, advertising and travel as the Company shifts its resources from traditional channels to digital. The Company has also reduced its planned capital expenditure for nine months ended 31 December 2020 to ₱1.5 billion, a 50% reduction from the ₱3.0 billion that was initially forecast. The Company envisages that any future expansion of its retail network in 2020 will be carried out by the Company's strategic partnerships and not the Company itself, and the Company does not expect to undertake any significant capital expenditure for the remainder of the year.

Liquidity
To preserve liquidity during this period, the Company is working to adjust its cash flows to ensure the Company efficiently manages its working capital, debt servicing, and overhead requirements. In compliance with the Bayanihan Act and to support the Company's dealers, partners and customers, the Company extended credit terms to up to seven days for dealers with credit lines, up to 60 days to retail joint venture partners (from 30 to 45 days), and up to 60 to 90 days for select commercial clients (from 30 days), which has resulted in an increase in the Company's receivables and the ageing of its receivables balance. The Company is actively managing its short-term debt to match changes in its receivables by engaging with its lenders and customers. The Company also continues to undertake long-term debt arrangement activities, through bilateral term loans, bonds and hybrid equity instruments, which are integral to aligning the Company's long-term assets and funding sources. To further enhance the Company's liquidity, the Company has introduced inventory optimisation measures, such as cancelling future orders, in order to keep

inventory levels at optimal "just in time" levels to match the reduction in sales and mitigate against inventory losses, particularly following the sharp decrease in global oil prices.

Customer Initiatives

Amid concerns over the possible transmission of COVID-19 through paper bills and coins, the Company introduced contactless payment options, including Alipay, Gcash, GrabPay and WeChat Pay, at 100 of its service stations across Luzon to ensure safer transactions. The Company plans to continue rolling out contactless payment at its stations in Visayas and Mindanao. The Company has also introduced a fuel delivery service for small and medium businesses to provide a more convenient option to those in need of fuel while the quarantine measures remain in place.

Employee Safety and Wellbeing

Since the outbreak of the COVID-19 pandemic in the Philippines, the Company has proactively implemented safety and sanitary measures at its places of work and operations in accordance with the Department of Health's guidelines. These measures include regular temperature checks on the Company's premises, strict travel restrictions, the implementation of quarantine measures, and continued monitoring for any employee who exhibits flu-like symptoms or who may have been exposed to COVID-19. As a result of these measures, the Company has reported zero COVID-19 positive cases among its approximately 1,800 employees.

With the mobility restrictions imposed by the Government and the continued risk of exposure to COVID, the Company has implemented flexible work arrangements to continue business operations and maintain the availability and quality of its products and services. The Company will allow more than 70% of its workforce to work from home for the remainder of 2020, with only those employees whose roles require that they be on-site allowed to report to their respective workplace. To help cushion the negative impact of the pandemic on its employees, the Company has implemented the advance crediting of a portion of each regular employee's 13th month pay and Christmas bonus. In addition, the Company offers a connectivity allowance for employees in need of new or additional internet connections at home, and provides on-site employees with special benefits, including the provision of personal protective equipment and vitamin supplements, additional financial assistance and food subsidies.

Community Outreach

As part of its commitment to the Philippine community, the Company has allocated ₱100.0 million in support of nationwide COVID-19 relief measures through fuel and LPG donations as well as other community support activities.
As of the date of this Prospectus, the Company has donated approximately 180,000 litres of fuel to nine different organisations across the country, including local government units and non-governmental groups, to provide relief to frontline workers, including law enforcement workers, and healthcare workers and affected communities. A few examples of the Company's fuel donations include:

- to transport network vehicle service drivers, such as Grab drivers, the Department of Transportation buses, and other vehicles from the Philippine Disaster Recovery Agency's "LibrengSakay programme", which provide free transport to healthcare and other frontline workers around Metro Manila;
- to a number of GrabBayanihan vehicles that were used to deliver essential medical goods to hospitals;
- 20,000 litres of fuel to the Philippine Red Cross' MV Amazing Grace Humanitarian ship used to transport COVID-19 testing kits from Manila to other parts of the country; and

- to vehicles involved in delivering fresh produce and rice from the provinces to Metro Manila in partnership with the Company's sister company, Worklink.

In addition to the Company's fuel donations, the Company supplied LPG tanks to local government units and local agencies for use in community kitchens around the country, and the Company's convenience store chain, FamilyMart, distributed thousands of meals to frontline and healthcare workers.

Moving forward, the Company will continue to put safety as our primary concern and prioritise the safety and wellbeing of its employees and their families, its customers, its business partners, and the community through its ongoing community initiatives. However, as of the date of this Prospectus, it is difficult for the Company to assess the impact of the COVID-19 pandemic and the community quarantine measures on the Company's business, prospects, results of operation and financial position for the remainder of 2020 and onwards.

Consolidation of Real Estate Management

The Company is taking steps to consolidate its real estate management activities into Duta, a wholly-owned subsidiary, to reposition its real estate assets as an integrated and dynamic portfolio in order to maximise yield. Following the consolidation, it is envisaged that Duta will hold the strategic properties acquired by the Company in connection with its operations, including the sites of the Company's storage facilities and prime service stations, and manage the Company's leases across its retail and infrastructure network. Duta will be responsible for the inventory of owned and leased assets, the management of real estate and, in particular, leases, and the future purchase of strategic properties. In addition, Duta will be charged with identifying and implementing real estate synergies across with Company's other businesses, and co-developing with other real estate developers to achieve the properties' best use and yield. At the Company's annual stockholders' meeting in May 2020, the Company's shareholders approved the investment of up to ₱4.9 billion of corporate funds into Duta over the next three years. As of the date of this Prospectus, no fund transfers have yet been effected. However, certain changes to real estate management have been implemented, including the establishment of an internal real estate group that oversees the management of real estate information and contracts, which have resulted in improved lease recoveries for CODO service stations and increased non-fuel related business revenues.

Segregation of Road Transport Operations

At the Company's annual stockholders' meeting in May 2020, the Company's shareholders approved the creation of a road transport subsidiary for the purpose of managing, owning, investing in and operating the Company's road transport business, and approved the investment of ₱57 million of corporate funds as the initial capital of the subsidiary. The Company envisages the new road transport subsidiary forming strategic partnerships with well-established road transport operators in order to minimise the Company's exposure to the additional health, security, safety and environmental risks posed by road transport operations, as well as provide funding support for the capital expenditure required to undertake fleet expansions. Following the assignment and transfer of the Company's road transport operations to the new subsidiary, the Company expects to outsource its road transportation requirements, which will, in turn, enable it to focus on its core sales activities.

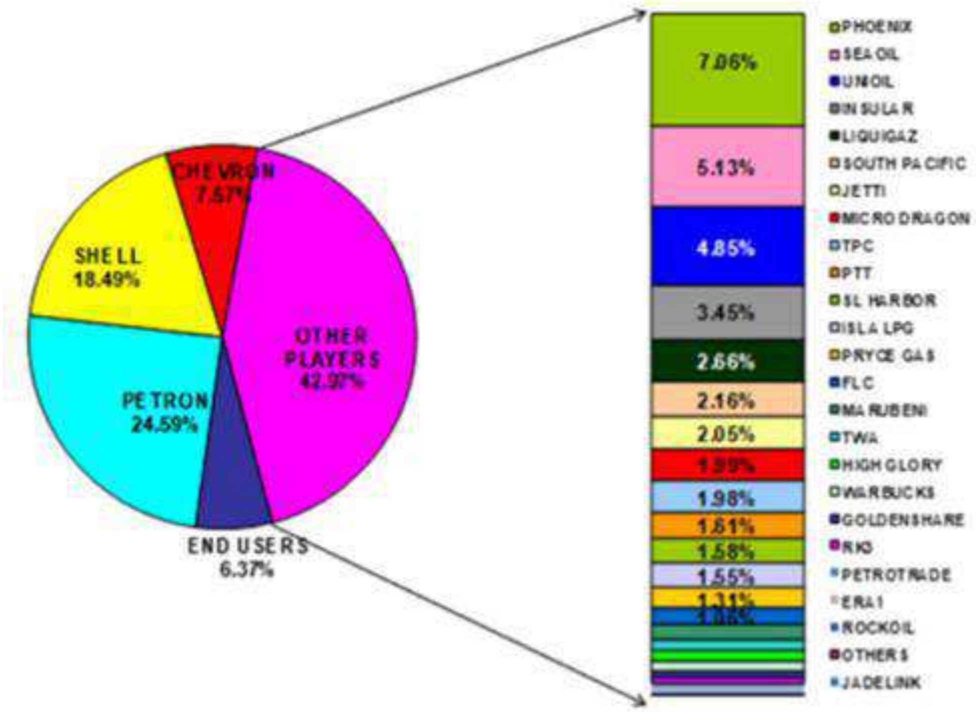
COMPETITIVE STRENGTHS

The Company's competitive strengths have made it the leading independent player and the 4th largest oil company in the Philippines[6]:

The Company believes that its principal competitive strengths which contribute to its success include the following:

Leading independent oil marketing player in the Philippines

The Company is the largest independent player in the Philippine downstream oil industry with a total market share of 7.1%[7] as of March 31, 2020. While the three largest local petroleum companies (consisting of multi-national players such as Petron, Shell and Chevron) constitute a cumulative market share of 50.7% as of the same period, their aggregate market share has been progressively deteriorating year on year (from 69.0% as of 31 December 2014, to 50.7% as of 31 December 2019) as compared to the Company's market share, which has been increasing gradually year on year (from 4.1% as of 31 December 2014, to 7.1% as of 31 December 2019). This shift in the distribution of market share has been largely due to the development and emergence of the Company as a credible alternative to major multinational competitors.



Source: Republic of the Philippines Department of Energy ("DOE ")

Note:
1. Based on the total market demand of petroleum products based on industry data from the DOE

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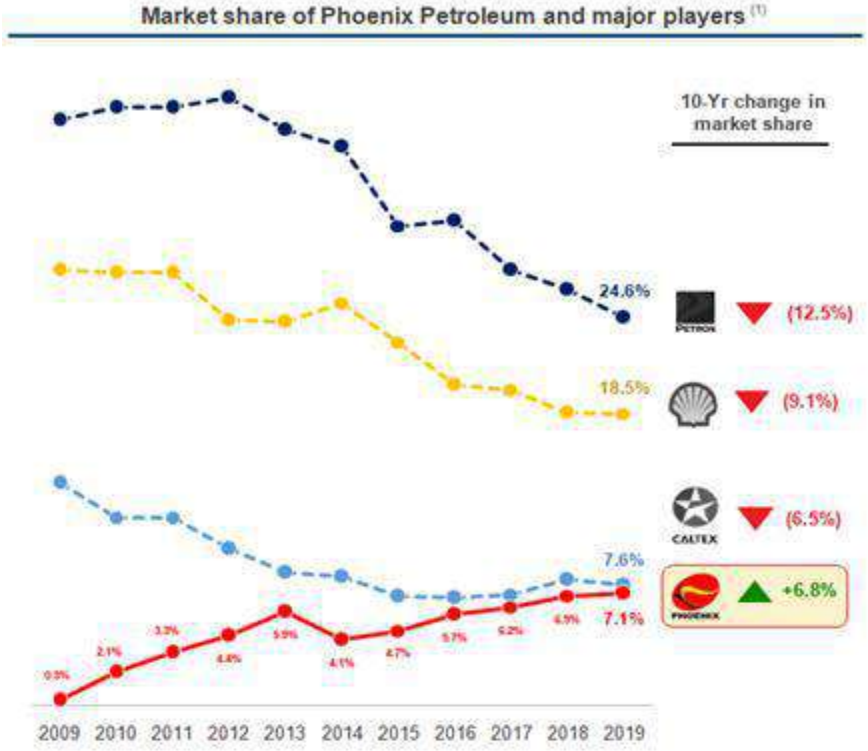
[6]As of March 31, 2020.
[7] Based on the industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.

Source: Republic of the Philippines Department of Energy ("DOE ")



Notes:
1. By Total Demand of Total Petroleum Products; as of 31 December 2019
2. Excluding Petron Corporation, Pilipinas Shell Petroleum Corp. and Chevron Philippines

The Company continues to pursue its rapid expansion of its retail service station network to capture a larger retail market share by improving the dealer and end-user experience. From 20 retail service stations in 2006, the Company has since expanded its retail service station network rapidly at a rate of approximately 50 stations per year. As of 31 March 2020, the Company had 660 retail service stations, which are distributed nationwide with approximately 48.8% in Luzon, 13.5% in Visayas, 37.7% in Mindanao, and more than 20,000 fuel and non-fuel retail touchpoints across the Company's service stations and LPG and lubricant retail outlets, FamilyMart stores and Posible retailers. As part of the Company's commitment to operational excellence, the Company continuously strives to enhance the visual manifestation of its brand. As of 31 December 2019, the Company has completed the upgraded fit-out of approximately 80% of its retail service stations. In addition, the Company has implemented the Wet Stock Management System, a robust inventory management system, across its retail service stations and has developed and rolled out the Mystery Motorist Program, which is a monitoring programme designed to ensure quality and consistency of execution across the Company's network of service stations.

Strong, diversified brand franchise

The Company has developed a strong brand recall, which is attributable, in part, to its advertising strategies aimed at accelerating its branding. Based on the 2019 Brand Health Survey conducted by Fast Forward, the Company, the "Phoenix" brand ranked third in recency and frequency of use as well as brand awareness ahead of Shell and behind Petron. The Company has invested heavily in its branding throughout the Philippines to remain top-of-mind with target retail consumers via campaigns with heavy exposure to its target market, such as operating a Philippine Basketball Association franchise, ongoing support for racing teams and events, complementary TV and radio placements, and enticing gas promotions capitalising on tie-ups with other household brands, such as the Philippine Basketball Association, Ultimate Fighting Championship, and GoHotels. In February 2018, the Company launched a nationwide marketing campaign for its upgraded fuels powered by Phoenix PULSE Technology, an innovative formulation with advanced cleaning and protection properties for enhanced power and acceleration. These activities, coupled with numerous corporate social responsibility programs focusing on health, environment and education, have resulted in, and continue to result in strong support from the Company's customers and franchisees alike, providing the Company with a strong foundation for its product sales and rapid branch expansions. The Company's openness to partnering with third parties has also resulted in innovative programs and greater outreach, which have further enhanced the strength of the Company's brand recall.

Improving business mix towards higher margin retail and LPG

As a result of its successful investments and acquisitions, the Company has shifted its business mix towards higher margin retail and LPG operations. Since 2016[D1] , the Company has altered the revenue split from its Philippine operations from approximately [42]% commercial, [33]% retail and [25]% others, to approximately 35% commercial, 28% retail, 22% others and 15% LPG for the three months ended 31 March 2020. The lower cash cycle and higher margins from the Company's retail and LPG businesses, as compared to its commercial business, has enabled the Company to improve its overall margin and reduce its cash cycle. The Company is continuing to further improve its business mix in favour of retail and LPG by gaining service station market share from its competitors through conversions of existing service stations. Since August 2018, the Company has converted a total of 131 service stations, as shown in the chart below, the majority of which are in South Luzon, and an additional 165 conversions are under discussion or in progress.

Through its conversion strategy, the Company is seeking to close the gap between the number of retail service stations it offers and the number of stations offered by the third largest player in the Philippines. The Company's aim is to attract multi-site conversions from major brands and create a growth opportunity and shared value for the Company's partners and operators. As an example, in September 2019, the Company undertook the conversion of four stations in Alabang, a major central business district in the National Capital Region with prime commercial real estate opportunities and high-end residential properties. With Alabang's highly urbanised gasoline market in which only the major oil companies are present, and the absence of any commercially viable properties available for new service stations, conversion of existing stations was the only realistic option for the Company to establish its service station offering in the area. The average volume of these stations was 10% higher than the Company's network average, thereby.

The Company's acquisition of Philippine Family Mart CVS, Inc. ("**Philippine FamilyMart**") in 2018 has also enabled the Company to build up its non-fuel revenues as lifestyle trends shift as a result of urbanisation and other societal trends, such as the increasing number of women joining the workforce, more crowded transportation, shrinking household sizes, the rise in the number of people eating out and the uptake of technology. As part of its non-fuel offering, the Company has revamped its coffee offer, resulting in a tenfold increase in the number of cups of coffee sold, and has introduced a wider range of ready-to-eat and heat meals and "take and bake" offers. The Company has leveraged the strong brand and Japanese heritage, as well as product innovation and development track record of FamilyMart, and, in order to benefit from synergies with the Udenna group, is working closely with Udenna's food group, Eight-Ate-8, to develop the food offer and use of commissaries, in addition to using the expertise of Worklink for logistics and distribution.

The Company's entry into the high growth, high margin LPG market has further enhanced the Company's margins and is expected to continue to do so as the demand for LPG in the Philippines continues to grow. The market for LPG in the Philippines is significantly underpenetrated, based on per capita residential and commercial LPG demand, when compared to other countries in Asia. As a result, demand for LPG in the Philippines is growing at approximately 7% per year, according to disclosures from the Department of Energy's Downstream Oil report, primarily driven by the need for a transition fuel as the Philippines move from conventional power sources (such as coal and diesel) to renewables, and for use as a fuel in vehicles. Following the Company's acquisition of Phoenix LPG Philippines and Phoenix Gas Vietnam, the Company believes it is well-placed to capitalise on the expected growth in the LPG market going forward.

Integrated supply chain and strategically located logistics infrastructure

Over the years, the Company has developed and established an integrated supply chain and logistics infrastructure that enables it to enhance efficiencies and cost savings. The Company employs an integrated supply chain approach allowing the Company to ensure the availability of its fuel products to its depots and terminals for onward distribution to its nationwide network of retail service stations, commercial customers and LPG outlets, and to maximise cost savings through the value chain. The Company benefits from synergies with its affiliate company, Chelsea Shipping Corporation ("**CSC**"), to enjoy seamless importation and transport nationwide through access to its 16 tankers, 16 tugboats, two floating docks, three freighters and 120 million litres of shipping capacity. The Company's operations are complemented by an integrated nationwide network of six import terminals (including one LPG import terminal), five depots, 402 million litres of fuel storage capacity and 660 retail service stations as of 31 March 2020. The Company's terminals and depots are deliberately located near ports to allow for convenience of importation shipments given the challenges relating to the Philippine archipelago.

The Company purchases its fuel products from Singapore and then taps CSC's tankers to ferry the products to the Company's various port depots. To further eliminate friction costs and outsource trading expertise to Singapore, the PNX Petroleum Singapore Pte. Ltd. ("**PNX SG**") was established as the regional trading entity of the Company in order to ensure continuous fuel supply for the Company and its subsidiaries. PNX SG procures the majority of the petroleum required by the Company and provides the Company with a platform to market its products in the ASEAN region and thereby enables the Company to increase its supply, meet larger demands and trade oil in the ASEAN region. For the years ended 31 December 2017, 2018 and 2019, PNX SG sold 81 %, 46% and 64%, respectively, of its petroleum sales volume to the Group, with the remainder sold to external customers.

Seasoned professionals from the oil and gas and retail industries

The Company is led by an experienced team of non-family professional senior managers from the oil and gas and retail industries, including managers formerly from Shell, Petron, Total, Chevron and Unioil and other multinationals and Philippine conglomerates, each with over 20 years of experience in their respective fields of expertise. In particular, the Company's founder and Chairman, Dennis A. Uy, is also the founder and Chairman of the Udenna group of companies and Chairman of 2Go Group Inc., the Company's President and Chief Executive Officer and Chief Operating Officer, Henry R. Fadullon, who joined in April 2017 after 25 years with Shell, has extensive experience in managerial roles within the oil and gas industry, including in the Philippines and internationally, and the Company's Chief Finance Officer, Ma. Concepcion F. De Claro, who joined in May 2018, has over 30 years of experience in controllership and corporate finance and previously spent 15 years with Petron, 12 years with PNOC EDC and two years with PNOC.

The Company currently operates with a lean and dynamic organisation, which enables faster decision-making and a reduced response time and allows the Company to act quickly on acquisition opportunities as well as dynamic pricing adjustments. In addition, the Company has a team of employees skilled in managing various aspects of its business, including a focused sales and marketing team and a group that has an average of 20 years of experience in retail service station engineering and construction, among other things. Over the years, the Company has professionalised the management in its organisation to enhance efficiency and cost savings and the Company remains committed to the development of its employees by adopting ongoing training and development programs to ensure the Company's operations are run by well-equipped and capable employees. The Company believes that its strong managerial skills and execution capability of its management team will enable the Company to continue to improve the efficiency of its operations and customer satisfaction across the industries in which the Company operates, as well as the quality of its product and services offerings.

BUSINESS STRATEGY

The Company continues to expand in other areas by building on its existing business model and by improving the alignment of its frontline revenue units with the logistics and other support areas of the organization. The Company is cognizant of the need to enhance further its profit-oriented and cost-effective approach and maintains a highly responsive organization. Its strategy focuses on the following elements:

Enhancing the "Phoenix" Brand

In an industry dominated for decades by strong multinational brands, the Company remains focused and will continue to strengthen its brand recall among consumers as the brand of choice of motorists and commercial users. The Company will continue to pursue and build its brand through major marketing activities, such as mass and digital media placements, endorsements, participation in trade expositions, and sponsorship of, and participation, in major sporting events that appeal to the target market. Having reaped the benefits of an aggressive advertising strategy, the Company will continue to invest in its advertising expenditure and marketing budget to build its brand equity that complements its investments in retail and logistics infrastructure and continue to strengthen the offer and delivery execution to consumers.

Increase market share in the downstream oil markets in the Philippines

The Company intends to leverage on its position as one of the leading oil players in the Philippines and its extensive retail and distribution network in the Philippines to maximise its revenue and margin potential. The Company believes that the downstream oil market in the Philippines is still underserved and has strong potential for growth. To capture this growth and further enhance its market position, the Company will embark on:

(i) increasing its retail service stations across the Philippines to improve market penetration and increase its rate of growth relative to other industry players;
(ii) diversifying its petroleum portfolio and tapping underserved markets, such as LPG;
(iii) strengthening its aviation trading and service segment; and
(iv) leveraging on technology through digitization and other innovations and enhancing the Company's online capabilities to drive volume and efficiencies.

The Company believes these initiatives will support the Company's growing retail, gas, and industrial and commercial business and enable it to further expand its market share in the downstream oil markets in the Philippines.

Improve operational efficiency and profitability and increase market outreach

The Company strives to undertake a number of strategic initiatives aimed at improving operational efficiency and profitability and increasing market outreach as follows:

(i) *Pursuing a strategic partnership model*: As part of the Company's initiative to reduce its capital expenditure alongside its expanded growth strategy, the Company aims to complement its existing CODO, DODO and COCO models of retail service stations through strategic partnerships with joint venture partners, with the Company retaining control of such joint ventures albeit with less capital commitment than would otherwise be required in the CODO, DODO and COCO models.

(ii) *Expansion of the Company's integrated supply network*: The Company continues to make strategic investments in storage, transportation and distribution facilities to support its retail network expansion programme, broaden its commercial customer base and reduce operational costs. Regional storage facilities will be required where the scale of the prospective retail network growth justifies the investment. Depots pay for themselves in terms of, among other things, savings in freight and handling costs, better aggregation of bulk fuel procurements, and faster response time (and incremental profit margin opportunities) to upswings in trade area demand, especially for wholesale and commercial customers. The Company will continue to maintain an aggressive position in respect of the expansion, improvement and enhancement of its strategic depot facilities and the growth of its transport and logistics network, which the Company believes are crucial to achieving operational efficiencies while increasing petroleum sales volumes.

(iii) *Driving synergies and collaboration across Phoenix and Udenna group companies:* With an extensive platform that includes Phoenix service stations, FamilyMart, Posible, and Phoenix Super LPG catering to retail/B2C customers as well as fuels, lubricants, asphalt, and LPG for commercial or B2B customers, the Company can maximize upselling and cross-selling opportunities. In addition to shipping for its fuels business, the Company can leverage on the other companies under the Udenna group such as the supply chain capabilities of Worklink and the culinary expertise of both Enderun Colleges and Conti's to support FamilyMart's pivot to food strategy.

Focus on higher margin business

The Company continues to reposition its portfolio towards high growth, high margin businesses, such as retail and LPG, as it diversifies its core petroleum operations. From a commercial and industrial-driven base, the Company today generates approximately 45% of its domestic sales from retail fuels and LPG, as well as convenience retailing and payments, and the Company expects its retail operations to be a key component of its business going forward. The Company is focused on adapting its core business to evolving customer preferences and changes and disruptions in the retail market in order to capitalise on the profitability of the retail segment. The Company is also leveraging on its multi-format network of retail offers to drive synergies and unlock value across its portfolio. Through the Company's digital initiatives, such as the introduction of contactless payments and the Company's digital mobile application, Limitless, the Company aims to complement its existing retail offering to further expand its operations in this segment as the country and the economy begins to recover from the impact of the pandemic. In addition to building out its retail capabilities, the Company is also concentrating on exploring the application of emerging gasses, such as LPG, in order to increase its sales of LPG and gain a greater share of the domestic LPG market. As compared to its regional peers, per capita demand for LPG in the Philippines is significantly lagging resulting in an underpenetrated market for LPG. Following the Company's acquisition of Phoenix LPG Philippines in 2017, the Company intends to continue to expand its LPG operations and offerings to accommodate the increasing demand for LPG in the Philippines as a result of urbanisation and the higher purchasing power of Filipino households.

Build a sustainable growth model

After a period of rapid expansion through aggressive capital expenditure plans, a key area of focus for the Company is achieving working capital efficiency in order to aid in successfully deleveraging its business moving forward. The Company is principally focused on pursuing financial and cost discipline through a range of cost initiatives intended to simplify the Company's operations and enhance productivity to ensure long-term sustainable growth. These initiatives include: the consolidation of the ownership of real estate assets under the Company's wholly-owned subsidiary, Duta, Inc. ("**Duta**"), which is expected to increase visibility and accountability in property management and provide cost savings on leases and operating expenditure; the spin-off of the Company's road transport assets to reduce the Company's exposure to certain health, safety, employment and environmental risks specific to this business; the rationalisation of the Company's lubricants business supply chain to reduce the Company's exposure to foreign exchange and oil prices, release working capital and reduce operating costs; and the rationalisation of the FamilyMart supply chain to reduce operating expenses such as warehouse and labour costs. To support the Company's sustainable growth model, the Company is taking measures to enhance the quality of its cash flow generation through effective working capital management. These measures include shortening the cash cycle by reducing receivable days through the adoption of more aggressive collection practices and the offering of early payment discounts to certain customers, and by lowering inventory days by maintaining "just in time" inventory levels of approximately 30 to 35 days. In addition, the Company is working to strengthen its balance sheet further by raising additional long-term financing in the form of bilateral term loans, preferred equity or bonds.

By leveraging on its existing assets and utilizing such assets in business and strategic investments, the Company will be able to lock in ratable retail volumes as well as capture both supply and retail/marketing margins. This includes retail's JV/ strategic partnership model of expansion.

In the case of the Company's investments in JVs/ strategic partnerships, there are no further capital infusions after the initial equity investment. The JVs are supposed to fund their own operations and carry out their respective capex plans. Hence, for the first few years, cash flows are plowed back into the JV companies. Significant cash flows from these investments are expected in the next 2-3 years with the increasing dividends, on top of the supply and marketing margins.

BUSINESS

The Company's two main business segments are trading petroleum and other chemical products to retail, commercial and industrial customers, and the terminalling and hauling services. The Company offers a comprehensive range of refined petroleum products, lubricants and other chemical products under the *PHOENIX Fuels Life™* brand name. The major markets in the petroleum industry include retail, industrial, LPG and lubricant trades. The Company sells its products to both commercial and industrial end-users and through a network of retail service stations, LPG dealerships and other retail outlets. The Company also supplies jet fuel at key airports to international and domestic carriers. Through its subsidiaries, the Company has expanded into retailing its fuel products and complementary non-fuel retail businesses, such as convenience store retailing and digital transaction services.

Terminalling is a complementary service that involves the storage of these petroleum products, which consist mainly of gasoline, diesel and other petrochemical products. Hauling, likewise a support service, entails the transport and provision of fuel to Phoenix's industrial customers.

In addition to its two main business segments, the Company is also engaged in the business of convenience retailing following its acquisition of Philippine FamilyMart in January 2018 and in the business of e-commerce payments following its recent acquisitions of AAI and TA in May 2018. Each of these businesses of convenience retailing and e-commerce payments serve to complete the Company's existing two main business segments and have significant growth potential which the Company seeks to capitalise on.

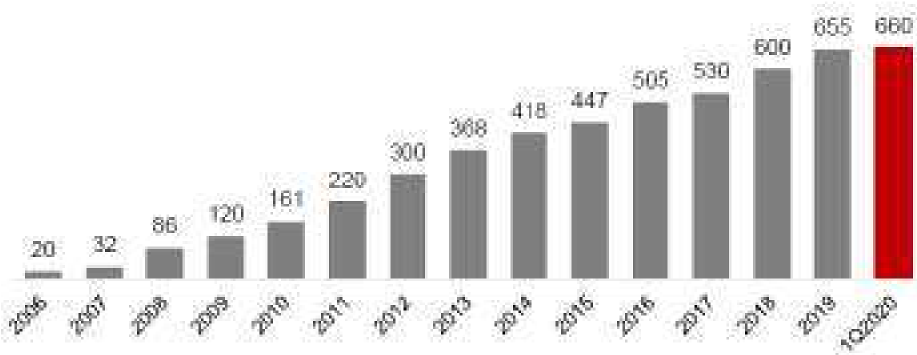
TRADING

For the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, the Company's sales revenue from its trading and distribution of petroleum products was ₱44,149 million, ₱87,059 million, ₱96,759 million and ₱21,615 million , respectively. Retail volume (station sales) increased by 5% from 31 December 2017 to 31 December 2018 and increased by 20% from 31 December 2018 to 31 December 2019, in each case due to a growth in both station network and same store sales.

Retail Trading

The Company's products are sold through its network of retail service stations. Since commencing operations as Phoenix Petroleum, the Company has significantly increased its service station count across the Philippines, expanding from 20 retail service stations in 2006, to 660 retail service stations as of 31 March 2020, representing approximately 7% of the country's total service station count of 9,381, according to the DOE.

Number of Stations



The Company sold [532] million, [567] million and 769 million litres of fuel in the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, respectively.

Most of the Company's retail service stations are located in Luzon, where demand is highest. The table below shows the regional breakdown of the Company's retail service stations as of 31 December 2017, 2018 and 2019 and 31 March 2020:

Region	As of 31 December						As of 31 March	
	2017		2018		2019		2020	
		%.		%.		%.		%.
Luzon	250	47.0	289	48.2	319	48.7	322	48.8
Visayas	65	12.0	83	13.8	89	13.6	89	13.5

Mindanao	215	41.0	228	38.0	247	37.7	249	37.7
Total	**530**	**100.0**	**600**	**100.0**	**655**	**100.0**	**660**	**100.0**

The Company employs three types of retail service station operating structures in the Philippines, namely CODO, DODO and COCO. In a CODO retail service station, the Company provides and establishes the station itself including the site and the equipment (storage tanks, dispensing pumps, pylon, signage and other equipment necessary to run the retail service station) and supply of petroleum products but third party dealers operate the CODOs. CODO retail service stations are normally established in locations where the Company sees the need to construct larger retail stations based on local market evaluation, wherein existing dealers cannot afford the initial outlay for construction. The current standard CODO dealership agreements generally have a term of five years, renewable for another five years. In a DODO retail service station, the third party dealer provides the site and builds the required civil structures based on the Company's site selection criteria and station design standards and operates the DODOs. All necessary equipment and supply of petroleum products are provided by the Company. The terms of the DODO dealership agreements vary, but are usually between five to 10 years. In both classifications, the Company is paid a franchise fee. For COCO retail service stations, the Company buys or leases the land, owns the retail service station structures and equipment and operates the stations.

The table below sets out the breakdown in the Company's retail service stations between the CODO, DODO and COCO classifications:

Classification	**As of 31 December**						**As of 31 March**	
	2017		**2018**		**2019**		**2020**	
		%.		%.		%.		%.
CODO	279	53.0	292	48.7	322	49.2	324	49.1
DODO	251	47.0	308	51.3	329	50.2	332	50.3
COCO	—	—	5	0.8	4	0.6	4	0.6
Total	**530**	**100.0**	**600**	**100.0**	**655**	**100.0**	**660**	**100.0**

To improve traffic in the Company's retail service stations and increase potential revenues of the Company's non-fuel business, the Company has introduced the concept of a "one-stop shop type station", establishing convenience stores, leasing space to quick-serve restaurants (such as Jollibee, Chowking, McDonalds and Shakey's) and other consumer service shops, and providing car care services through Autoworx in strategic service stations nationwide to enhance the end-user experience for motorists. The convenience stores are under the franchise "FamilyMart" name and system and serve to complement the retail operations of the Company and support the Company's existing dealer network by enhancing the retail station outfits and overall end-user experience. For more information on the Company's convenience stores retailing, please see "*Scope of Business – Convenience Stores Retailing*".

The Company continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of 31 March

2020, the Company had installed POS terminals in the majority of its retail service stations in the Philippines. In addition, amid concerns over the possible transmission of COVID-19 through paper bills and coins, the Company introduced contactless payment options, including Alipay, Gcash, GrabPay and WeChat Pay, at 100 of its service stations across Luzon to ensure safer transactions. The Company plans to continue rolling out contactless payment at its stations in Visayas and Mindanao.

Retail Franchising and Dealership Agreements

The Company offers franchising options, through dealership agreements, that provide accredited partners the right to operate the Company's retail service stations and the benefit to use the Company's retail operations and management system. When setting up new retail service stations, the Company requires a total operating area of at least 800 to 1,000 square meters, depending on economic sense, inclusive of a 30-meter frontage. These stations should likewise be located along highways or main thoroughfares to maximise healthy foot traffic and revenue potential. Generating the most volume-driven profit is the main focus of the area selection process to ensure that potential dealers are given enough incentive to invest. Potential dealers have to undergo a similarly stringent assessment process by the Company and viable partners are selected based on their financial capability, business acumen, and character. The Company selects its dealers by forming a dealership selection panel that is composed of representatives from various departments of the Company such as the sales department, the legal department and the finance department. The stringent assessment process serves to safeguard the sustainability of the Company's growth plans of approximately 50 stations on an annual basis over the next five years.

In support of its franchisees, the Company provides comprehensive assistance to its business partners. Prior to commencement of operation, the Company provides its business partners site evaluation assistance and station lay-out assistance and general pre-opening and start-up assistance. As part of its operational support, the Company provides and installs the retail service station equipment (including storage tanks, dispensing pumps, pylon signage and other equipment), technical training for the relevant staff, continuous research and product development and continuous visits, guidance and business evaluation support. In terms of sales and marketing, support by the Company is provided through the use of the "Phoenix" brand, system and design, sales territory protection and local marketing and promotion assistance.

The pertinent terms of the dealership agreements entered into between the Company and its dealers are as follows:

Term	The current standard dealership agreements are effective for a period of five years, renewable for another five years at the option of the Company.
Scope	In consideration of the compliance by the dealer with the requirements of the dealership agreement, the Company grants to the dealer the right to operate a retail service station and use the equipment and the Phoenix System developed by the Company. The Company provides and installs storage tanks, dispensing pumps, pylon signage and other equipment to operate the system which will be its equity, among others, while the dealership agreement is in force.
Training and Assistance	The Company makes familiarisation training courses available to the dealer and its employees. In addition, for the first 10 days of the first month of operation of the dealer's facility, the Company assigns one of its representatives to the facility, at the Company's expense, to assist the

	dealer in facilitating the opening of the retail service station. During this period, such representative will also assist the dealer in establishing and standardising procedures and techniques essential to the operation of the station and shall assist in training personnel. The dealer may be required to attend refresher or training sessions and dealership meetings with the Company at such duration and frequency as the Company may determine.
Operations Manual	During the term of the dealership agreement, the Company loans to the dealer a copy of the operations manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Company for the operation of the retail service stations and information relative to other obligations of the dealer under the dealership agreement and the operation of its facility.
Advertising and Promotions	The dealer is required to fully participate in all marketing, sales promotion, advertising and other incentive programs suggested, allowed and may be initiated by the Company for its retail stations. The dealer shall pay the Company an annual advertising and promotions fee. All advertising and promotion programs of the dealer for the station over and above programs and activities of the Company shall be subject to the Company's approval, and the dealer shall have no right to use any Company identification or advertising without the Company's consent.
Standards of Quality and Performance	The dealer agrees to purchase petroleum products only from the Company and sell only petroleum products from the gasoline retail station. The dealer further agrees that should the dealer purchase petroleum products from any other source, the dealer is liable to pay a fine of ₱1.0 million per delivery from unauthorised suppliers. The retail service station shall at all times be under the direct, on-premises supervision of the dealer and the dealer shall spend at least four hours daily in the station and, during the dealer's absence, be represented by a trained and competent employee acting as supervisor.
Defaults and Termination	The dealership agreement shall, at the option of the Company, terminate automatically upon delivery of notice to the dealer, if the dealer fails to meet Company standards on sales, safety, customer service, payments and standard operating, financial and legal requirements as outlined in the dealership agreements and operating manual.

Commercial and Industrial Trading

The Company is the second largest fuel supplier to the Philippine industrial sector based on internal estimates of the Company. As of 31 March 2020, commercial and industrial clients account for approximately 33% of the Company's total sales with retail clients accounting for the remaining 30% of total sales. The Company presently services the fuel requirements of a large base of major customers across various industries in the Philippines. These include the air, land and sea transport sectors (Cebu Pacific, Cebgo, Philippine Airlines, JAC Liner, Chelsea Shipping, Trans-Asia Shipping), banana and pineapple plantations (Del Monte Philippines, Sumifru Philippines Corp. and Lapanday Group of Companies), mining companies (Adnama Mining, Carrascal Mining, and Nickel Asia), the power sector (Davao Light, Napocor, Aboitiz Power, Cebu Private Power Corporation, East Asia Utilities Corporation, and Western Mindanao Power

Corporation), the manufacturing sector (Steel Asia, Century Pacific) and the construction and property sectors (Ulticon Builders, Robinsons Land). The products are usually delivered to the respective areas of operations of the client. However, for high-volume accounts, the Company sets up its own pump station within the clients' area of operations. As of 31 March 2020, the Company had more than [471] direct industrial account customers.

LPG, Lubricants, Specialities and Petrochemicals

The Company entered the fast-growing market for LPG in the Philippines following its acquisition of Petronas Energy Philippines, Inc. in August 2017 and has provided a platform to diversify the Company's business and also underlined the Company's environmental responsibility for providing an affordable, green and highly efficient energy source. The Company markets and distributes LPG and related products through its direct and indirect subsidiaries Phoenix LPG Philippines and Phoenix Gas Vietnam, respectively. The Company is one of the leading LPG providers in the Philippines LPG market in terms of market share which the Company estimates to be approximately 4.79% as of 30 June 2018 based on the total market demand for LPG products based on industry data from the DOE. In the year ended 31 December 2019, the Company signed up 85 LPG dealers and opened 290 SUPER Hubs, which are integrated LPG retail outlets offering pickup and delivery of cylinders, free product installation and handling assistance to clients, and ancillary products and services. As of 31 March 2020, the Company had 679 LPG dealers and SUPER Hubs nationwide.

The Company currently markets its Phoenix Super LPG in 11-kg (in both compact-valve and pol-valve), 22-kg, and 50-kg cylinders as well as in bulk tanks for household, commercial, industrial and agricultural use through outlets, dealers and direct accounts. From the Company's LPG owned and leased refilling plants, cylinders are refilled and distributed to dealers, commercial, and industrial accounts. Bulk tanks are delivered straight to industrial customers from the refilling plants.

Since the Company's acquisition of the LPG business in August 2017, LPG sales volumes have rapidly expanded, particularly in the high-income and more urbanised area of Luzon, which saw an approximately six fold increase in sales volumes, while sales volumes in Visayas and Mindanao grew by a CAGR of 15%.

While the Company's current network for the sale of its LPG products is primarily in Mindanao and Visayas, the Company remains committed to significantly growing its sale of its LPG product in Luzon, which is the largest market for LPG within the Philippines, with approximately 80% of the LPG market being concentrated in Luzon and the remaining approximately 20% in Visayas and Mindanao.

In December 2019, the Company's wholly-owned subsidiary, Phoenix Pilipinas Gas and Power Inc. entered into an agreement with U.S.-based Mesa Natural Gas Solutions LLC to provide compact, mobile and customisable generator sets to local industrial and commercial businesses. These generator sets can run on a range of gas variants, such as LNG and LPG. LPG, which will act as the initial transition fuel while the availability of LNG is still being developed, is expected to be supplied by Phoenix LPG Philippines. The Company expects to begin the pilot operations for this partnership in August 2020.

In December 2019, the Company also partnered with Hong Kong-based Clean Vehicle Solutions Limited in the automatic LPG conversion of over 200 vehicles operating in Iloilo City and nearby provinces under GDR Taxi, which has one of the largest fleets in the Visayas region.

The Company has a comprehensive, high-standard product line of lubricants for automatic and industrial use that enhance engine protection, spend and power. Lubricants are sold to businesses and available in all the Company's retail service stations nationwide and further marketed through a network of appointed distribution business partners in the Philippines to various industry segments namely automobile and motorcycle workshops and in hardware and retail stores.

Asphalt

As part of the Company's growth, diversification and addition of complementary industries to its existing core businesses of fuel trading, in January 2018, the Company entered into a joint venture agreement with TIPCO Asphalt, the leading manufacturer and distributor of asphalt products in Asia Pacific, and PhilAsphalt Development Corporation. This joint venture has enabled the Company to enter into the asphalt industry and further diversify its product offering. Through PAPI, the Company is engaged in the manufacture, operation, marketing and distribution of asphalt and asphalt-related products in the Philippines. The first phase of the construction of the asphalt plant was completed, and commenced operations supplying asphalt products to contracts across the Philippines, in December 2019. The plant, which is located in the Calaca Industrial Seaport in Batangas, serves as a storage facility featuring two vertical storage tanks that can accommodate 6,200 metric tons of bitumen asphalt 60/70, used in the construction of roads. The plant also has a loading gantry equipped with two loading bays with a weighbridge capacity of 80 metric tons, a 2.5 million kilocalorie-capacity hot oil unit, a back-up generator with 350 kilovolt-ampere capacity, a central fire station, a material recovery facility, a technology showroom, an asphalt laboratory, a road transport and dispatch room, and an administrative office. The second phase of the plant's construction, including polymer modified bitumen and emulsion facilities for the manufacture of high-performance asphalt products for major infrastructure projects, such as roadways, toll ways and runways, is expected to commence in 2021.

The Company believes that its entry into this business segment comes at a time when macroeconomic conditions in the Philippines are seen as favourable for construction and infrastructure projects where it is expected that demand for asphalt products and road building and paving materials will grow from new private developments as well as from new public initiatives. The inclusion of asphalt as part of the Company's portfolio complements and completes the Company's range of petroleum-related product offerings.

Loyalty Programs

The Company actively pursues initiatives to improve customer service, promote customer loyalty and complement its retail business. On 26 April 2018, the Company launched the Phoenix RCBC Bankard Mastercard, a lifestyle credit card which offers exclusive benefits for motorists and points for rewards. Customers receive fuel rebates and discounts on Phoenix gasoline and diesel engine oils at participating Phoenix Fuel Stations nationwide, and towing and roadside assistance among others. As of 31 March 2020, the Company had issued approximately 4,000 Phoenix RCBC Bankard Mastercard.

Phoenix Tsuper Club ("**PTC**") is the loyalty programme of the Company for professional drivers, including jeepney, cab, tricycle, bus and transport network vehicle service drivers where members can earn and accumulate points which are redeemable for free home appliances, gadgets, gift certificates, internet and mobile prepaid load, and insurance plans. In addition, each active member qualifies for a basic personal accident insurance. As of 31 March 2020, there were approximately 85,000 PTC members nationwide. In June 2020, the Company launched the BangonTsuper programme for public utility vehicle and transport network vehicle services drivers in a bid to bring much-needed assistance to drivers who have been significantly impacted by the community quarantine measures imposed during the COVID-19 pandemic. Under the programme, which runs until August 2020, drivers who are active PTC members are able to use their earned points to redeem exclusive Phoenix products, such as Posible digital transaction services, LPG and lubricant products and FamilyMart gift certificates.

Adding to its growing cards programme, in March 2019, the Company launched the "Phoenix Fleet Card", which offers small and medium enterprises a customisable fleet card with the goal of helping entrepreneurs expand their business through cost-efficient transport. As of 31 March 2020, 147 fleet accounts were solicited.

Further, in June 2020, the Company launched LIMITLESS, a lifestyle rewards programme with its own mobile application. LIMITLESS allows users to earn and redeem points from participating merchants, such as Phoenix and FamilyMart, as well as gain access to exclusive promotions and privileges.

Importation

The Company imports almost 100.0% of its petroleum requirements from a number of foreign regional sources, including its wholly-owned subsidiary PNX SG. The Company imports its refined petroleum products from neighbouring Asian countries, such as Taiwan, Singapore, China, Korea and Thailand. In a strategic move to strengthen its network, in September 2019, PNX SG entered into a partnership with Hengyi Industries International Pte. Ltd. ("**HYII**") to allow the Company to offtake LPG from HYII's Brunei refinery production. The Company believes that the larger number of offshore suppliers allows for much greater pricing flexibility and stability of supply. The Company is not dependent on a single or limited number of suppliers for its supply of products.

Importations are conducted mainly through the issuance of letters of credit, while domestic purchases are conducted through invoices. Products are purchased based on the prevailing domestic wholesale price or on the basis of the average Means of Platts Singapore ("**MOPS**") plus an agreed premium. To maintain flexibility in supply, the Company does not maintain any long-term supply contracts with its major suppliers. In order to ensure the carrying price of unsold inventory adjusts to match the movements in the prevailing market price for sales of petroleum products, the Company engages in commodity hedging via its wholly-owned subsidiary, PNX SG.

Contribution of foreign sales to revenues

Through PNX SG, the Company's revenues from external sales amounted to ₱244.93 million or 0.5% of total revenues for the year ended 31 December 2017, ₱21,003 million or 23.7% of total revenues for the year ended 31 December 2018, ₱24,060 million or 24.6% of total revenues for the year ended 31 December 2019 and ₱4,380 million or 20.0% of total revenues for the three months ended 31 March 2020. Through PNX Vietnam, the Company's revenues from its LPG operations in Vietnam amounted to ₱1,963 million or 2.0% of total revenues for the year ended 31 December 2019 and ₱1,070 million or 4.9% of total revenues for the three months ended 31 March 2020.

Sales and Marketing

The Company continues to improve and upgrade its sales and marketing team which is presently manned by experienced industry professionals. Retail territory managers are primarily responsible for prospecting suitable locations and dealers. They also handle business dealings and maintain business relationship with the dealers as well as audit compliance with the Company's standards. In addition, commercial accounts managers are responsible for developing and maintaining business relationships with all other accounts except for retail station dealers. Lubricants accounts managers handle high street and lubricants distributor accounts for lubricants, chemicals and other car care products. Retail engineers attend to the logistical needs of retail service stations while the equipment maintenance group services the maintenance needs of the retail service stations and commercial accounts.

TERMINALLING AND HAULING SERVICES

For the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, the Company generated revenues from its terminalling and hauling services of ₱821 million, ₱239 million, ₱300 million and ₱561 million, which constituted 0.9%, 0.9%, 0.3% and 2.5% of total revenues in each respective period. As of 31 March 2020, 381 of the Company's employees are staffed for its terminalling and hauling services.

Terminalling and Hauling

The Company's terminalling and hauling services involve leasing out of storage space in its terminal depots, hauling and into-plane services (hauling of Jet A1 fuel to airports and into-plane services such as aircraft refuelling).

As of 31 March 2020, the Company had oil depots strategically located throughout the Philippines to address its nationwide operations and client base. Each of these depots has supplementary port facilities to accept sea-going fuel tankers which allows the Company to directly receive importations into its depots, minimising the need to transport fuel by land from remote ports to the depots. These port facilities provide the Company with the flexibility to efficiently transfer fuel in between its depots where required. As of 31 March 2020, the Company had a total depot storage capacity of 402 million litres. Having its own depot enables the Company to more reliably and efficiently serve the fuel and lubricant needs of its growing retail services station network. The Company's largest terminal is in Calaca, Batangas at the Calaca Industrial Seaport Park (formerly Phoenix Petroterminals and Industrial Park).

The Company's into-plane services are available in 16 airports, including Davao City, Cagayan de Oro, General Santos City, Cotabato, CDO/Iligan Laguindingan, Butuan City, Ozamis City, Pagadian City, Zamboanga, Ozamiz, Pagadian City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu Mactan, and Ninoy Aquino International Airport. The Company has provided terminalling, hauling and into-plane services for the Mindanao operations of Cebu Pacific, the Philippines' largest airline, for over 15 years. The Company likewise services the Jet-A1 fuel requirements of Philippine Airlines and AirAsia's Philippine operations.

Terminal and Depot Locations

The following table sets out the Company's existing terminal and depot capabilities as of 31 March 2020:

	Capacity (in million litres)
Import Terminals	
Calaca Terminal	150.9
Davao Terminal	40.1
Villanueva Terminal	84.8

Subic Terminal	41.5
General Santos Terminal	27.1
Sub-total (Terminals)	**344.4**
Depots	
Zamboanga Depot	13.9
Cebu Depot (Owned)	19.9
Bacolod Depot	10.6
Dumaguit Depot	7.9
Calapan Depot	5.2
Sub-total (Depots)	**57.5**
Total Capacity	**401.9**

In addition to the terminals and depots listed above, the Company also owns and operates an LPG terminal with a capacity of 2,600 metric tonnes in Iligan.

Distribution

Imported products are offloaded directly at the Company's depots, which have port facilities of their own to accommodate fuel tankers. The Company's depots and terminals have receiving facilities and multiple product storage tanks for liquid fuels. From its oil depots, products are distributed to the various retail service stations and direct consumer and industrial accounts using Company-owned and third-party tanker trucks, and a variety of smaller delivery vans and pick-ups for lubricants.

The Company also currently uses shipping vessels owned by CSC, an affiliate of the Company, for the transportation of petroleum products from the supplier's terminal to the Company's importation terminals in Davao, Cagayan De Oro, Subic and Batangas. The Company also uses shipping vessels of CSC as well as other third-party vessels for trans-shipments to other depots within the Philippines. With this easy access to critical logistical support, potential risks of supply disruptions due to scarcity of sea vessels are minimised.

OTHER BUSINESS SEGMENTS

Convenience Stores Retailing

Following its acquisition of Philippine FamilyMart in January 2018, the Company entered the fast-growing convenience retailing industry through a new exclusive franchise agreement of the FamilyMart branch of convenience stores in the Philippines. FamilyMart is one of the world's largest convenience store retailers, currently operating in East Asia, including Japan, Taiwan, China, Thailand, Malaysia, Indonesia, Vietnam and the Philippines. The FamilyMart chain is a subsidiary of Tokyo-based FamilyMartUny Holdings, which also owns Japanese supermarket chain Uny. Philippine FamilyMart serves to complement the retail operations of the Company and support the Company's existing dealer network by enhancing the retail station outfits and overall end-user experience. In November 2019, the largest FamilyMart store in the Philippines was unveiled at the Udenna Tower, which serves as a showcase of what the chain has to offer. The 400-square-meter branch boasts of spacious dine-in sitting areas as well as other amenities, such as function rooms, a co-working space, a zen garden, and a walk-in chiller that stocks local and imported beers and liquor. As of 31 March 2020, the Company has 72 such convenience stores located mostly in the central business districts with high traffic flow. Philippine FamilyMart is the leader in the convenience retailing with average daily sales of ₱[50,941] and ₱[45,768] as of 31 December 2019 and 31 March 2020, respectively.

E-commerce Payment Gateway

The Company entered the e-commerce payment gateway business in 2018 following its acquisition of 74.9% of Action.Able, Inc. and Think.Able Limited. Through Action.Able, Inc., the Company owns and operates Posible, a digital payments platform that offers various financial services and digital transactions, including payments and remittances. The acquisition of Posible supports the Company's business operations and provides synergies to the Company's retail network, as well as the Company's subsidiaries and affiliates, such as Philippine FamilyMart. As of 31 March 2020, approximately 6,200 Posible payment devices have been deployed across the Philippines. With a network of over 6,000 retailers as of 31 March 2020, including "sari-sari" stores, bakeries, internet cafés and laundry shops, the Company aims for Posible to continue to penetrate traditional stores in the future.

CAPITAL EXPENDITURE PROJECTS

Integrated Supply Network Expansion

The Company has established and continues to strengthen an integrated supply network that encompasses importations, terminals, storage depots, lorries, delivery vans, time-chartered vessels and retail service stations to service the requirements of its customers in a seamless and cost-effective manner.

The Company's moves to strengthen and expand its supply network include the following:

Expanding both the geographical distribution and capacity of its storage terminals. The Company has established storage terminals throughout the country in line with the nationwide expansion of its retail network. From a storage capacity of 167.5 million litres as of 31 December 2011, the Company has since increased its total storage capacity to 402 million litres as of 31 March 2020, with the aim to increase this further to support the Company's continued expansion of its retail stations.

Expanding its retail service station network. The Company is targeting to expand its retail service station network by approximately 50 stations on an annual basis. Certain suitable locations have already been identified and are now in various stages of negotiations, development or construction.

Improving integrated management systems and software. In 2013, the Company upgraded its enterprise resource planning to an SAP A1 system and has since invested in an integrated customer relationship management system. The Company also continues to roll out and upgrade its "point-of-sale" system that will enable it to record sales on a real-time basis, thereby allowing more efficient management of inventory and deliveries. Likewise, the Company is investing in a new Treasury Management System which is expected to allow for the efficient tracking of Group's cash flows and introduce analytical tools to aid in financial risk management.

Securing long-term affreightment contract with affiliates. The Company is currently working in tandem with affiliate CSC on a long-term basis for its major shipments from foreign suppliers as well as its local trans-shipments to depots strategically located in various parts of the country. This assures the Company of uninterrupted inventory delivery not only to its clients but to the Company's various depots that support its retail and commercial network.
As a result of the economic impact of COVID-19 and the resulting quarantine measures, the Company has reduced its planned capital expenditure for nine months ended 31 December 2020 to ₱1.5 billion, a 50% reduction from the ₱3.0 billion that was initially forecast. The Company envisages that any future expansion of its retail network in 2020 will be carried out by the Company's strategic partnerships and not the Company itself, and the Company does not expect to undertake any significant capital expenditure for the remainder of the year.

Contribution of foreign sales to revenues
Through PNX SG, the Company's revenues from external sales amounted to ₱244.93 million or 0.5% of total revenues for the year ended 31 December 2017, ₱21,001 million or 23.7% of total revenues for the year ended 31 December 2018, ₱24,060 million or 24.6% of total revenues for the year ended 31 December 2019 and ₱4,380 million or 20.0% of total revenues for the three months ended 31 March 2020. Through PNX Vietnam, the Company's revenues from its LPG operations in Vietnam amounted to ₱1,963 million or 2.0% of total revenues for the year ended 31 December 2019 and ₱1,070 million or 4.9% of total revenues for the three months ended 31 March 2020.

COMPETITION

The Company operates in a deregulated business environment, selling its products to individuals, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition. See "*Regulatory and Environmental Matters*" for a more detailed discussion of the oil deregulation law.

The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron, which control a combined 50.7% of the total Philippine market as of 31 December 2019 based on the total market demand of petroleum products based on industry data from the DOE. The Company is ranked fourth and remains the largest independent player in the Philippine downstream oil industry with a total market share of 7.1% as of 31 December 2019 based on the total market demand of petroleum products based on industry data from the DOE and is well-positioned as a credible alternative to major multi-national competitors. Deregulation has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. Apart from Petron and Shell which operate the only petroleum refineries in the Philippines, the rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. The Company's main competitors are the major players namely, Petron, Shell and

Chevron and the local independent players such as Seaoil and Unioil. The Company competes with other players in the industry in terms of pricing, quality of service and products and strategic locations of its retail service station network, with price being the most important competitive factor.

The Company participates in the reseller (service station), industrial, LPG and lubricant sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among major firms, as evident in the construction of service stations by Shell, Chevron, Petron, Total Philippines, Seaoil and other new participants in major thoroughfares. The Company has a total of 660 retail service stations as of 31 March 2020. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The Company is one of the leading LPG providers in the Philippines LPG market in terms of market share which the Company estimates to be approximately 5.6% as of 31 December 2019 based on the total market demand for LPG products based on industry data from the DOE. In the industrial sector, while the Company is the second largest fuel supplier to the Philippine industrial sector based on the Company's internal estimates, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among both domestic and global brands continues as brands compete for limited shelf space.

The Company's retail sales volumes for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 were approximately 4.17 million barrels, 4.82 million barrels, 3.57 million barrels and 0.89 million barrels, respectively. The Company's non-retail sales volumes (including industrial, LPG and others) for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 were approximately 6.29 million barrels, 12.28 million barrels, 16.94 million barrels and 3.95 million barrels, respectively. The Company believes that its cost-effective approach of doing business, focus on brand building and its integrated supply network, among other things, enable it to be competitive in its target market.

For a more detailed discussion on the trends in the Philippine downstream oil industry, please see the section entitled "*Industry and Competitive Overview*" of this Prospectus.

DEPENDENCE ON DEALERS

Dealership Network

The Company's products are sold through its network of retail service stations numbering [660] as of March 31, 2020.However, the Company is not dependent upon a single or few customers, the loss of any or more of which would have a material effect on its financial condition and results of operations.

Dealership Agreements

For the operation of retail service stations, the Company enters into dealership agreements with its dealers, the pertinent terms of which are as follows:

Term

The current standard dealership agreements are effective for a period of five (5) years, renewable for another five (5) years at the option of the Company.

Appointment of Dealer

In consideration of the compliance by the dealer with the requirements of the dealership agreement, the Company grants to the dealer the right to operate a retail service station and use the equipment and the Phoenix System developed by the Company. In selecting a dealer, the financial capability, business acumen and character of a prospective dealer are the main criteria in qualifying a dealer. The Company selects its dealers through a dealership selection panel composed of representatives from various departments in the Company such as sales, legal and finance.

The Company provides and installs storage tanks, dispensing pumps, pylon signage and other equipment to operate the system which will be its equity, among others, while the dealership agreement is in force.

Training and Assistance

The Company makes familiarization training courses available to the dealer and his/its employees. In addition, for the first ten days of the first month of operation of the dealer's facility, the Company assigns one of its representatives to the facility, at the Company's expense, to assist the dealer in facilitating the opening of the retail service station. During this period, such representative will also assist the dealer in establishing and standardizing procedures and techniques essential to the operation of the station and shall assist in training personnel.

The dealer may be required to attend refresher or training sessions and dealership meetings with the Company at such duration and frequency as the Company may determine.

Operations Manual

During the term of the dealership agreement, the Company loans to the dealer a copy of the operations manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Company for the operation of the stations and information relative to other obligations of the dealer under the dealership agreement and the operation of its facility.

Advertising and Promotions

The dealer is required to fully participate in all marketing, sales promotion, advertising and other incentive programs suggested, allowed and may be initiated by the Company for its retail stations. The dealer shall pay the Company an annual advertising and promotions fee.

All advertising and promotion programs of the dealer for the station over and above programs and activities of the Company shall be subject to the Company's approval, and the dealer shall have no right to use any Company identification or advertising without the Company's consent.

Standards of Quality and Performance

The dealer agrees to purchase petroleum products only from the Company and sell only petroleum products from the gasoline retail station. The dealer further agrees that should he purchase petroleum products from any other source, he is liable to pay a fine of₱1.0 million per delivery from unauthorized suppliers.

The retail service station shall at all times be under the direct, on-premises supervision of the dealer and he shall spend at least four (4) hours daily in the station and, during his absence, be represented by a trained and competent employee acting as supervisor.

Defaults and Termination

The dealership agreement shall, at the option of the Company, terminate automatically upon delivery of notice to the dealer, if the dealer fails to meet Company standards on sales, safety, customer service, payments and standard operating, financial and legal requirements as outlined in the dealership agreements and operating manual.

INTELLECTUAL PROPERTY / TRADEMARKS

The Company uses its registered trademark *PHOENIX Fuels Life*™ to identify its brand. This trademark was registered on 27 April 2009 and will expire on 27 April 2029. Branding is a cornerstone of the Company's marketing programme. It sells its refined petroleum products under the Phoenix trademark and logo. Below are the approved trademarks by the Intellectual Property Office of the Philippines through the Bureau of Trademarks.

Product	Registration no.	Date of Registration	Term
ACCELERATE Supreme	4-2012-005161	26 July 2012	10 years, until 26 July 2022*
ZOELO Extreme Heavy Duty Engine Oil	4-2012-005162	27 April 2012	10 years, until 2 August 2022*
PHOENIX Cyclomax Motorcycle Oils 4T Force	4-2012-005164	27 April 2012	10 years, until 16 August 2022*
ZOELO Diesel Oil	4-2012-005163	16 August 2012	10 years, until 16 August 2022*
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	3 January 2013	10 years, until 3 January 2023
ACCELERATE Vega Fully Synthetic Motor Oil	4-2012-005169	3 January 2013	10 years, until 3 January 2023
CYCLE Fork Oil	4-2012-00005168	14 June 2013	10 years, until 14 June 2023
2T 2-Stroke Motorcycle Oil	4-2012-00005167	27 September 2013	10 years, until 27 September 2023
2T MAX	4-2012-00005166	12 September 2013	10 years, until 12 September 2023
PHOENIX Premium 98	4-2014-002029	12 June 2014	10 years, until 12 June 2024
PREMIUM 98	4-2014-002028	12 June 2014	10 years, until 12 June 2024
PHOENIX Trip natin 'to	4-2016-00000999	25 August 2016	10 years, until 25 August 2026
Ikaw, Ano'ng Trip mo?	4-2016-00001000	25 August 2016	10 years, until 25 August 2026

Trip natin 'to	4-2016-00001001	26 August 2016	10 years, until 25 August 2026
PHOENIX Accelerate	4-2016-00002282	19 August 2016	10 years, until 19 May 2026
PHOENIX Accelerators	4-2016-00002722	10 June 2016	10 years, until 10 June 2026
PHOENIX ZOELO	4-2016-00002286	21 July 2016	10 years, until 21 July 2026
PHOENIX FuelMasters	4-2016-00014744	13 April 2017	10 years, until 13 April 2027
PHOENIX Zoelo Extreme Heavy Duty Diesel Engine Oil	4-2016-00002287	18 August 2016	10 years, until 18 August 2026
PHOENIX Tsuper Club	4-2016-00014745	24 March 2017	10 years, until 24 March 2027
PHOENIX Premium 98 High Performance Gasoline Fuel with Engine Rejuvenator Additives	4-2016-00014739	20 April 2017	10 years, until 20 April 2027
With Era Engine Rejuvenator Additive	4-2016-00014740	13 April 2017	10 years, until 13 April 2027
With Active Cyclo Booster	4-2016-00014742	13 April 2017	10 years, until 13 April 2027
With Speed Booster	4-2016-00014743	13 April 2017	10 years, until 13 April 2027
PHOENIX FuelMasters	4-2016-00014744	13 April 2017	10 years, until 13 April 2027
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
PHOENIX Super LPG (LPG Container-Emerald Green)	4-2017-00009626	5 October 2017	10 years, until 5 October 2027
PHOENIX Super LPG (LPG Container-Red)	4-2017-00009625	5 October 2017	10 years, until 5 October 2027
PHOENIX Super Gas (LPG Container-Emerald Green)	4-2017-00009628	5 October 2017	10 years, until 5 October 2027
PHOENIX Super Gas (LPG Container-Red)	4-2017-00009627	5 October 2017	10 years until 5 October 2027
PHOENIX Super LPG (Logo-Emerald Green)	4-2017-00017632	1 March 2018	10 years, until 1 March 2028

PHOENIX Super LPG (Logo-Red)	4-2017-00017631	1 March 2018	10 years, until 1 March 2028
PHOENIX Super Gas (Logo-Emerald Green)	4-2017-00017634	29 March 2018	10 years, until 29 March 2028
Phoenix Super Gas (Logo-Red)	1-2017-00017633	1 March 2018	10 years, until 1 March 2028
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
Phoenix Pulse Technology	4-2017-00013303	1 March 2018	10 years, until 1 March 2028
Pulse Technology for Enhanced Power & Acceleration	4-2018-00004208	23 August 2018	10 years, until 23 August 2028
Phoenix Fuels Life	4-2009-00000918	27 April 2019	10 years, until 27 April 2029

* pending renewal/application

As of the date of this Prospectus, the Company is not subject to any significant disputes with respect to any of its trademarks.

TOTAL NUMBER OF EMPLOYEES

The Company, excluding its subsidiaries, has a total of 1,012 employees as of 31 March 2020 broken down by function as follows:

	As of 31 March 2020
Chairman	1
President/Chief Executive Officer	1
Vice President	5
Assistant Vice President/General Manager	22
Senior Manager	4
Manager	136
Supervisor	355
Rank and File	488
Total	**1,012**

The Company has no collective bargaining agreements with its employees, there are no labour unions in the Company and its subsidiaries nor are there any labour cases filed against the

Company and its subsidiaries that may materially affect the Company's financial or operational results or position.

The Company is committed to the development of its employees and adopts ongoing training and development programs that assist them in effectively carrying out their jobs and that prepare them for career advancement in the Company.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalisation benefits fully paid by the Company. It also provides free uniforms, free meals, and vacation, sickness and emergency leaves and, recently, entitlement to join the employee stock option plan ("**ESOP**") to all its regular employees based on annual performance evaluation.

Research and Development

To improve productivity and profitability, the Company performs research and development which identify areas of improvements in its operations and methods to bring about the needed improvements.

The Company conducts extensive market research to vet potential locations for its new retail service stations. Such research covers foot traffic assessments and profitability studies to gauge the potentials of new retail service stations. Additionally, through its research, the Company ensures that retail service stations are well-distanced from each other so as to maximize revenue potential of each new retail service station. For the last three (3) fiscal years, the Company has not incurred additional research and development costs in conducting its market research for the new retail services stations.

Intellectual Property

The Company uses its registered trademark *PHOENIX Fuels Life* ™ to identify its brand. This trademark was registered on 27 April 2009. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products under the Phoenix trademark and logo. Below are the approved trademarks by the Intellectual Property Office of the Philippines ("**IPOPHIL**") through the Bureau of Trademarks.

Product	Registration no.	Date of Registration	Term
PHOENIX Fuels Life	4-2009-000918	27 April 2009	10 years, until 27 April 2019**
PHOENIX Jet A-1	4-2008-005934	27 October 2008	10 years, until 27 October 2018*
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	3 January 2013	10 years, until 3 January 2023
CYCLE Fork Oil	4-2012-00005168	14 June 2013	10 years, until 14 June 2023

2T 2-Stroke Motorcycle Oil	4-2012-00005167	27 September 2013	10 years, until 27 September 2023
2T MAX	4-2012-00005166	12 September 2013	10 years, until 12 September 2023
PHOENIX Premium 98	4-2014-002029	12 June 2014	10 years, until 12 June 2024
PREMIUM 98	4-2014-002028	12 June 2014	10 years, until 12 June 2024
PHOENIX Trip natin 'to	4-2016-00000999	25 August 2016	10 years, until 25 August 2026
Ikaw, Ano'ng Trip mo?	4-2016-00001000	25 August 2016	10 years, until 25 August 2026
Trip natin 'to	4-2016-00001001	26 August 2016	10 years, until 25 August 2026
PHOENIX Accelerate	4-2016-00002282	19 August 2016	10 years, until 19 May 2026
PHOENIX Accelerators	4-2016-00002722	10 June 2016	10 years, until 10 June 2026
PHOENIX ZOELO	4-2016-00002286	21 July 2016	10 years, until 21 July 2026
PHOENIX FuelMasters	4-2016-00002723	7 July 2016	10 years, until

			7 July 2026
PHOENIX Zoelo Extreme Heavy Duty Diesel Engine Oil	4-2016-00002287	18 August 2016	10 years, until 18 August 2026
PHOENIX Tsuper Club	4-2016-00014745	24 March 2017	10 years, until 24 March 2027
PHOENIX Premium 98 High Performance Gasoline Fuel with Engine Rejuvenator Additives	4-2016-00014739	20 April 2017	10 years, until 20 April 2027
With Era Engine Rejuvenator Additive	4-2016-00014740	13 April 2017	10 years, until 13 April 2027
With Active Cyclo Booster	4-2016-00014742	13 April 2017	10 years, until 13 April 2027
With Speed Booster	4-2016-00014743	13 April 2017	10 years, until 13 April 2027
PHOENIX FuelMasters	4-2016-00014744	13 April 2017	10 years, until 13 April 2027
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
PHOENIX Super LPG (Red)	4-2017-00009625	5 October 2017	10 years, until 5 October 2027

Phoenix Super LPG (Emerald green)	4-2017-00009626	5 October 2017	10 years, until 5 October 2027
Phoenix Super Gas (Red)	4-2017-00009627	5 October 2017	10 years, until 5 October 2027
Phoenix Super Gas (Emerald green)	4-2017-00009628	5 October 2017	10 years, until 5 October 2027
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
Phoenix Pulse Technology	4-2017-00013303	1 March 2018	10 years, until 1 March 2028
Pulse Technology for Enhanced Power & Acceleration	4-2018-00004208	23 August 2018	10 years, until 23 August 2028
KA-POSIBLE DAHIL KAYA NATI N	4-2016-00006870	24 November 2016	10 years, until 24 November 2026
POSIBLE.NET	4-2015-00008864	05 May 2016	10 years, until 05 May 2026

**Application for the New JetA1 logo has been filed and received by the Intellectual Property Office on October 30, 2018.*
***Intellectual Property Office has approved the renewal as per Notice of Issuance document no. 2019/130891 signed on May 29, 2019.*

As of the date of this Prospectus, the Company does not have any significant disputes with respect to any of its trademarks.

The Company depends on and utilizes the foregoing trademarks in the ordinary course of business.

Permits and Licenses

The Company and its Philippine operating subsidiaries hold various government-mandated permits and licenses required by its business. Except for the licenses and permits that are in the process of renewal, the Company has secured all material licenses and permits necessary to operate the respective businesses as currently conducted.

INSURANCE

The Company's comprehensive insurance policies cover its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot against any incidents of fire/lighting, typhoon and floods with extended coverage to include loss or damage directly caused by explosion, falling aircraft, vehicle impact and smoke.
All the trucks and tankers owned by the Company are covered by third party liability and comprehensive insurance and products carried by heavy equipment are covered with in-land cargo insurance. The Company believes that its insurable assets are adequately covered and considers its insurance coverage to be in accordance with industry standards in the Philippines.

PLANS AND PROSPECTS

For the analysis of financial condition and results of operation of the Company, see the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operation*" of this Prospectus.

DESCRIPTION OF PROPERTIES

The Company's properties consist mainly of its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot.

Operating Sites

The Company operates a network of terminals and depots as bulk storage and distribution points throughout the Philippines and corporate offices across the Philippines to facilitate its operations. Its airport installations serve the fuel requirements of the airline industry and other aviation accounts.

Corporate Offices	
Davao Head Office (Leased)	Phoenix Bulk Depot, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City 8000
Udenna Tower (Owned)	15th – 17th Floors, Rizal Drive Corner 4th Avenue, Bonifacio Global City, Taguig City 1634
Manila Office (Leased)	25th Floor, Fort Legend Towers, 3rd Avenue corner 31st Street, Fort Bonifacio Global City, Taguig City 1634
Cebu City Office (Leased)	Phoenix Maguikay Gasoline Station, M. C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014
Bacolod City Office (Leased)	Door 5-7, Ground Floor, JFC Bldg., Palanca Avenue, BREDCO Reclamation Area, Bacolod City
General Santos City Office (Leased)	2nd Floor, JMP Building 1, South Osmena St., General Santos City 9500
Cagayan de Oro City Office (Leased)	Suite 1 & 2, 8th Floor, Limketkai Gateway Center, Lapasan, Cagayan de Oro City 9000
Depots, Terminals and Plants	
Calaca Terminal (Owned)	Km 117, Barangay Salong, Phoenix Petroterminal and Industrial Park, Calaca, Batangas
Davao Terminal (Leased)	Stella Reyes Hizon Road, B.O Pampanga, Lanang, Davao City
Villanueva Terminal (Owned)	Zone 4, Barangay Katipunan, Villanueva, Misamis Oriental Dumagsa, Talisayan, Zamboanga City
Subic Terminal (Leased)	Unit 113/115, Alpha Bldg., Subic International Hotel, Rizal Highway, Subic Bay Freeport Zone, 2222
General Santos Terminal (Owned)	Tambler, General Santos City

Zamboanga Depot (Leased)	Dumagsa, Talisayan, Zamboanga City
Cebu Depot (Owned)	Tayud, Consolacion, Cebu
Bacolod Depot (Partially Owned)	BREDCO, Port Reclamation Area, Cambodia Street, Bacolod City
Dumaguit Depot (Owned)	Dumaguit, New Washington, Aklan
Calapan Depot (Leased)	Sitio Silangan, Brgy. Lazareto, Calapan City, Mindoro
Asphalt Plant (Owned)	Km 117, Barangay Salong, Phoenix Petroterminal and Industrial Park, Calaca, Batangas
Airport Installations	
Francisco Bangoy International Airport	Daang Maharlika Highway, Buhangin, Davao City, Davao del Sur
Iloilo International Airport	Iloilo Airport Access Road, Cabatuan, Iloilo
Zamboanga International Airport	Moret Field, Barangay Canelar, Zamboanga City

For its Metro Manila main offices, the Company occupies the 15th, 16th and 17th floors in the Udenna Tower building with a total floor area of 3,161 square metres and 30 parking slots at the 7th floor. Udenna Tower is situated in a 1,634 square metre property at the corner of Rizal Drive and 4th Avenue in Bonifacio Global City, Taguig City, Metro Manila and consists of 24 physical floors and has a total floor area of 28,505 square metres.

In the retail market, the Company has 660 retail service stations throughout the Philippines as of 31 March 2020, representing approximately 7.1% of the country's total service station count of approximately 9,381 based on industry data from the DOE. Most of these stations are located in Luzon where demand is the greatest.

All of the foregoing properties are in fair condition and, with respect to the properties owned by the Company, are free from any mortgage, lien or encumbrance. In respect of leased properties, the Company is prohibited from selling or pledging the underlying leased assets as security.

Description of Certain Leased Properties
Headquarters

The Company's headquarters, where substantially all of its operations are conducted from, is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. The premises are covered by existing lease contracts with UC and the Heirs of Stella Hizon Reyes, as lessors.

The lease contract with UC is for a term of 25 years commencing in March 2002, subject to renewal upon terms and conditions to be agreed by the parties. The Company pays UC a monthly rental fee at the rate of ₱12 per square meter, or a total of ₱132,000, plus 12.0% value-added tax and 5.0% withholding tax. The rate is subject to a 10.0% increase every succeeding year commencing in August 2005. For the year ended 31 December 2019, the Company paid UC a monthly rental fee of ₱209,855 (excluding value-added tax and withholding tax). The lease contract with the Heirs of Stella Hizon Reyes is effective for 17 years from 20 March 2010, and is subject to renewal upon terms and conditions to be agreed by the parties. The Company pays a monthly rental fee at the rate of ₱18 per square meter for the first two years of the contract which is subject to a biannual increase at a rate of 10.0% until the termination of the contract. For the year ended 31 December 2019, the Company paid the Heirs of Stella Hizon Reyes a monthly rental fee of ₱793,425.

The leased premises is to be used exclusively by the Company for its storage of petroleum and fuel products and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the lessors. The Company may not introduce improvements or make alterations or changes to the leased premises without the written consent of UC, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company. UC has the right to terminate the lease on any of the following grounds: (a) non-payment of the rental fee for at least two consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements or restrictions stipulated in the lease contract; or (c) if the Company becomes insolvent. UC is required to give the Company one month's notice prior to the intended date of termination. The Company may terminate the lease upon thirty-days' prior written notice to UC.

Terminal and Depot Sites
The Company likewise executed valid lease agreements in respect of various parcels of lands in certain areas of the country where its terminals and depots are located and established as part of its expansion programme, namely:

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

Bacolod City (Bacolod Depot)
The Company has leased approximately 5,000 square meters of land from Jordan Fishing Corporation for 10 years starting on 1 January 2008 with an option to renew for another five years. The Depot in Bacolod City has a 9 million litre capacity that supports the retail network and the commercial and industrial accounts in the area.

Calapan City (Calapan Depot)
The Company has leased approximately 3,723 square meters of land from Benjamin Espiritu for 20 years commencing in September 2013 with an option to renew for another 10 years. This is the site of the Company Depot to support its retail network and the commercial and industrial accounts in the area.

Davao City (Davao Terminal)
This is the site of the Company Depot, warehouse, and Davao City (head) office. A land area consisting of approximately 11,000 square meters was leased by the Company from the Heirs of Stella Hizon for a term of 25 years which commenced on 20 March 2002. The lease area was subsequently increased to 16,000 square meters on 27 September 2006 and on 19 April 2010 was further increased to 23,963 square meters. The additional leases are co-terminus with the original contract.

Subic Bay Freeport Zone (Subic Terminal)
A facility located in the Subic Bay Freeport Zone in Zambales operated by the Philippine Coastal Storage and Pipeline Corporation ("**PCSPC**") who is the lessee and operator of the facility from the Subic Bay Metropolitan Authority. The lease is covered under the Storage Agreement

originally executed on 21 September 2012 with its Amendment no. 7 for the period of 8 October 2018 until 7 April 2019, between the Company PCSPC. The lease agreement has been renewed until October 2020.

Lease of Properties where CODOs are located

In addition to the lease covering the premises where the Company's headquarters is located, the Company has existing lease contracts with various property owners covering the properties where its CODOs are situated. These lease contracts are typically for a term of 10 to 15 years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties. The Company shall pay monthly rentals, subject to annual escalation ranging from 3.0% to 10.0%, plus applicable real estate and government taxes. The leased premises may be occupied and used by the Company exclusively as a retail service station. In some areas, the leased premises for the CODOs include the operations of convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a gasoline or retail service station. The Company is permitted to assign or sublet the leased premises subject to notice to the lessors. As of 31 March 2020, there were leases covering 257 CODO retail service stations: 126 in Luzon, 58 in Visayas and 73 in Mindanao. Expenses under these leases amounted to ₱282.5 million for the year ended 31 December 2019 and ₱95.0 million for the three months ended 31 March 2020.

The Company continually evaluates available properties for sale and lease based on the needs of the Company's businesses and expansion plans.

FUTURE ACQUISITIONS

The Company intends to establish terminal operations in other locations, expand its retail and LPG dealership network and its services as well as the necessary logistical requirements to support these activities. For this purpose, the Company intends to increase its gasoline stations and acquire equipment and other depot and logistic facilities. Generally, the Company conducts competitive bids to determine where to source its equipment and facilities. The main considerations are the cost, compatibility with the existing equipment and facilities, and whether they meet the Company's specifications. Depending on the Company's financing needs and market conditions, any future acquisitions by the Company are expected to be funded by a mix of different kinds of financing including, but not limited to, equity, debt and hybrid securities.

PHILIPPINE REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

REGULATORY FRAMEWORK

Downstream Oil Industry Deregulation Law

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "**Oil Deregulation Law**"), provides the regulatory framework for the downstream oil industry in the Philippines.

Under the Oil Deregulation Law, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name or use the same for its own requirement. The same law declared as policy of the state the liberalisation and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high-quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant Government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004 and the Supplementing Rules and Regulations of the Oil Deregulation Law in June 1998 through DOE Circular No. 98-06-009. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the lead government agency overseeing the oil sector. With the enactment of the Oil Deregulation Law, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving the price-setting to market forces. The DOE's current function is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelisation and predatory pricing.

Other functions of the DOE under the Oil Deregulation Law include the following:

- monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
- monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
- maintaining a periodic schedule of present and future total industry inventory of petroleum products for the purpose of determining the level of the supply and immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
- in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Under the Oil Deregulation Law and DOE Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retaining Liquid Fuels (the "**Revised Retail Rules**"), the Company is required to obtain from the Oil Industry Management Bureau ("**OIMB**") of the DOE a Certificate of Compliance ("**COC**") with the requirements prior to engaging in the business of selling or dispensing liquid petroleum products directly to motorists, end-users and other consumers. These requirements include, among others, prior notice of the Company's intention to engage in the business of selling liquid petroleum products and submission of documentary requirements before commencement of construction and operation.

The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a COC. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage ("**CNC**") by the DOE.

The Revised Retail Rules likewise impose: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. Prohibited acts include illegal trading, adulteration, underdelivering, refusal/ obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of prohibited acts under the Revised Retail Rules.

The Oil Deregulation Law also requires all petroleum product transport containers of the Company to be registered with the Industrial Technology Development Institute of the Department of Science and Technology.

In addition to the foregoing, the Company is required to obtain a permit or clearance from the Philippines Department of Environment and Natural Resources (the "**DENR**") prior to any importation of slop/used/waste oils, sludge and similar petroleum products pursuant to Republic Act No. 6969 or the Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990. The Company believes that its facilities and operations comply in all material respects with the requirements of the Oil Deregulation Law.

In respect of the operation of retail gasoline stations, the Company's dealership agreement with its dealers provides that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Oil Deregulation Law, and such other permits and licenses required by the local government unit and/or the national Government.

Promotion of Retail Competition
Pursuant to the Oil Deregulation Law's objective to promote a competitive petroleum product market at the retail level, the DOE is mandated to promote and encourage the active and direct participation of the private sector and cooperatives in the retailing of petroleum products through joint venture or supply agreements with new industry participants for the establishment and operation of gasoline stations. Under prevailing rules and regulations, new industry participants are given preference in the (i) formulation and implementation on management and skills training for the establishment, operation, management and maintenance of gasoline stations and (ii) grant

of gasoline station training and loans to be used as capital for the establishment and operation of gasoline stations.

Foreign Investments Act of 1991

Republic Act No. 7042 or the Foreign Investments Act of 1991 ("**FIA**") liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100.0% equity in domestic market enterprises, except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. The oil refining and distribution business is not found in the latest 11th Negative List of the FIA.

In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of Philippine Nationals;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the FIA states that where a corporation (and its non-Filipino shareholders) own stock in a Philippine SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On 20 May 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "**Guidelines**") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalised activities (the "**Nationalized Corporations**"). The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Considering the foregoing, for as long as the Company and its subsidiaries own land, foreign ownership in the Company is limited to a maximum of 40.0% of the Company's outstanding capital stock entitled to vote. In such case, the Company shall disallow the issuance or the transfer of shares to persons other than Philippine Nationals and shall not record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

Environmental Compliance

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions and employee exposure to hazardous substances.

Among the permits applicable to the Company are the ECC, wastewater discharge permit, and the permit to operate a standby generator from the DENR.

In order to address air pollution from mobile and stationary sources, equipment that emits or may emit air pollutants may only be operated upon obtaining a Permit to Operate from the DENR. An application for a Permit to Operate must be filed for each source emitting regulated air pollutants, but facilities having more than one source may group the sources under a single permit application.

Phoenix retail service stations, as well as its petrochemical depots and storage facilities, are required to secure an ECC prior to their start of operations.

The Company believes that its facilities comply in all material respects with all applicable safety, health and environmental laws and regulations.

The DENR, through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. Presidential Proclamation No. 2146 classified petroleum and petrochemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management programme, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organisation, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The cost of complying with environmental regulations is mainly made up of the equipment and facilities required to be put up in each of the service stations. The estimated average cost of complying with environmental regulations is P50,000 per retail service station.

In respect of the operation of retail service stations, the Company's dealership agreement with its dealers provides that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Oil Deregulation Law, and such other permits and licences required by the local government unit and/or the national Government. The dealers are required to provide copies of said permits and licences to the Company, pursuant to the dealership agreements.

The Company and its dealers have secured all government-mandated licences and permits required for the operation of its business.

The Biofuels Act of 2006

Republic Act No. 9367, also known as the 'Biofuels Act of 2006', as amended, aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10.0% blend of bioethanol starting 6 August 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1.0% to 2.0% starting February 2009.

In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.

In 2008, a Joint Administrative Order known as the 'Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale' (the "**Guidelines**") was issued by various Philippine government agencies. The Guidelines mandate oil companies to blend biodiesel with diesel and bioethanol with gasoline. The Guidelines further require oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by the DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company's failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

In June 2015, the DOE issued Department Circular No. DC2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol ("**Revised Guidelines**"), which repealed Department Circular No. 2011-12-0013, or the 'Guidelines on the Utilization of Locally-Produced Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006'. The Revised Guidelines require oil companies operating within the Philippines to secure and maintain a DOE accreditation as an 'Oil Industry Participant in the Fuel Bioethanol Program' and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies' compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies' compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation ("**LMA**"). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending the Biofuels Act. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply. The DOE issued Department Order No. 2016-07-0012 or the implementing rules and regulations for Republic Act No. 10745. It provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

- during maintenance and/or shutdown of facilities used for the supply of natural gas such as pipelines, terminal, etc.,
- during force majeure which adversely affect the supply of natural gas to natural gas power plants, or
- other analogous instances.

All suppliers of natural gas shall submit to the DOE their preventive maintenance schedule indicating the dates when the suppliers of natural gas would be critical. During force majeure events, the DOE shall determine the affected facilities for proper issuance of certification of the shortage of natural gas supplies.

Philippine Clean Air Act

Republic Act No. 8749, otherwise known as the 'Philippine Clean Air Act of 1999', provides more stringent fuel specifications over a period of time to reduce emissions that pollute the air. The Clean Air Act specifies the allowable sulphur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulphur content of automotive diesel oils to 0.05% by weight by 1 January 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act

In 2004, Republic Act No. 9275, or the 'Philippine Clean Water Act of 2004', was enacted to streamline processes and procedures in the prevention, control and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management programme focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

Laws and Regulations Involving Liquified Petroleum Gas (“LPG”) ***Batas Pambansa Blg. 33 (“BP 33”)***

BP 33, as amended by Presidential Decree 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled liquefied petroleum gas cylinders for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

(a) that cylinders containing less than the required quantity of liquefied petroleum gas which are not properly identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

(b) in the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

(c) when the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or liquefied petroleum gas cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the liquefied petroleum gas cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, ‘illegal trading in petroleum and/or petroleum products’ is understood to mean, among others, (i) the sale or distribution of petroleum products without license or authority from the OIMB, (ii) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, sub-dealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight and price thereof, (iii) refilling of liquefied petroleum gas cylinders without authority from the OIMB, or refilling of another company’s or firm’s cylinders without such company’s or firm’s written authorisation, and (iv) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

‘Underfilling’ or ‘underdelivery’ refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits of the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to liquefied petroleum gas in cylinders or to lubricant oils in packages.

Fire Code Implementing Rules and Regulations

The Fire Code implementing rules and regulations also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

Rules and Regulations Governing the LPG Industry

In January 2014, the Department of Energy issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the “**LPG Industry Rules**”). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("**SCC**") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also impose: (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

Rules Pertinent to Auto-LPG Motor Vehicles

On 13 February 2007, the DOE issued DOE Circular No. DC2007-02-0002 entitled 'Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use' (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of the Auto-LPG Rules, 'undue accumulation' shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of 30 days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("**LTO**") also issued Memorandum Circular No. RIB-2007-891 or the 'Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles'. The said Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the Philippine Department of Trade and Industry ("**DTI**") under its Philippine Standards Certification Mark scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance.

Oil Pollution Compensation Act

Republic Act No. 9483, otherwise known as the 'Oil Pollution Compensation Act of 2007', imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of ‘contributing oil’ (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, ‘oil’ includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received ‘contributing oil’, for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person’s subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per litre levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coastwise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority (“**MARINA**”).

In April 2016, the Department of Transportation (then the Department of Transportation and Communications) promulgated the implementing rules and regulations of Republic Act No.9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organised to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines ("**Consumer Act**"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labelling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Local Government Code

The Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise policy power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licences from businesses operating within the territorial jurisdiction of the LGU.

Other Regulatory Requirements

On 7 September 2010, the DENR issued Department Order No. 2010-23 on the Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (PH) emission limits subject to fuel availability, starting on 1 January 2016. Euro IV vehicle emission technology requires a more stringent fuel quality of 0.005% sulphur content for both diesel and gasoline.

Philippine government regulations also require the Company to secure, among others, certificates of conformance of facilities to national or accepted international standards on health, safety and environment, and product liability insurance certificates or product certificate of quality. These certificates, together with the Fire Safety Inspection Certificate and ECC have to be submitted to the DOE for monitoring purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transhipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

The Retail Trade Liberalization Act

Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000 ("**R.A. 8762**"), was enacted into law on 7 March 2000. R.A. 8762 liberalized the retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services and wider choices. Prior to the passage of the Retail Trade Liberalization Act, retail trade was limited to Filipino citizens or corporations that are 100.0% Filipino-owned.

'Retail Trade' is defined by R.A. 8762 to cover any act, occupation or calling of habitually selling directly to the general public any merchandise, commodities or goods for consumption. Under R.A. 8762, retail trade enterprises with paid-up capital of less than U.S.$2,500,000 are exclusively reserved for Filipino citizens. Full foreign participation is allowed only if any of the following qualifications is met: (a) with paid-up capital of U.S.$2,500,000 or more provided that investments for establishing a store is not less than U.S.$830,000; or (b) specialising in high end or luxury products, provided that the paid-up capital per store is not less than U.S.$250,000.

Any foreign investor may be allowed to invest in existing retail stores. However, the investment must comply with the paid-up capitalisation requirements enumerated above.

Furthermore, foreign investors who are also retailers and invest in existing retail stores are required to be pre-qualified with the Board of Investments before they can buy shares. No foreign retailer is allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

- a minimum of U.S.$200 million net worth in its parent corporation for enterprises with paid-up capital of U.S.$2,500,000 or more (provided that investments for establishing a store is not less than U.S.$830,000), and U.S.$50 million net worth in its parent corporation for enterprises specialising in high end or luxury products (provided that the paid-up capital per store is not less than U.S.$250,000);
- five retail branches or franchises in operation anywhere around the world unless such retailer has at least one store capitalized at a minimum of U.S.$25 million;
- five-year track record in retailing; and
- only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers shall be allowed to engage in retail trade in the Philippines.

The implementing rules of RA 8762 define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association or entity that is not wholly-owned by Filipinos, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers before they are allowed to conduct business in the Philippines.

Bureau of Customs

Given that the Company imports almost 100.0% of its refined petroleum products, there is also a need to take a look at the current requirements of the Bureau of Customs. The latter requires importers to undergo an accreditation and registration process under Customs Memorandum Order (CMO) No. 11-2014 and CMO No. 05-2018. In this case, the term "importer" refers to any person who brings goods into the Philippines, whether or not made in the course of trade and business.

Under Bureau of Customs Department Order 011-2018 dated 9 February 2018, the authority to accredit importers is reverted solely to the Bureau of Customs. Renewals of applications need only the following requirements:

(a) Updated General Information Sheet;
(b) Company profile with pictures of the office with proper and permanent signage;
(c) Address of warehouse owned or leased by the importer where the imported goods are intended to be stored;
(d) Proof of Lawful Occupancy of Office Address and Warehouse;
(e) Updated list of Importables;
(f) Printed Client Profile Registration System (CPRS) Record and "STORED" CPRS notification;
(g) Income Tax Return (ITR) for the past three years; and
(h) Valid Mayor's Permit

Note that under the Republic Act No. 10863 or the Customs Modernization and Tariff Act ("**CMTA**"), the liability for duties, taxes, fees and other charges attached to importation constitutes a personal debt due and demandable against the importer in favour of the government and shall be discharged only upon payment of duties, taxes, fees and other charges.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on 1 January 2005 from 3.0% to 5.0% but was later reduced to 3.0% effective as of 1 November 2005.

Under Executive Order No. 527 dated 12 May 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3.0% import duty on crude oil shall be adjusted to 2.0%, 1.0% or 0.0% Subsequently, Executive Order No. 850, which took effect on 1 January 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the tariff rates on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area ASEAN Trade in Goods Agreement ("**ATIGA**"). Under the ATIGA, crude oil and refined petroleum products imported from Association of Southeast Asian Nations ("**ASEAN**") Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of 4 July 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

On 2 May 2020, in light of Republic Act No. 11469 or the "Bayanihan To Heal as One Act" which granted the President temporary emergency powers to provide measures reasonable and necessary to implement the national policy against the coronavirus, President Rodrigo Duterte issued Executive Order No. 113 ("**E.O. No. 113**"). E.O. No. 113 imposed an additional import duty of 10%. on crude oil and refined petroleum products, on top of their existing most favored nation and preferential import duties. E.O. No. 113 became effective on 5 May 2020 and remained enforceable until such time that Republic Act No. 11469 ceases to take effect, or upon reversion of the modified rates of import duty to zero percent (0%) in accordance with the provisions of E.O. No. 113. Based on the provisions of Republic Act No. 11469, said law ceased to be effective three (3) months from 26 March 2020.

Republic Act No. 9337, also known as the ‘Expanded VAT Law’, imposed a VAT of 10.0% on certain goods and services, including petroleum products and their raw materials, particularly the sale and importation thereof. The rate was further increased to 12.0% effective 1 February 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70.0% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on 21 November 2006, removed the 70.0% ceiling on the credit of input VAT to output VAT. As of 1 November 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to P4.35 per litre of volume capacity.

The recent imposition of Republic Act No. 10963 (the “**TRAIN Law**”) increased the excise taxes imposed on petroleum products based on a scheduled incremental increase in excise taxes from 2018 to 2020 in the following manner:

<table>
<tr><th></th><th colspan="4">EFFECTIVITY</th></tr>
<tr><th>PRODUCTS</th><th>Prior to the TRAIN Law</th><th>1 January 2018</th><th>1 January 2019</th><th>1 January 2020</th></tr>
<tr><td>(a) Lubricating oils and greases, including but not limited to base stock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per litre and kilogram respectively, of volume capacity or weight</td><td>₱4.50</td><td rowspan="4">₱8.00</td><td rowspan="4">₱9.00</td><td rowspan="4">₱10.00</td></tr>
<tr><td>(a.1) Locally produced or imported oils previously taxed but subsequently reprocessed, re-refined, recycled, per litre and kilogram of volume capacity or weight</td><td>₱4.50</td></tr>
<tr><td>(b) Processed gas, per litre of volume capacity</td><td>₱0.05</td></tr>
<tr><td>(c) Waxes and petroleum per kilogram</td><td>₱3.50</td></tr>
</table>

(d)	Denatured alcohol to be used for motive power, per litre of volume capacity	₱0.05			
(e)	Asphalts, per kilogram	₱0.56			
(f)	Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per litre of volume capacity	₱4.35	₱7.00	₱9.00	₱10.00
(g)	Unleaded premium gasoline, per litre of volume capacity	₱4.35			
(h)	Kerosene, per litre of volume capacity	₱0.00	₱3.00	₱4.00	₱5.00
(i)	Aviation turbo jet fuel, aviation gas, per litre of volume capacity	₱3.67	₱4.00	₱4.00	₱4.00
(j)	Kerosene, when used as aviation fuel, per litre of volume capacity	₱3.67			
(k)	Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per litre of volume capacity	₱0.00			
(l)	Liquefied petroleum gas used for motive power, per kilogram	₱0.00	P2.50	P4.50	P6.00
(m)	Bunker fuel oil, and on similar oils having more or less the same generating power, per litre of volume capacity	₱0.00			
(n) ton	Petroleum coke, per metric	₱0.00			
(o)	Liquefied petroleum gas, per kilogram	₱0.00	₱1.00	₱2.00	₱3.00
(p)	Naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products or in the refining of petroleum	₱0.00	₱0.00	₱0.00	₱0.00

	products, or as replacement fuel for natural-gas-fired-combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof, per litre of volume capacity				
(q)	Liquefied petroleum gas, when used as raw material in the production of petrochemical products, per kilogram	₱0.00			
(r)	Petroleum coke, when used as feedstock to any power generating facility, per metric ton	₱0.00			

Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

Effect of Existing or Probable Government Regulations on the Company's Business
Oil industry players are required to comply with the laws discussed above, and to follow strictly the guidelines of the DENR and the DOE. There can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavours to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

CERTAIN LEGAL PROCEEDINGS

As set forth below, the Company is involved in ongoing legal cases, the outcome of which may or may not have a material adverse effect on its operations and profitability. While the final outcomes of these legal proceedings are dependent on the discretion of the judicial authority, the Company believes it has strong legal grounds in each of these legal proceedings to sustain its own contentions. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Legal proceedings involving the Company

As of the date of this Prospectus, neither the Company nor any of its subsidiaries is a party to, nor are their properties the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company's business, financial condition and results of operations.

Legal proceedings involving the Company's directors and officers

Violation of the Tariff and Customs Code of the Philippines

In May 2011, the Philippines' Bureau of Customs (the "**BOC**") filed before the Philippines' Department of Justice (the "**DOJ**") a complaint against Dennis A. Uy, the Company's President and Chief Executive Officer and other respondents for an alleged violation of Sections 3602, 2501(l)(1) &(5), 1801, 1802 and 3604 of Presidential Decree No. 1464 (as amended), otherwise known as the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case due to 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 complaints against the respondents. The DOJ filed 25 criminal complaints against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, 22 of which were filed with the Regional Trial Court of Davao City while the other three complaints were filed with the Regional Trial Court of Batangas City.

With respect to the complaints filed with the Regional Trial Court of Batangas City, Dennis A. Uy filed an Omnibus Motion for the Determination of Lack of Probable Cause on 2 September 2013. The Regional Trial Court of Batangas City granted the motion on 17 September 2013, dismissing all three complaints. In response to this, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez, but was subsequently denied on December 6, 2013. As no appeal was filed therefrom, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that the Orders dated December 6, 2013 and September 17, 2013 were already final and executory on July 7, 2014.

With respect to the complaints filed with the Regional Trial Court of Davao City, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Dennis A. Uy on October 14, 2013. The subsequent Motion for Reconsideration of the Plaintiff was also denied in an Order dated August 18, 2014. In response to the order, the Petitioner filed with the Court of Appeals in Cagayan de Oro City a Petition for Certiorari (the "**Petition for Certiorari**") under Rule 65 of the Rules of Court on October 27, 2014.

On 12 October 2016, the Court of Appeals dismissed the Petition for Certiorari, and Dennis A. Uy received a copy of the Decision on October 24, 2016. The Petitioner then filed a Motion for Reconsideration (the "**Motion for Reconsideration**") with the Court of Appeals and Dennis A. Uy received a copy of the Motion for Reconsideration on November 10, 2016. On January 25, 2017, the Court of Appeals dismissed the Motion for Reconsideration, upholding its previous decision. On March 27, 2017, the Petitioner filed the Petition for Review and Dennis A. Uy received a copy of the Petition for Review on April 4, 2017. As of the date of this Prospectus, the Supreme Court has yet to issue a resolution directing the respondents, including Dennis A. Uy, to comment on the Petition for Review.

Others

Several complaints of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and takeover of six Phoenix Fuel Stations in Davao City. These complaints were dismissed by the Davao City Prosecutor's office.

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

Except for the above, to the best of the Company's knowledge, there has been no occurrence during the past five years up to the date of this Prospectus of any of the following events:

(a) Any insolvency or bankruptcy petition filed by or against the Company or any of its directors or officers or any business of which such person was a director, general partner or executive officer either at the time of the insolvency, bankruptcy and any other similar proceedings or within two years prior to that time;

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

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

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

Further, neither the Company nor any of its officers and directors have become the subject of legal proceedings for suspension of payments or other debt relief within the past five years, or otherwise been unable to pay their debts as they mature or have made or threatened to make an assignment for the benefit of, or a composition or arrangement with, creditors or any class thereof, or shall declare a moratorium on indebtedness.

MARKET INFORMATION AND DIVIDENDS ON THE COMPANY'S COMMON SHARES AND RELATED STOCKHOLDERS MATTERS

MARKET INFORMATION

The Company's common shares were listed and traded at the Exchange starting on July 11, 2007. The high and low sale prices of the Company's common shares for each quarter within the last three fiscal years and subsequent interim periods are:

	2020		2019		2018		2017		2016	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	12.00	9.45	12.30	10.70	13.80	11.10	8.40	5.65	4.42	3.50
2nd Quarter	12.00	10.18	12.30	11.76	12.80	11.74	11.38	8.33	6.22	4.34
3rd Quarter	-	-	12.20	10.44	12.20	10.50	13.04	9.73	6.45	5.81
4th Quarter	-	-	11.94	10.98	11.30	10.50	13.08	11.10	6.00	5.55

As of March 31, 2020, the Company has a market capitalization of [₱14,343 million], based on Phoenix's common share closing price of [₱10.20] on [March 31], the last trading day of the said month.

STOCKHOLDERS

The following are the top 20 direct holders of the common shares of the Company as of March 31, 2020

#	NAME OF STOCKHOLDER	NO. OF SHARES	% OWNERSHIP
1	PHOENIX PETROLEUM HOLDINGS INC.	588,945,630	41.81%
2	ES CONSULTING, GROUP, INC.	340,270,980	24.15%
3	TOP DIRECT INVESTMENTS LIMITED	142,000,000	10.08%
4	UDENNA CORPORATION	117,245,918	8.32%

5	PCD NOMINEE CORPORATION (FILIPINO)	109,844,749	7.67%
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	107,206,416	7.49%
7	UDENNA MANAGEMENT & RESOURCES CORP.	11,661,195	0.83%
8	DENNIS A. UY	4,858,811	0.34%
9	JOSELITO R. RAMOS	4,812,600	0.34%
10	UDENCO CORPORATION	1,614,787	0.11%
11	ROMEO B. DE GUZMAN	1,325,746	0.09%
12	J.V. EMMANUEL A. DE DIOS	1,300,819	0.09%
13	DENNIS A. UY &/OR CHERYLYN C. UY	1,098,099	0.08%
14	DOMINGO T. UY	645,919	0.05%
15	JOSEPH JOHN L. ONG	520,836	0.04%
16	ERIC U. LIM OR CHRISTINE YAO LIM	319,000	0.02%
17	MARJORIE ANN LIM LEE OR PAULINE ANN LIM	300,000	0.02%
18	EDWIN U. LIM OR GENEVIEVE LIM	300,000	0.02%
19	JOSE MANUEL ROQUE QUIMSON	173,039	0.01%
20	ZENAIDA CHAN UY	149,058	0.01%

DIVIDENDS

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders based on outstanding stock held by them. "Unrestricted Retained Earnings" refer to the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends shall be determined pursuant to the requirements of the applicable laws and regulations. The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE. Under the various loans agreements to which the Company is a party, the Company is subject to certain negative covenants relating to its declaration of dividends, such as the maintenance of its debt to equity ratio and a prohibition on the distribution of dividends in the event of default under such surveillance.

Dividend Policy

The Company currently does not have a minimum dividend policy. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. The dividends shall be payable out of its unrestricted retained earnings subject to the availability of such unrestricted retained earnings and other statutory limitations.

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

The Company's dividend policy on preferred shares is to declare and pay dividends in accordance with the terms and conditions of its issuance. Holders of preferred shares enjoy preference over the holders of common shares in the payment of dividends.

The dividend policy of the Company's subsidiaries is to declare and pay dividends from unrestricted retained earnings subject to the discretion of their respective Board of Directors.

History of Dividend Income Payment

For the year 2008, the Board of Directors approved on May 8, 2008 and duly ratified by the stockholders on July16, 2008, a 30% stock dividend for stockholders of record as of July11,2008 to be issued from the Company's unrestricted retained earnings. Distribution date was scheduled on August 6, 2008. A total of 43,000,198 common shares were issued valued at Par Value of ₱1.00 per share or a total of ₱43,000,198.00. Moreover, a cash dividend of ₱0.10 per share was also declared for all stockholders on record as May30, 2008. Payment date was set on June 26, 2008 for the total amount of ₱14,500,000.00.

For 2009, the shareholders ratified and approved on May29, 2009 a 40% stock dividend. Details are as follows:

Ex-Date	July 3, 2009
Record Date	July 8, 2009
Distribution Date	August 3, 2009
No. of shares distributed	73,660,677 shares

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

Ex-Date	July 12, 2009
Record Date	July 15, 2009

Payment Date	August 10, 2010
Total Amount	₱13,656,430

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

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

Dividend Rate	₱0.10 per share
Ex-Date	March 22, 2011
Record Date	March 25, 2011
Payment Date	April 20, 2011
Total Amount	₱37,682,494

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

For the year 2012, the Board of Directors declared cash dividend for common shareholders with details as follows:

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

Similarly, a 50% stock dividend was declared by the Board of Directors on February 08, 2012 and subsequently approved by the Stockholders during the March 08, 2012 annual stockholders' meeting. All stockholders of record as March 28, 2012 were entitled to said stock dividend declaration that was distributed on April 26, 2012. Total distributed for this dividend is 244,936,202 shares. Also, the Board of Directors declared and approved the payment of cash dividend at the rate of 11.5% per annum to all preferred shareholders totaling to ₱49.0million. Preferred shares issuance by the Company is not listed and traded in the Exchange.

On March 8,2013, the stockholders ratified the BOD approval of 30% stock dividends (or a total of 329.7 million shares), valued at par and distributed on June10,2013 to stockholders of record as of May 15, 2013. Cash dividends of ten (10) centavos per common shares totaling to ₱103.6 million were also declared and paid in 2013. In addition, total cash dividends declared and distributed to preferred stockholders amounted to ₱57.5 million in 2013.

On January 29, 2014, the Board of Directors approved the declaration and payment of common share cash dividend of ten (10) centavos per share totaling to ₱142.9 million to stockholders of record as of March17, 2014. In addition, total cash dividends declared and distributed to 2nd tranche preferred stockholders amounted to ₱41.2 million in 2014. No stock dividends were declared and distributed in 2014.

On March 4, 2015, the Board of Directors approved the declaration and payment of common share cash dividends of five (5) centavos per share totaling to ₱71.5million, record date as of March 18, 2015. A total of ₱41.2 million cash dividends were also declared and distributed to 2ndtranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On March 18, 2016, the Board of Directors approved the declaration and payment of common share cash dividends of eight (8) centavos per share totaling to ₱114.3 million to stockholders of record as of April 05, 2016 and is payable April 29, 2016. A total of ₱194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On January 25, 2017, the Board of Directors approved the declaration and payment of common share cash dividends of ten (10) centavos per share totaling to ₱136.2 million to stockholders of record as of March 30, 2017, payable on April 27, 2017. A total of ₱194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 15, 2018, the Board of Directors approved the declaration of common share cash dividend of fifteen (15) centavos per share totaling to ₱214.7 million to stockholders of record as of April 02, 2018, payable on April 26, 2018. A total of ₱146.2million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders as of September 30, 2018. No stock dividends were declared and distributed for the period mentioned.

On March 14, 2019, the Board of Directors approved the declaration of common share cash dividend of fifteen (15) centavos per share totaling to ₱210.4million to stockholders of record as of April 08, 2019, payable on May 08, 2019. A total of ₱153.7million cash dividends were also declared and distributed to the 3rd tranche preferred stockholders as of November 06, 2019. No stock dividends were declared and distributed for the period mentioned.

RECENT SALE OF UNREGISTERED SECURITIES

On June 22, 2011, the Commission approved the application for exemption from the registration requirement of the Securities Regulations Code of the Company, pursuant to Section 10.2 of the SRC, for the proposed issuance of 24,493,620 common shares for the Company's ESOP. On May 14, 2014, the Exchange approved the listing of 24,493,620 common shares pertaining to the Company's ESOP.

On July 26, 2017, the Company implemented for the first time the Company's ESOP after its vesting period of 1 year. For the first tranche, the Company issued additional 2,160,000 common shares to qualified employees pursuant to the ESOP in scripless form and on November 15, 2017, the Company issued additional 601,000 common shares at the price of ₱5.68 per share.

[As of 31 March 2019, a total of 5,891,873 ESOP shares have been exercised and subscribed by the company's grantees. There are also no current directors who are not executive officers who received or were granted ESOP shares. Further, there are no persons who have received or are to receive 5% of the ESOP. The ESOP was granted to the following persons:

a) Dennis A. Uy, Chief Executive Officer;
b) Top 4 executives;
c) All current executive officers as a group; and
d) All other qualified employees as a group.

ESOP Grantee	**No. of Shares**
Top 5 Executives:	1,342,000
Other Executive Officers	1,229,800
All qualified employees	3,320,073
TOTAL	**5,891,873**

VOTING TRUST HOLDERS OF 5% OR MORE

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

CHANGES IN CONTROL

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

RE-ACQUISITION / BUY-BACK OF ITS OWN SECURITIES

On September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of ₱50 million or 5.15% of the Company's then market capitalization. Using facilities of the Exchange, the program commenced on the second week of October 2007. The program will conclude upon exhaustion of the approved allotment, subject to the disclosure requirements of the SEC and the Exchange.

As of December 31, 2017, December 31, 2016 and December 31, 2015, the Company's treasury shares have cumulative costs of ₱109.4 million, ₱330.7million and ₱0, respectively. A total of 15.8 million and 54.4 million shares were re-acquired in 2017 and 2016, respectively.

On November 6, 2017, the Company subsequently sold all of its treasury shares amounting to ₱440.1 million. The total consideration received for the sale of treasury shares amounted to ₱807.2 million, which resulted in additional paid-in capital of ₱367.1 million. No re-acquisitions of shares were made between 2009 and 2015.

In 2018, the Company purchased a total of 31.0 million of its common shares for a corresponding total cost of P344.3 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

The summary financial data as of March 31, 2020 and 2019 and December 31, 2019, 2018, and 2017 were derived from the Company's unaudited and audited consolidated financial statements, including the notes thereto, which are included in this Prospectus and from the Company's 2017 annual report.

The financial statements as of December 31, 2019, 2018 and 2017 were audited by [Punongbayan&Araullo] and were prepared in accordance with the PFRS. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

RESULTS OF OPERATIONS

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

	For the three months ended of 31 March		
	2019	2020	
		(unaudited)	
		₱	U.S.$
Revenues			
Sale of goods	23,943,611,160	21,328,170,156	417,838,926
Fuel service and other revenues	133,845,671	526,156,594	10,307,903
Rent income	15,175,539	40,070,443	785,018
	24,092,632,370	21,894,397,193	428,931,847
Costs and Expenses			
Cost of sales and services	21,600,233,278	20,153,987,485	394,835,583

Selling and administrative expenses	1,471,240,106	1,561,446,577	30,590,208
	23,071,473,384	21,715,434,062	424,425,791
Other Charges (Income)			
Finance costs	582,444,290	459,914,645	9,010,161
Finance income	(9,727,678)	(8,832,521)	(173,037)
Equity share in net income of joint ventures	(11,507,240)	(6,343,088)	(124,267)
Others – net	(6,122,023)	(26,540,105)	(519,946)
	555,087,349	418,198,931	8,192,911
Profit/(Loss) before Tax	466,071,637	(239,235,800)	(4,686,854)
Net Profit/(Loss)	414,671,103	(214,650,839)	(4,205,212)

Revenues, Cost of Sales and Gross Margins

The Group's Revenues during the 1st quarter of 2020 were lower by 9.1% at ₱21.894 billion compared to the ₱24.093 billion generated in the same period of 2019. This was mainly due to the 5.3% decrease in total volume sold for the comparative periods (2020: 769 million liters vs. 2019: 812 million liters) and the lower average pump prices in Philippines year-on-year. The decrease in volume was driven by the eruption of the Taal Volcano in January 2020, which disrupted operations of some of our commercial customers, as well as the travel restrictions brought about by the Enhanced Community Quarantine (ECQ), which started on March 16, 2020. This was partially compensated by the growth in retail and LPG coming off of a strong station network growth and expansion into Luzon. This year also marked the full quarter consolidation of our Vietnam LPG business. Meanwhile, the average price of petroleum products was lower as a result of the 25.7% drop in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD March 2020 vs 2019: US$50.26/ bbl. vs. US$63.20/ bbl).

Cost of Sales and Services decreased by 6.70%, from ₱21.600 billion in the 1st quarter of 2019 to ₱20.154 billion in 2020, principally attributable to the decline in volume.

As a result, Gross Margin decreased by 30.2% or ₱0.752 billion.

Operating Expenses, Non-operating Expenses, Recurring Income

Meanwhile, the company's Selling and Administrative Expenses amounted to ₱1.561 billion, 6.1% more than the ₱1.471 billion 2019 level. The increase is due to the full consolidation of Vietnam LPG business beginning March 2019.

On the other hand, Net Non-operating Charges of ₱0.418 billion was ₱0.137 billion less than the ₱0.555 billion incurred in in the same period of 2019. Part of the 24.7% reduction was the ₱0.122 billion decrease in the Finance Cost, ₱0.001 billion decrease in finance income, ₱0.005 billion decrease in the equity share in the JV income and ₱0.020 billion increase in Other Income.

Operating, Net and Comprehensive Incomes

The 1st quarter 2020 Operating Income of ₱0.179 billion decreased by 82.4% (₱0.842 billion) from the prior year's ₱1.021 billion, mainly because of the decrease in gross margin (₱0.752 billion) and increase in selling and administrative expenses (₱0.090 billion).

Notwithstanding the lower Net Non-operating Charges, the Net Loss Before Tax of₱0.239 billion during the quarter declined by 151.33% (₱0.705 billion) vis-à-vis the prior year's Net Income Before Tax of ₱0.466 billion.

Meanwhile, the company recorded a ₱0.024 billion translation adjustment gain related to Pnx SG's operations, 183.7% higher than the ₱0.029 billion loss recorded in the same period of 2019. As such, Comprehensive Loss of ₱0.190 billion was 149.4% lower than the ₱0.386 billion in Comprehensive Income reported in the 1st quarter of 2019.

Financial Condition
(As of March 31, 2020 versus December 31, 2019)

Consolidated resources as of March 31, 2020 stood at ₱80.695 billion, 7.2% lower than ₱86.957 billion level as of December 31, 2019. This was mainly due to the decrease in Liability and in Equity of ₱5.856 billion and ₱0.406 billion, respectively.

Cash and Cash Equivalents decreased by 41.1% (from ₱9.811 billion in December 31, 2019 to ₱5.777 billion as of March 31, 2019) mainly because of the settlement of debts and lower cash from operations as the COVID-19 pandemic affected collections and sales starting March 2020.

Trade and Other Receivables increased by 1.5% (from ₱15.973 billion as of December 31, 2019 to ₱16.217 billion as of March 31, 2020) as the travel restrictions due to the Enhanced Community Quarantine (ECQ) affected the collection schedule.

Inventory was 10.6% lower at ₱10.438 billion as of March 31, 2020 than the ₱11.678 billion as of December 31, 2019, driven by the decline in the global prices of petroleum products.

Interest-bearing Loans and Borrowings, both current and non-current of ₱49.385 billion as of March 31, 2020 decreased by 0.01% from ₱49.896 billion as of December 31, 2019, mainly due to the settlement of certain maturing loans.

Trade and Other Payables decreased by 44.1% from ₱11.841 billion as of December 31, 2019 to ₱6.622 billion as of March 31, 2019, related to the timing and value of purchases especially for Pnx SG.

Lease Liabilities both current and non-current amounting to ₱1.383 billion as of March 31, 2020 is 10.6% higher than the ₱1.250 billion as of December 31, 2019, coming from the new leases concluded during the period.

Total Stockholders' Equity decreased to ₱21.445 billion as of March 31, 2020 from ₱21.846 billion as of December 31, 2019, (by 1.8%). The decrease is due to the 5.4% reduction in retained earnings which came from the ₱0.214 billion net loss realized in the first quarter of 2020, the ₱0.171 payment of dividends on Preferred shares, and the net movement in the revaluation coming from the other comprehensive income.

Year ended 31 December 2019 compared to the year ended 31 December 2018

	For the year ended of 31 December		
	2018	2019	
	(audited)		(unaudited)
	₱		U.S.$
Revenues			
Sale of goods	87,672,722,663	96,501,653,189	1,890,558,208
Fuel service and other revenues	824,182,312	1,205,744,987	23,621,679
Rent income	113,863,129	115,711,069	2,266,889
	88,610,768,104	97,823,109,245	1,916,446,776
Costs and Expenses			
Cost of sales and services	78,838,964,820	86,811,287,081	1,700,714,816
Selling and administrative expenses	5,741,750,297	6,518,065,904	127,695,046
	84,580,715,117	93,329,352,985	1,828,409,862
Other Charges (Income)			
Finance costs	1,449,247,671	2,838,294,987	55,604,870
Finance income	(73,374,342)	(86,595,790)	(1,696,493)
Fair value gains on investment properties	(624,941,000)	(71,569,675)	(1,402,117)
Equity share in net income of joint ventures	(7,342,245)	(16,510,018)	(323,447)
Others – net	(87,267,127)	(12,100,025)	(237,051)

	656,322,957	2,651,519,479	51,945,762
Profit before Tax	3,373,730,030	1,842,236,781	36,091,152
Net Profit	2,767,141,709	1,494,577,548	29,280,181

Sale of Goods
The Company's revenue from sale of goods increased 10.1% to ₱96,501,653,189 for the year ended 31 December 2019 from ₱88,610,768,104 for the year ended 31 December 2018, primarily due to a 19.8% increase in volume sold for the comparative years, in the face of a second round of increases in excise tax on petroleum products under TRAIN law beginning in January 2019, and lower average domestic price of petroleum products based on the Dubai benchmark.

Fuel Service and Other Revenues
The Company's fuel service and other revenues increased 46.3% to ₱1,205,744,987 for the year ended 31 December 2019 from ₱824,182,312 for the year ended 31 December 2018, primarily due to growth in terminalling and hauling services as well as management services fees.

Rent Income
The Company's rent income increased 1.6% to ₱115,7151,069 for the year ended 31 December 2019 from ₱113,863,129 for the year ended 31 December 2018, primarily due to the increase in the Company's retail service station network.

Cost of Sales and Services
The Company's cost of sales and services increased 10.1% to ₱78,838,964,820 for the year ended 31 December 2019 from ₱78,838,964,820 for the year ended 31 December 2018, growing as a function of sales volume.

Selling and Administrative Expenses
The Company's selling and administrative expenses increased 13.5% to ₱6,518,065,904 for the year ended 31 December 2019 from ₱5,741,750,297 for the year ended 31 December 2018, however, operating expenses per unit litre decreased as the Company continued to implement processes to streamline its operations and reduce costs.

Finance Costs
The Company's finance costs increased 95.9% to ₱2,838,294,987 for the year ended 31 December 2019 from ₱1,449,247,671 for the year ended 31 December 2018, primarily due to increases in interest expense on bank loans and other borrowings, bank charges, and interest expense from lease liabilities as well as the high capital intensity (in terms of both capital expenditure and working capital) of the Company's business and new business investments.

Finance Income
The Company's finance income increased 18.0% to ₱86,595,790 for the year ended 31 December 2019 from ₱73,374,342 for the year ended 31 December 2018, primarily due to foreign currency exchange gains.

Fair Value Gains on Investment Properties
Fair value gains on investment properties decreased by 88.6% to ₱71,569,675 for the year ended 31 December 2019 as compared to ₱624,941,000 for the year ended 31 December 2018, primarily due to the revaluation of the Company's investment properties. Starting in 2018, the Company revalues its investment properties every two years.

Equity Share in Net Income of Joint Ventures
The Company's equity share in net income of joint ventures increased by 124.9% to ₱16,510,018 for the year ended 31 December 2019 as compared to ₱7,342,245 for the year ended 31 December 2018, primarily due to growth in the Company's retail joint venture network and increased earnings from the Company's joint ventures.

Others – Net
Others – net decreased by 86.1% to ₱12,100,025 for the year ended 31 December 2019 from ₱87,267,127 for the year ended 31 December 2018. This relates to the Company's strategy to hedge part of PNX SG's volume transactions. The Company may recognize settlement gains or losses in relation to the paper gains or losses on these hedge instruments during the period.

Profit before Tax
The Company's profit before tax decreased by 45.4% to ₱1,842,236,781 for the year ended 31 December 2018 as compared to ₱3,373,730,030 for the year ended 31 December 2018, primarily due to the increase in net non-operating charges.

Net Profit
As a result of the foregoing, the Company's net profit decreased by 46.0% to ₱1,494,577,548 for the year ended 31 December 2019 as compared to ₱2,767,141,709 for the year ended 31 December 2018.

Year ended 31 December 2018 compared to the year ended 31 December 2017

	For the year ended of 31 December	
	2017	2018
	(audited)	
	₱	
Revenues		
Sale of goods	44,542,981,876	88,610,768,104
Fuel service and other revenues	301,402,792	824,182,312
Rent income	92,626,832	113,863,129
	44,542,981,876	88,610,768,104
Costs and Expenses		
Cost of sales and services	38,345,104,529	78,838,964,820
Selling and administrative expenses	4,207,027,951	5,741,750,297
	42,552,132,480	84,580,715,117

Other Charges (Income)		
Finance costs	804,707,861	1,449,247,671
Finance income	(56,313,476)	(73,374,342)
Fair value gains on investment properties	–	(624,941,000)
Equity share in net income of joint ventures	–	(7,342,245)
Excess of fair value of net assets acquired over acquisition cost	(650,182,327)	–
Others – net	(36,852,747)	(87,267,127)
	61,359,311	656,322,957
Profit before Tax	1,929,490,085	3,373,730,030
Net Profit	1,521,422,847	2,767,141,709

Revenues, Cost of Sales and Gross Margins

The Group's Revenues in 2019grew to ₱97.823billion, 10.4% higher compared to the ₱88.611 billion generated in 2018. This was mainly due to the 19.8% growth in total volume sold for the comparative years to 3,259 million liters in 2019 from 2,720 million liters in 2018. This was augmented by the ₱1.185 billion sales contributed by Philippine Family Mart CVS, Inc. (PFM) and ₱113million sales contributed by Action Able, Inc. On the other hand, despite the implementation of the second round of increase in the excise tax rates of petroleum products under the Tax Reform for Acceleration and Inclusion (TRAIN) law starting January 2019, the average price of petroleum products was lower as a result of the 8.7% drop in the price of Dubai crude average, which is the benchmark crude of Asian refineries, from US$¬63.15/ bbl to US$69.13/bbl.

Of the 579million liters incremental sales volume in 2019, 56% came from the volume sold by foreign-based subsidiaries namely, Pnx Singapore and Pnx Vietnam, which contributed 237.5million liters and88.6 million liters, respectively. Domestic operations accounted for the remaining 44%.

Similarly, Cost of Sales and Services increased by 10.1%, to ₱86.811billion in 2019from ₱78.838 billion in 2018, as sales volume grew.

Higher sales volume likewise drove Gross Profit higher by 12.7% to ₱11.012 billion in 2019 from ₱9.772 billion in 2018.

Operating Expenses, Non-operating Expenses, Recurring Income

The Group's Selling and Administrative Expenses, or Operating Expenses (OPEX),were higher by 13.5% at ₱6.518billion in 2019 from ₱5.742billion in 2018. However, OPEX per unit liter improved to ₱2.00 from ₱2.11as the Company continued to implement cost-effective programs to streamline its processes and reduce cost.

The Company's Net Non-Operating Charges reached ₱2.652 billion in 2019, which was ₱1.995billion more than the ₱0.656billion incurred in 2018.This was driven by the rise in average borrowing rates, as well as the additional debts incurred during the year to finance network expansion, including support systems and facilities. The following also drove changes to the net non-operating charges: 1) ₱0.553 billion decrease in the recognized fair value gains on investment properties from ₱0.625 billion in 2018; 2) ₱0.013 billion decrease in finance income from ₱0.073 billion; and 3) ₱0.009 billion increase in equity share in the JV income from ₱0.007 billion in 2018.

Operating, Net and Comprehensive Incomes

Notwithstanding the increase in operating expenses, Operating Income grew by 11.5% to ₱4.494 billion in 2019 from₱4.030 billion in 2018.However, with the rise in Net Non-Operating Charges, Net Income Before Tax(NIBT) declined by 45.4% decline to ₱1.842billion in 2019 from ₱3.374billion in 2018.Net Income After Tax(NIAT) was lower subsequently lower by 46.0% at ₱1.494 billion from ₱2.767 billion in 2018.

Meanwhile, the Company recorded a₱0.070billion translation adjustment charge related to Pnx SG's operations compared to the₱0.029income recorded in 2018. The gain on revaluation of land amounting to ₱0.145 billion was 88.1% lower than ₱1.220billion recorded in 2018. As such, Comprehensive Income was 58.7%lowerat of ₱1.499 billion in 2019 versus ₱3.625billion in 2018.

Financial Condition
(As of December 31, 2019 versus December 31, 2018)

Consolidated resources as of December 31, 2019 stood at ₱87.372billion, 34.8% higher than₱64.660billion as of December 31, 2018. This was mainly due to the additions inproperty, plant, and equipment (PPE) related to the Company's retail expansion, the recognition of the Right-of-Use Asset for the lease contracts with reference to PFRS 16 – Leases which took effect January 1, 2019, as well as increases in Receivable, Cash and Cash Equivalents, Prepayments and Deposits and Input VAT.

Cash and Cash Equivalents increased by 24.3%to ₱9.811billion as of December 31, 2019from ₱7.890 billion as of December 31, 2018 as the company intensified its collection efforts.

Similarly,Trade and Other Receivables increased by 6.3% to ₱15.973billion as of December 31, 2019from ₱15.031 billion as of December 31, 2018 in line with the increase in revenue, which was mainly driven by higher sales volume.

Inventory was 4.9% higherat₱11.680billion as of December31, 2019, almost of the same level as the₱11.135 billion as of December 31, 2018.

As of December30, 2019, the Group's Property and Equipment, net of accumulated depreciation, increased to ₱27.383billion versus the ₱18.715billion as of December 31, 2018. The46.3% growth represented the value of the assets of the newly acquired subsidiaries, as well as the continuing expansion program of the group.

Investment Properties was 9.8% higher at ₱1.909 billion as of December 31, 2019 from ₱1.739 billion as of December 31, 2018. The ₱0.170 million increment mainly pertained to the market revaluation of the company's real estate properties in compliance with accounting standards.

Intangible Assets was 5.4% lower at ₱0.310billion as of December 31, 2019 from ₱0.328 billion as of December 31, 2018in line with normal amortization.

Right of Use assets amounting to ₱1.143 billion is a new account related to the implementation of PFRS 16 effective January 1, 2019.

Investment in Joint Ventures was 214.8% higher at ₱1.433billion as of December 31, 2019, from ₱0.455 billion as of December 31, 2018 as the company entered into Joint Venture Agreements in line with its retail expansion program.

Goodwill was 4.8% higher at ₱4.632billion as of December 31, 2019 from ₱4.419 billion as of December 31, 2018 as a result of the acquisition of Origin LPG (Vietnam) LLC by PNX Vietnam, a subsidiary of PNX Energy Investments, which in turn is a wholly-owned subsidiary of the Company.

Deferred Tax Asset was 85.8% higher at ₱0.571billion as of December 31, 2019 from ₱0.307billion as of December 31, 2018 coming from subsidiaries reporting losses.

Other Non-current Assets was 378.7% higher at ₱7.638billion as of December 31, 2019 from ₱1.596billion as of December 31, 2018 as the company entered into Contract to Sell agreements in connection to the purchase of certain real estate properties.

Interest-bearing Loans and Borrowings, both current and non-current of₱49.896billion as of December 31, 2019increased by 25.1%from₱39.900 billion as of December 31, 2018, mainly from the financing of Pnx SG's working capital requirements and the Group's capital expenditures and partly offset by the settlement of debts.

Trade and Other Payables increased by 59.3% from ₱7.435billion as of December 31, 2018 to ₱11.842billion as of December 31, 2019 related to the timing of purchases of petroleum products, especially for Pnx SG.

Deferred Tax Liabilities amounting to ₱1.163billion as of December 30, 2019, higher by 47.0% than ₱0.791billion as of December 31, 2018.

Total Stockholders' Equity increased to ₱21.923billion as of December 31, 2019, which was higher by 37.2% from ₱15.974billion as of December 31, 2018. This increase was primarily from the higher Capital Stock and Additional Paid-in Capital resulting from the release of ₱7 billion PNX4 Preferred shares, net of the redeemed ₱1.5 billion privately placed with RCBC Capital Corporation. Further contributing to the higher Stockholders' Equity was the 14.0% growth in retained earnings coming from the ₱1.486 billion net income realized in 2019, which was offset by the payment of dividends on both Common and Preferred shares, as well as the partial redemption of Preferred shares issued in prior years.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

Board of Directors
The Board of Directors is the governing body of the Company. As of the date of this Prospectus, the Board of Directors is comprised of the following members:

Name	Position	Period of Service	Date of First Election
Domingo T. Uy	Chairman Emeritus	incorporation to present	May 2002
Dennis A. Uy	Chairman and Chief Strategy Officer	incorporation to present	May 2002
Henry Albert R. Fadullon	Director, President and Chief Executive Officer and Chief Operating Officer	2020 to present	May 2020
Romeo B. De Guzman	Director, Vice Chairman	2009 to present	May 2009
J.V. Emmanuel A. de Dios	Director	2007 to present	July 2007
Cherylyn C. Uy	Director	2004 to 2006, 2013 to present	March 2004
Monico V. Jacob	Director	2008 to present	June 2008
Stephen T. CuUnjieng	Director	2018 to present	January 2018
Consuelo Yñares-Santiago	Independent Director	2013 to present	March 2013
Minoru Takeda	Independent Director	2019 to present	March 2019
Nicasio I. Alcantara	Independent Director	2019 to present	March 2019

A brief profile of each member of the Company's Board of Directors is set forth below.

Domingo T. Uy
Chairman Emeritus
Domingo T. Uy, Filipino, 73 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman Emeritus of the Board of Directors of the Company on 29 May 2020 after serving as Chairman of the Board of Directors since 15 February 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. He is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also a past president of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association – Davao Chapter.

Dennis A. Uy
Chairman and Chief Strategy Officer
Mr. Dennis A. Uy, Filipino, 46 years old, is the Founder and, since 29 May 2020, the Chairman and Chief Strategy Officer of the Company. He previously served as Director, President and Chief Executive Officer since the Company's inception until his election as Chairman. He is the Chairman and President of Udenna Corporation, the parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc., Udenna Management & Resources Corp., Chelsea Logistics Holdings, Corp., Udenna Development Corporation, Le Penseur, Udenna Trade Corporation and PH Resorts Group Holdings, Inc. He is also Chairman of PH Resorts Group Holdings, Inc., Phoenix Philippines Foundation and Udenna Foundation. He is director of shipping and logistics provider 2Go Group, Inc. through his Udenna Investments BV subsidiary KGLI-NM Holdings Inc. He also serves as independent director of Apex Mining Corp. Dennis A. Uy is a member of the Young Presidents Organization's Philippine chapter and the Philippine Business for Social Progress. Since November 2011, he has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the presidential adviser on sports. He is a graduate of De La Salle University with a degree in Business Management.

Henry Albert R. Fadullon
Director, President and Chief Executive Officer and Chief Operating Officer
Henry Albert R. Fadullon, Filipino, 52 years old, was elected as a Director and President and Chief Executive Officer of the Company on 29 May 2020 and appointed Chief Operating Officer of the Company on 17 April 2017. Prior to this, he served Shell Shared Services (Asia) B.V. as general manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which was spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in retail and "business-to-business", performing a variety of frontline and functional roles leading to general management positions, including as general manager of global retail operations excellence and general manager of retail. He completed his Bachelor of Science, major in Industrial Management Engineering, minor in mechanical engineering, at De La Salle University.

Romeo B. De Guzman
Director, Vice Chairman
Romeo B. De Guzman, Filipino, 70 years old, was elected Director of the Company in 2009. He is the Vice Chairman and Senior Strategic Adviser, and previously was Chief Operating Officer of the Company, bringing over 40 years of outstanding experience in the oil industry. Before joining the Company, he worked at Pilipinas Shell Petroleum Corporation, where he held various management and executive positions, including as the vice president for external affairs for Asia Pacific and a member of the board of directors until December 2006. Prior to that, he also worked at Getty Oil Philippines Inc. for 10 years. Currently, he is also the chairman of the board of directors of Mirait Philippines, Inc. He holds Marketing Management and Masters in Business Administration degrees from San Sebastian College – Manila.
Atty. J.V. Emmanuel A. De Dios
Director
Atty. J.V. Emmanuel A. De Dios, Filipino, 55 years old, was elected director of the Company in July 2007. He is also the chief executive officer of GE Philippines, and prior to that was the president and chief executive officer of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He also worked as managing director of Merritt Advisory Partners, Inc. and is a member of the board of directors of Davies Energy Systems, Inc. He also served as chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Cherylyn C. Uy
Director
Cherylyn Chiong-Uy, Filipino, 40 years old, is a graduate of Business and Finance from Ateneo de Davao University. She worked with the Company from 2004 to 2006 before re-joining in 2013. She is currently the corporate treasurer of Udenna Corporation, Udenna Management and Resources Corporation and Chelsea Shipping Corp. and a member of the Board of Directors of PH Resorts Group Holdings, Inc. She is also one of the executive directors of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company.

Monico V. Jacob
Director
Monico V. Jacob, Filipino, 74 years old, has been a Director of the Company since 7 March 2008. He is President of the STI Education Systems Holdings, Inc., a publicly listed company; and is also the Vice-Chairman and Chief Executive Officer of STI Education Services Group, Inc. From 2009 to 2013, he served as the president and chief executive officer of Philplans First, Inc., a pre-need company, Philippine Life Financial, Inc., a life insurance company, and of Republic Surety and Insurance Co., a non-life insurance company. He also sits as an independent director of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2GO Shipping. He is currently also the director of Asian Terminals, Inc., Philhealthcare Systems, Inc., an HMO, Philippine Women's University and IAcademy.

Stephen T. CuUnjieng
Director
Stephen T. CuUnjieng, Filipino, 60 years old, was elected as a Director of the Company on 15 January 2018, after being a long-time adviser to the Board. He is the chairman of Evercore Asia Limited and has substantial and wide experience in investment banking. He has acted as financial adviser to several financial transactions of companies involving initial public offerings, major and strategic acquisitions, and mergers of various companies from various industries. He is a member of the executive advisory board for Asia of the Wharton School of Business, and an independent director of Century Properties Group and Aboitiz Equity Ventures. He has received several awards and distinctions, such as the Best Independent Advisory Firm in Asia in 2016 for Evercore and Deals of the Year for various acquisitions. He graduated from Ateneo de Manila University and Ateneo School of Law and completed an MBA in Finance from the Wharton School of Business.

Consuelo Yñares-Santiago
Independent Director
Consuelo Yñares-Santiago, Filipino, 80 years old, is a retired justice of the Philippine Supreme Court. She is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is the chair advisory council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a legal officer of the SEC. After five years of legal practice, she decided to enter the judiciary and spent 36 years of her career as municipal judge, metropolitan trial court judge, regional trial court judge, and associate justice of Court of Appeals, before becoming an associate justice of the Supreme Court, the highest court of the country. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and also joined various committees, among them the Justice on Wheels Program as chairperson, the Foreign Travel Committee as chairperson, the House of Representative Electoral Tribunal as chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the

Judicial and Bar Council and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

Minoru Takeda
Independent Director
Minoru Takeda, Japanese, 66 years old is the Chairman of aNew Energy (an advisory company for Renewables/LNG), Senior Advisor of GLX LNG (LNG Trading Platform Company), Director of Oxalis Chemicals KK, and Senior Advisor of Uyeno Kosan KK. Mr. Takeda was with ExxonMobil for 22 years and with Royal Dutch Shell group for 14 years. He was the Chairman of the Board of Showa Shell KK, Country Chairman of Shell Group of Companies in Japan, and GM of Shell Upstream International in charge of the ASEAN/India LNG Market Development. For Mobil Oil Corporation, in addition to holding key positions in Japan, he was Director of Mobil Oil New Zealand, and has experience in Global HQ Downstream Corporate Planning. He also spent over four years with Deloitte, as Partner of Deloitte Tohmatsu Consulting and served as Chief Executive Officer of Deloitte Tohmatsu Corporate Finance. He holds a BS and MS from Keio University and MS from MIT Sloan School of Management. He was a Visiting Researcher at Harvard University, Energy and Environmental Policy Center.

Nicasio I. Alcantara
Independent Director
Nicasio I. Alcantara, Filipino, 77 years old, is the Chairman and President of ACR Mining Corporation and Chairman of Conal Corporation. He currently serves as the Chairman of the Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the bank's Audit Committee and Related Party Transactions Committee. He is currently a Director of Alsons Corporation, Alsons Development and Investment Corporation and several other corporations. Prior to this, Mr. Alcantara also held the position of Chairman and President in various corporations, namely, Petron Corporation, Alsons Consolidated Resource Inc., Iligan Cement Corporation, Alsons Cement Corporation, Northern Mindanao Power Corporation, Refractories Corporation of the Philippines, and Alsons Insurance Brokers Corporation. He was also the Chairman of Alsons Prime Investments Corporation. Mr. Alcantara holds a Masters degree in Business Administration from Sta. Clara University, California, and a Bachelor of Science degree in Business Administration from Ateneo de Manila University.

Executive Officers
As of the date of this Prospectus, the Executive Officers of the Company are comprised of the following:

Name	**Position**	**Period of Service**	**Date of First Election**
Dennis A. Uy	Chief Strategy Officer	2020 to present	May 2020
Henry Albert R. Fadullon	Chief Operating Officer	2017 to present	April 2017
Ma. Concepcion F. de Claro	Chief Finance Officer	2018 to present	May 2018
Socorro T. Ermac Cabreros	Corporate Secretary	2006 to present	July 2006

A brief profile of each of the Executive Officers of the Company who are not directors is set forth below.

Dennis A. Uy
Chief Strategy Officer
See "*—Board of Directors—Dennis A. Uy.*"

Ma. Concepcion F. de Claro
Chief Finance Officer
Ma. Concepcion F. de Claro, Filipino, 62 years old, has been the Chief Finance Officer of the Company since May 2018. She is concurrently the vice president for mergers and acquisitions, and treasury head for Udenna Corporation, and is a member of the board of directors and treasurer of Enderun Colleges, Inc., and ADF Restaurant 101, Inc. She has over 30 years of experience in controllership and corporate finance. She is on the board of 2Go Group, Inc., Sagittarius Mines, Inc., Negros Navigation Company, and South Pacific, Inc. From the years 2011 to 2017, she was the chief operating officer of Alsons Corporation and sat on the board of directors of the same company, and in Alsons Power Holdings Corporation as well as Alsons Prime Investments Corporation. From the years 2004 to 2009, she held various positions in Petron Corporation, from controller to vice president for corporate planning and services and sat on the board of directors of Petron Marketing Corporation and Petron Freeport Corporation. She graduated from Colegio de San Juan de Letran with a Bachelor of Science degree, major in Commerce.

Henry Albert R. Fadullon
Chief Operating Officer
See "*—Board of Directors—Henry Albert R. Fadullon.*"

Socorro T. Ermac Cabreros
Corporate Secretary
Socorro T. Ermac-Cabreros, Filipino, 55 years old, is concurrently the Vice President for Corporate Legal and Corporate Secretary of the Company. She is also the corporate secretary of Phoenix Petroleum Holdings, Inc. Prior to joining the Company, she was a legal counsel of Philippine National Bank in Davao City. She has worked for the government such as the Office of the Ombudsman for Mindanao and later as prosecutor for the Province of Davao del Norte. She finished her law degree at the Ateneo de Davao University College of Law. She was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000 to 2002.

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

Significant Employees
No single person is considered to be making a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company's independent director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017. The dismissal of the case has not been subject of a motion for reconsideration or an appeal and hence, became final.

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

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

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a Petition for Certiorari under Rule 65 of the Rules of Court docketed as CA G.R. SP No. 06500-MIN CA, CDO, 23rd Division. On October 24, 2016, Mr. Uy received a copy of the CA Decision dated October 12, 2016 denying the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

On January 25, 2017, the CA issued a Resolution denying the Petitioner's Motion for Reconsideration and upholding its earlier decision.

On April 04, 2017, the Company received a copy of the Petition for Review on Certiorari dated 27 March 2017 filed by the Petitioner docketed as GR No. 229705, SC, Manila, 3rd Division. To date, the Supreme Court has yet to issue a resolution directing the Respondents, including Mr. Uy, to Comment on the Petition for Certiorari.

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

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

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Report of any of the following events:

(i)Any insolvency or bankruptcy petition filed by or against the Company or any of its directors or officers or any business of which such person was a director, general partner or executive officer either at the time of the insolvency, bankruptcy and any other similar proceedings or within two years prior to that time;

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

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

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

Further, the Company or any of its officers and directors have not become the subject of legal proceedings for suspension of payments or other debt relief within the past five (5) years, or otherwise becomes unable to pay its debts as they mature or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, creditors or any class thereof, or shall declare a moratorium on indebtedness.

EXECUTIVE COMPENSATION

The Company's executives are regular employees and are paid a compensation package of 12 months' pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees. The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation. There are no other arrangements for which the members of the Board of Directors are compensated.

Summary of Compensation Table for the Year Ending 31 December 2019

Name and Principal Position	**Year**	**Salaries (in ₱ thousands)**	**Bonuses and Other Annual Compensation (in ₱ thousands)**
Dennis A. Uy *President and Chief Executive Officer* Henry Albert R. Fadullon *Chief Operating Officer* Ma. Concepcion F. de Claro *Chief Finance Officer* Alan Raymond T. Zorilla *SVP – External Affairs, Business Development and Security* William M. Azarcon *VP – Business Development for Terminals and Depots*	2019	48,898	4,074
All other officers and directors as a group unnamed	2019	80,363	6,697

Summary of Compensation Table for the Year Ending 31 December 2018

Name and Principal Position	**Year**	**Salaries (in ₱ thousands)**	**Bonuses and Other Annual Compensation (in ₱ thousands)**
Dennis A. Uy *President and Chief Executive Officer* Henry Albert R. Fadullon*Chief Operating Officer* Ma. Concepcion F. de Claro *Chief Finance Officer* Alan Raymond T. Zorilla *SVP – External Affairs, Business Development and Security* William M. Azarcon *VP – Business Development for Terminals and Depots*	2018	44,453	3,704
All other officers and directors as a group unnamed	2018	73,057	6,088

Summary of Compensation Table for the Year Ending 31 December 2017

Name and Principal Position	Year	Salaries (in ₱ thousands)	Bonuses and Other Annual Compensation (in ₱ thousands)
Dennis A. Uy *President and Chief Executive Officer* Henry Albert R. Fadullon *Chief Operating Officer* Joseph John L. Ong *Chief Finance Officer* Alan Raymond T. Zorilla *VP – External Affairs, Business Development and Security* William M. Azarcon *VP – Business Development for Terminals and Depots*	2017	40,412	3,368
All other officers and directors as a group unnamed	2017	25,452	2,121

Article III, Section 8 of the amended by-laws of the Company provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his or her attendance at each meeting of the Board. For the year ended 31 December 2019, each director received a per diem of ₱30,000 per attendance at Board and Board committee meetings of the Company. There are no other arrangements for remuneration either by way of payments for committee participation or consulting contracts.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The table below summarizes the security ownership of certain records and beneficial owners of more than 5% as of March 31, 2020

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Phoenix Petroleum Holdings, Inc.	Same as record owner	Filipino	[588,945,630]	[41.88%]
Common	ES Consulting Group, Inc.	Same as record owner	Filipino	[340,270,980]	[24.20%]
Common	Udenna Corporation	Same as record owner	Filipino	[267,245,918]	[19.00%]

Share Ownership

The following table sets forth the share ownership of the Company's Directors and Executive Officers as of 31 March 2020.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage (of total outstanding shares)
Directors				
Common	Dennis A. Uy	(direct) 5,304,811	Filipino	0.4%
Common	Cherylyn C. Uy	(direct) 1,098,099	Filipino	0.1%
Common	Domingo T. Uy	(direct) 645,919	Filipino	0.1%
Common	Romeo B. De Guzman	(direct) 1,325,746	Filipino	0.1%
Common	J.V. Emmanuel A. de Dios	(direct) 766,891	Filipino	0.1%
Common	Minoru Takeda	(direct) [●]	Japanese	0.0%

Common	Consuelo Yñares-Santiago	(direct) 1	Filipino	0.0%
Common	Monico V. Jacob	(direct) 1	Filipino	0.0%
Common	Frederic C. DyBuncio	(direct) 1	Filipino	0.0%
Common	Nicasio I. Alcantara	(direct) 1	Filipino	0.0%
Common	Stephen T. CuUnjieng	(direct) 1	Filipino	0.0%
Executive Officers				
Common	Socorro T. Ermac- Cabreros	(direct) 139,216	Filipino	0.0%
Preferred	Domingo T. Uy	(direct) 10,000	Filipino	0.0%
Preferred	Romeo B. De Guzman	(direct) 25,000	Filipino	0.1%
Preferred	Consuelo Yñares-Santiago	(direct) 10,000	Filipino	0.0%
Common	Joseph John L. Ong	(direct) 30,000	Filipino	0.2%

The other executive officers of the Company: Charlie R. Valerio – Chief Digital Officer; Alan Raymond T. Zorrilla – Senior Vice President, External Affairs, Business Development and Security; Joselito G. de Jesus – General Manager, Business Development, Strategies and Portfolio Unit; Richard C. Tiansay – General Manager, Pricing and Demand; Roy O. Jimenez – General Manager, Commercial and Industrial Business; Ericson S. Inocencio – General Manager, Retail Business; Joven Jesus G. Mujar – General Manager, Lubricants Sales and Distribution Business; Arnel G. Alban – Assistant Vice President, Network Development; Jaime T. Diago, Jr. – Assistant Vice President, Technical Service and QAPD; Ignacio Raymund S. Ramos, Jr. – Assistant Vice President, Engineering; Maria Rita A. Ros – General Manager, CME; Celeste Marie G. Ong – Assistant Vice President, Human Resources; Jonarest Z. Sibog – Assistant Vice President, Comptrollership; Celina I. Matias – Assistant Vice President, Integrated Marketing and Strategies; Joriz B. Tenebro – General Manager, Joint Ventures; Magtanggol C. Bawal – General Manager, Shared Services; Lester C. Khan – General Manager, Aviation Business; Elmer A. Baguioro – General Manager, LPG Trading; Bernard C. Suiza – General Manager, Philippine FamilyMart; Julgin Anthony G. Villanueva – General Manager, LPG Luzon own common shares in scripless form through the Company's Employees Stock Option Plan ("**ESOP**") issued on various dates from 26 July 2017 to 6 December 2019.

The number of aggregate shares held by the directors and executive officers of the Company as of 31 March 2020 is 10,653,246 common shares and 45,000 for preferred shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company engages from time to time in a variety of transactions with related parties (including its subsidiaries, affiliates and/or other members of the Udenna group). Such related party transactions consist of the sale and purchase of goods, services and real property, advances and reimbursement of expenses, lease agreements of real estate properties, guarantees, contracts of affreightment, administrative service agreements and other contractual services. The Company's policy with respect to related party transactions is to ensure that these transactions are made on a reasonable arm's-length basis and entered into under terms comparable to those available from unrelated third parties. For more information regarding the Company's transactions with related parties, see note 29 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2019 included in this Prospectus.

The Company regularly charters marine tankers from its affiliate Chelsea Shipping Corp. for the hauling of its fuel products from suppliers' terminals and from its own depots and to its customers. The Company also sells marine bunkers to affiliates Trans-Asia Shipping, Starlite Ferries and 2Go Group, which are part of Chelsea Logistics Corp.

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

DESCRIPTION OF DEBT

As of 31 March 2020, the Company had outstanding current interest-bearing loans and borrowings, consisting of liabilities under letters of credit and trust receipts, short-term loans, and liabilities under short-term commercial papers, of ₱37,734,613,507.
As of 31 March 2020, the Company had total outstanding non-current interest-bearing loans and borrowings, consisting of term loans, of ₱11,650,683,459. The breakdown of the Company's current and non-current interest-bearing loans and borrowings as of 31 March 2020 is as follows:

	As of 31 March 2020
	(₱)
Current interest-bearing loans and borrowings	
Liabilities under letters of credit and trust receipts	8,405,668,387
Short-term loans	23,044,027,661
Liabilities under short-term commercial papers	6,284,917,459
	37,734,613,508
Non-current interest-bearing loans and borrowings	
Non-current term loans	11,650,683,459
Total	**49,385,296,967**

The Company obtained these loans from various financial institutions in the form of term loans, commercial papers and notes payable. All of the Company's long-term borrowings are unsecured. As of the date of this Prospectus, the Company's long-term debt agreements include requirements to maintain certain specified financial ratios, including a debt-to-equity ratio, a current ratio, a borrower's ratio and an interest coverage ratio.

In light of the economic impact of the COVID-19 pandemic, the Company obtained written pre-clearance with BDO Management for the testing of the Company's current ratio to February 2021 based on the Company's consolidated audited financial statements as of 31 December 2020. In May 2020, the Company requested an extension or deferment of the testing period on its compliance with its current ratio covenant to first quarter of 2021 based on the Company's 2020 consolidated audited financial statements. In July 2020, BDO advised the Company that its request for extension is for approval by BDO's executive committee, which is scheduled on or before 31 August 2020. For more information, see "*Risk Factors—Risks Relating to the Company's Business and Operations—The Company may be subject to penalties for non-compliance with its financing agreements, including the term loan agreement with BDO.*"

As of the date of this Prospectus, except as disclosed above, the Company is in compliance with all covenants in its long-term debt agreements.

The following table sets forth a summary of the maturity profile of the outstanding interest-bearing loans and borrowings of the Company for the years ended 31 December 2019 and beyond as of 31 March 2020:

Payments due by period	**As of 31 March 2020**	**As of 31 December 2019**
	₱	
2020	37,493,440,319	38,116,188,062
2021	1,710,000,000	1,735,000,000
2022	2,660,000,000	2,710,000,000
2023	660,000,000	710,000,000
2024	1,875,000,000	1,925,000,000
2025 and beyond	4,986,856,648	4,700,000,000
Total Interest Bearing Loans and Borrowings	49,385,296,967	49,896,188,062

The following table sets forth the Company's interest-bearing loans and borrowings by the currency in which they are denominated as of 31 March 2020.

Currency	Amount
	₱
Philippine Peso	49,385,296,967
U.S. dollar	—
Total interest-bearing loans and borrowings	49,385,296,967

CORPORATE GOVERNANCE

On 7 March 2008, during the regular meeting of the Board of Directors, the Manual of Corporate Governance (the "**Governance Manual**") which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Company. The adoption of the new Governance Manual replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new manual now complies with the SEC requirement that, before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognised government or private institution.

On 1 April 2011, the Company disclosed and submitted to the Commission and the Exchange a revised Governance Manual pursuant to the SEC Memorandum Circular No. 6 Series of 2009, which shall now apply to registered corporations that have assets in excess of Fifty Million Pesos and whose equity securities are listed on an Exchange.

On 31 July 2014, pursuant to SEC Memorandum Circular No. 9, series of 2014, the Company submitted its revised Governance Manual expounding on definitions of terms, including defining the role of the Board of Directors in corporate governance and emphasis on policies pertaining to independent checking on management. Further, in compliance with SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 8, Series of 2017, the Company submitted its Code of Corporate Governance to the SEC on 31 May 2017 (the "**Code of Corporate Governance**").

The Company's Code of Corporate Governance contains the framework of rules, systems and processes in the Company that governs the performance by the Board of Directors and the management of their respective duties and responsibilities to the stockholders. It mandates the creation of specific board committees in aid of good corporate governance, i.e. a corporate governance committee, board risk oversight committee and related party transaction committee, and requires the Board of Directors to commit itself to the protection of the rights of stockholders. The board committees established under the Code of Corporate Governance are in addition to the board committees constituted under the by-laws of the Company, i.e. an executive committee, a nomination and governance committee, an audit committee and a compensation committee.

Executive Committee

The Company's Executive Committee shall be composed of at least three members, at least three of whom must be members of the Board of Directors. The Executive Committee, in accordance with the Company's by-laws and by majority vote of all of its members, acts on specific matters within the competence of, or as may be delegated by, the Board of Directors except as specifically limited by law to the Board of Directors.

As of the date of this Prospectus, the chairman of the Executive Committee is Dennis A. Uy and its members are Raymond T. Zorrilla, Henry Albert R. Fadullon and Ma. Concepcion F. de Claro.

Nomination and Governance Committee

The Company's Nomination and Governance Committee shall be composed of at least three members of the Board of Directors, one of whom shall be an independent director. The Nomination and Governance Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors, as well as those nominated to other positions requiring appointment by the Board of Directors. The decision of the Nomination and Governance Committee as to the nominees to the Board of Directors, once confirmed by the Board of Directors, shall be final and binding upon the shareholders and may no longer be raised during the stockholders' meeting. The Nomination and Governance Committee shall likewise promulgate the guidelines or criteria to govern the conduct of nominations; provided that any such promulgated guidelines or criteria governing the conduct of the nomination of independent directors shall be properly disclosed in the Company's information or proxy statement or such other reports required by the SEC.

In addition, the Nomination and Governance Committee shall ensure that levels of remuneration shall be sufficient to attract and retain the directors and officers needed to run the Company successfully. A proportion of executive directors' or officers' remuneration may be structured so as to link rewards to corporate and individual performance. It also establishes a formal procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers and provides oversight over remuneration of senior management and other key personnel.

As of the date of this Prospectus, the chairman of the Nomination and Governance Committee is Nicasio I. Alcantara and its members are Consuelo Yñares-Santiago, Cherylyn C. Uy and Romeo B. de Guzman.

Audit Committee

The Company's Audit Committee shall be composed of at least three appropriately qualified non-executive members of the Board of Directors, preferably a majority of whom are independent. All members must have relevant background, knowledge and experience in the areas of accounting, finance and audit. The Company's Audit Committee has oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

As of the date of this Prospectus, the chairman of the Audit Committee is Consuelo Yñares-Santiago and its members are Domingo T. Uy, Nicasio I. Alcantara, Minoru Takeda and Monico V. Jacob.

Corporate Governance Committee

The Company's Corporate Governance Committee shall have the responsibility of assisting the Board in the performance of and compliance with corporate governance responsibilities, including the functions that formerly belonged to the nominations and remuneration committee. The committee shall be composed of at least three members, all of whom shall preferably be independent directors, including the chairperson.

As of the date of this Prospectus, the chairman of the Corporate Governance Committee is Romeo B. De Guzman and its members are Carolina Inez Angela S. Reyes and Consuelo Yñares-Santiago.

Board Risk Oversight Committee

The Company's Board Risk Oversight Committee shall be responsible for the oversight of the Company's enterprise risk management system to ensure its functionality and effectiveness. The committee shall be composed of at least three members, a majority of whom shall be independent directors, including the chairman. The chairman shall not be a chairman of the board or of any other committee. At least one member of the committee must have relevant knowledge and/or experience on risk and risk management.

As of the date of this Prospectus, the chairman of the Board Risk Oversight Committee is Minoru Takeda and its members are Dennis A. Uy, Nicasio I. Alcantara and J.V. Emmanuel A. de Dios.

Related Party Transaction Committee

The Company's Related Party Transaction Committee shall be primarily tasked to review all material related party transactions of the Company. The committee shall be composed of at least three non-executive directors, two of whom shall be independent directors, including the chairman.

As of the date of this Prospectus, the chairman of the Related Party Transaction Committee is Consuelo Yñares-Santiago and its members are Nicasio I. Alcantara, Stephen T. CuUnjieng and Henry Albert R. Fadullon.

The Company believes in conducting its business activities in accordance with the utmost degree of governance and control to ensure that its vision and mission are achieved to the strictest standard of competence, excellence and integrity. The Company's Code of Corporate Governance is posted on the Company's official website, www.phoenixfuels.ph.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the CP Series D. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the CP Series D and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the CP Series D under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the CP Series D in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment of a holder of the CP Series D may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Commercial Paper Holder.

PROSPECTIVE PURCHASERS OF THE COMMERCIAL PAPERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A SECURITY, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident foreign individual" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (the "**TRAIN Law**") took into effect. The TRAIN Law amended provisions of the Tax Code including provisions on Documentary Stamp Tax, tax on interest income and other distributions, Capital Gains Tax on the sale and disposition of securities, Estate Tax, and Donor's Tax.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens, resident foreign individuals, domestic corporations, and resident foreign corporations from the CP Series D is subject to a final withholding tax at the rate of 20% based on the gross amount of the interest. Generally, interest on the CP Series D received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident foreign individuals not engaged in trade or business is taxed at the rate of 25%.Interest income derived by non-resident foreign corporations from the CP Series D is subject to a final withholding tax at the rate of 30%. The said income tax is withheld at source and constitutes a final settlement of Philippine income tax liability with respect to such interest.

The foregoing rates may be subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident Commercial Paper Holder. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment or perform in the Philippines professional services from a fixed base and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or fixed base.

TAX EXEMPT STATUS

Commercial Paper Holders who are exempt from, are not subject to final withholding tax on interest income, or are subject to a lower rate of final withholding tax may avail of such exemption or preferential rate by submitting the necessary documents. Said Commercial Paper Holder shall submit the following requirements, in form and substance prescribed by the Issuer, to the Registrar or to the Sole Issue Manager, Lead Arranger and Sole Bookrunner or selling agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) a copy of the current and valid original tax exemption certificate, ruling or opinion (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) issued by the BIR, addressed to the applicant confirming the exemption, and certified by an authorized officer of the applicant as being a true copy of the original on file with the applicant; (ii) a duly notarized undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the applicant purchases the CP Series D for its account, or (ii.b) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the CP Series D pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Commercial Paper Holder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent (a) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificates or preferential rate entitlement; (b) if there are any material changes in the factual circumstances of the Commercial Paper Holder including but not limited to its character, nature and method of operation, which are inconsistent with the basis for its income tax exemption; or (c) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the CP Series D being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential rate, , and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include, (a) for initial interest due, duly accomplished and filed Certificate of Residence for Tax Treaty Relief (CORTT) Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8- 2017 and/or a duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the Commercial Paper Holder in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Commercial Paper Holder is not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) for subsequent interests due, three originals of Part II (D) of the CORTT Form shall be submitted by the Commercial Paper Holder/Registrar to the Issuer no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto and (iv) such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Commercial Paper Holder on the interest payments to such Commercial Paper Holder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Commercial Paper Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Commercial Paper Holders may transfer their PDEX-listed CP Series D at any time, regardless of tax status of the transferor vis-à-vis the transferee. Transfers taking place in the Register of Commercial Paper Holders after the CP Series D are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Commercial Paper Holder claiming tax-exempt status is required to submit the following documents to the Issuer, within three (3) Business Days from settlement date: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new Commercial Paper Holder undertakes to indemnify the Issuer for any tax that may later on be assessed from the Issuer on account of such transfer.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the CP Series D, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the CP Series D, provided that the subsequent sale or disposition does not constitute a renewal or entail a change in the maturity date of the CP Series D.

TAXATION ON SALE OR OTHER DISPOSITION OF THE COMMERCIAL PAPERS

Income Tax

Ordinary asset – Any gain realized from the sale, exchange or retirement of CP Series D will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 20-35% effective January 1, 2018 until December 31, 2022and 15%-35% effective January 1, 2023 for individuals or 30% for domestic and foreign corporations, as the case may be.

For non-resident alien not engaged in trade or business in the Philippines, the gain shall be subject to the 25% final withholding tax.

Gross income derived by non-resident foreign corporations on the sale or other disposition of the CP Series D is subject to a 30% income tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the CP Series D may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Value-added Tax

Gross receipts arising from the sale of the CP Series D in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the CP Series D sold.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Estate and Donor's Tax

The transfer of CP Series D upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine estate taxes at a fixed rate of 6% based on the value of the decedent's net estate.
Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of CP Series D at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

The estate tax and the donor's tax, in respect of the CP Series D, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

Taxation by Other Jurisdictions

The tax treatment of a holder of the CP Series D by jurisdictions other than the Philippines may vary depending on the applicable tax laws and such holder's particular situation. This Prospectus does not discuss the tax considerations for holders of the CP Series D under the tax laws of jurisdictions other than those of the Philippines.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company, formerly known as Oilink Mindanao Distribution, Inc., is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on May 8, 2002.

ARTICLES OF INCORPORATION AND BY-LAWS

The article of incorporation of the Company was approved by the SEC on May 8, 2002 and was amended on the following dates: January 11, 2004, January 12, 2006, August 7, 2006,December 29, 2006, February 19, 2007, February 22, 2010, March 8, 2010. September 7, 2010, November 30, 2010, April 23, 2012 and November 12, 2012, May 21, 2018. On January 11, 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp." On August 7, 2006, the SEC approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc." The latest amended articles of incorporation was approved by the SEC on May 21, 2018.

The by-laws of the Company are registered with the SEC on May 8, 2002, together with the articles of incorporation and were amended on February 19, 2007, February 22, 2009, November 30, 2010, September 19, 2011 and November 12, 2012.

PRIMARY PURPOSE

Under the article of incorporation, the Company's primary purpose is to "engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail, insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and all merchandise, supplies, materials and articles, such as, but not limited to, petroleum, lubricants and other chemical products, as shall be necessary or expedient in conducting the business; to enter into all kinds of contracts for the export, import, purchase, acquisition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial."

Based on the amended articles of incorporation, among the secondary purposes for which the Company is formed are "to engage in the business of operating oil depots, storage facility and allied services" and "to aid in any lawful manner, by loan, subsidy, guaranty or otherwise, any corporation whose stocks, bonds, notes, debentures or other securities or obligations are held or controlled, directly or indirectly, by the [Company]."

CORPORATE TERM

The Company is authorized to exist for a term of 50 years from the date of its incorporation. This term may be renewed through an amendment to the articles of incorporation approved by the SEC.

FISCAL YEAR

The fiscal year of the Company begins on the first day of January and ends on the last day of December of each year.

CAPITAL STRUCTURE

As of March 31, 2020, the Company has an authorized capital stock of ₱2,550,000,000.00 divided into (a) 2,500,000,000 common shares with par value of ₱1.00 per share and (b) 50,000,000 preferred shares with a par value of ₱1.00 per share.

As of March 31, 2020, (a) the Company has (i) 1,406,204,232 issued and outstanding common shares, exclusive of 31,000,000 treasury shares, and (ii) 27,000,000 issued and outstanding preferred shares and (b) all issued and outstanding shares of stock of the Company have been fully paid-up.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the articles of incorporation and by-laws are available for inspection by the Company's stockholders at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC.

FINANCIAL INFORMATION

The following pages set forth the Company's unaudited and audited consolidated financial statements for the period ended March 31, 2020, and as at December 31, 2019, 2018, and 2017 and for each of the years in the period ended December 31.

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

PHOENIX

01 June 2020

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

Philippine Stock Exchange
Disclosure Department
6/F PSE Tower, 28th Street corner 5th Avenue,
BGC, Taguig City, Metro Manila

Philippine Dealing & Exchange Corporation
Philippine Dealing & Exchange Corp.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

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

Ms. Janet Encarnacion
Head - Disclosure Department
Philippine Stock Exchange

Atty. Marie Rose M. Magallen-Lirio
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen and Madam:

We are herewith submitting the Company's first quarter report for period ended 31 March 2020 (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

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

MANILA OFFICE: 15th-17th Floors, UDENNA Tower, Rizal Drive cor. 4th Avenue, Bonifacio Global City, Taguig 1634 Philippines
Trunkline: +63 2 403 4013
Fax: +63 2 403 4009

CEBU OFFICE: Phoenix Maguikay Gasoline Station, M.C. Briones Street, National Highway, Maguikay, Mandaue City, Cebu 6014 Philippines
Telephone: +63 32 236 8166 / 236 8198

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) 235-8888
Company Telephone Number

1	**2**		**3**	**1**	**SEC FORM 17-Q**	**3**	**last Friday** **XX**
Month			Day		FORM TYPE	Month	Day

Fiscal Year Ending — Annual Meeting

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

76
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1.	For the quarterly period ended:	31 March 2020
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	1,406,204,232.00
PREFERRED	27,000,000.00

Amount of Debt Outstanding as of 31 March 2020: Php59,178,194, 362.00

11. Are any or all of the securities listed on the Stock Exchange? | Yes [✓] No [ ]

11. Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange Common Shares Preferred Shares
12. Check whether the issuer has:	
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

TABLE OF CONTENT

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED as of MARCH 31, 2020
(With Comparative Figures as of December 31, 2019
(Amounts in Philippine Pesos)

	Notes	UNAUDITED March 31, 2020	AUDITED December 31, 2019
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents		**P 5,776,851,533**	9,810,770,115
Trade and other receivables - net		**16,217,335,063**	15,973,133,966
Inventories - net		**10,438,397,365**	11,679,616,905
Due from related parties - net		**72,569,542**	1,986,811
RESTRICTED DEPOSITS		**55,065,081**	54,462,326
INPUT VAT - NET		**2,332,816,060**	2,905,878,621
Derivative Asset		**828,738,254**	-
Prepayments and other current assets		**2,639,588,035**	1,931,536,398
Total Current Assets		**38,361,360,933**	42,357,385,142
NON-CURRENT ASSETS			
Property, plant and equipment - net		**26,260,375,085**	27,378,864,900
Right-of-use assets - net		**1,617,701,882**	1,142,726,144
Investment properties		**1,908,849,024**	1,908,972,835
Intangible assets - net		**301,869,996**	310,277,916
Investments in joint ventures		**1,439,279,294**	1,432,709,636
Goodwill - net		**4,632,397,417**	4,632,397,418
Deferred tax assets - net		**265,445,981**	155,781,031
Other non-current assets		**5,907,566,477**	7,638,262,244
Total Non-current Assets		**42,333,485,156**	44,599,992,124
TOTAL ASSETS		**P 80,694,846,089**	P 86,957,377,266
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**P 37,734,613,508**	38,143,058,891
Trade and other payables		**6,622,024,198**	11,841,661,093
Derivative financial liabilities		-	311,019,650
Lease liabilities		**127,704,840**	153,360,799
Due to related parties		-	-
Income tax payable		**54,044,896**	49,872,393
Total Current Liabilities		**44,538,387,442**	50,498,972,826
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**11,650,683,459**	11,753,129,172
Lease liabilities		**1,255,339,297**	1,096,852,276
Deferred tax liabilities - net		**804,398,320**	748,398,599
Other non-current liabilities		**929,385,844**	937,269,144
Total Non-current Liabilities		**14,639,806,920**	14,535,649,191
Total Liabilities		**59,178,194,362**	65,034,622,017
EQUITY			
Equity attributable to parent company			
Capital stock		**1,119,904,232**	1,119,904,232
Additional paid-in capital		**12,042,788,045**	12,042,788,045
Revaluation reserves		**832,687,377**	806,868,975
Retained earnings		**7,449,621,776**	7,876,463,627
		21,445,001,430	21,846,024,879
Non-controlling interest		**71,650,297**	76,730,370
Total Equity		**21,516,651,727**	21,922,755,249
TOTAL LIABILITIES AND EQUITY		**P 80,694,846,089**	P 86,957,377,266

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR YEAR THREE-MONTH PERIOD MARCH 31, 2020 AND 2019
UNAUDITED
(Amounts in Philippine Pesos)

	Notes	2020	2019
REVENUES			
Sale of goods		P 21,328,170,156	23,943,611,160
Fuel service and other revenues		526,156,594	133,845,671
Rent income		40,070,443	15,175,539
		21,894,397,193	24,092,632,370
COST AND EXPENSES			
Cost of sales and services		20,153,987,485	21,600,233,278
Selling and administrative expenses		1,561,446,577	1,471,240,106
		21,715,434,062	23,071,473,384
OTHER CHARGES (INCOME)			
Finance costs		459,914,645	582,444,290
Finance income		(8,832,521)	(9,727,678)
Fair value gains on investment properties		-	-
Equity share in net income of joint ventures		(6,343,088)	(11,507,240)
Others - net		(26,540,105)	(6,122,023)
		418,198,931	555,087,349
PRE-ACQUISITION PROFIT		-	
PROFIT/ (LOSS) BEFORE TAX		(239,235,800)	466,071,637
TAX EXPENSE		(24,584,961)	51,400,534
NET PROFIT / (LOSS)		(P 214,650,839)	P 414,671,103
NET PROFIT ATTRIBUTABLE TO:			
Parent company		(209,570,761)	417,698,931
Non-controlling interest		(5,080,073)	(3,027,828)
		(214,650,834)	P 414,671,103
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified subsequently to profit or loss			
Translation adjustment related to a foreign subsidiary		24,123,094	(P 28,823,946)
Items that will not be reclassified subsequently			
to profit or loss			
Gain on revaluation of land			
Remeasurements of post-employment defined benefit obligation		-	
Tax expense		-	
		-	-
Other Comprehensive Income - net of tax		24,123,094	(28,823,946)
TOTAL COMPREHENSIVE INCOME / (LOSS)		(P 190,527,745)	P 385,847,157
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Parent company		(P 185,447,672)	P 388,874,985
Non-controlling interest		(P 5,080,073)	(P 3,027,828)
		(P 190,527,745)	P 385,847,157
Basic Earnings per share		(P 0.27)	P 0.24
Diluted Earnings per share		(P 0.27)	P 0.24

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH ENDED 2020 AND 2019
(Amounts in Philippine Pesos)

		Capital Stock												
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 2020		37,000,000	(10,000,000)	1,437,204,232	(344,300,000)	1,119,904,232	12,042,788,045	806,868,975	-	-	7,876,463,627	21,846,024,879	76,730,370	21,922,755,249
Cash dividends											(170,776,632)	- 170,776,632.00		- 170,776,632.00
Adjustments for adoption of PFRS 16												-		-
Preferred Stock Redemption						-						-		-
Issuance of shares during the year						-						-		-
Employee Share Options						-						-		-
Stock Options Exercised												-		-
Business combination														0
Translation adjustments during the year												-		0
Transfer to Retained Earnings								46,494,430			(46,494,430)			
Total comprehensive income											(209,570,789)	(209,570,789)	(5,080,073)	(214,650,862)
for the year										(20,676,028)		(20,676,028)		(20,676,028)
Balance at March 31, 2020		37,000,000	(10,000,000)	1,437,204,232	(344,300,000)	1,119,904,232	12,042,788,045	853,363,405	-	(20,676,028)	7,449,621,776	21,445,001,430	71,650,297	21,516,651,727
Balance at January 1, 2019														
As previously reported		32,000,000	(10,000,000)	1,434,304,232	(344,300,000)	1,112,004,232	7,233,692,486	827,510,428	(730,361,725)	24,928,394	7,542,843,961	16,010,617,776	(36,944,919)	15,973,672,857
Ac Adjustment from adoption of PFRS 9											158,812,135	158,812,135		158,812,135
Re Restatements														
As restated														
Cash dividends											(79,665,000)	(79,665,000)		(79,665,000)
Issuance of shares during the year														
Acquisition of shares during the year														
Share-based compensation														
Business combination													11,641,883	11,641,883
Translation adjustments during the year										(28,823,905)		(28,823,905)	(3,027,828)	(31,851,733)
Total comprehensive income											417,698,931	417,698,931		417,698,931
for the year														
Balance at March 31, 2019		32,000,000	- 10,000,000	1,434,304,232	- 344,300,000	1,112,004,232	7,233,692,486	827,510,428	- 730,361,725	- 3,895,511	8,039,690,027	16,478,639,937	- 28,330,864	16,450,309,073

PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020
(Amounts in Philippine Pesos)

	2020 (Unaudited)	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(P 239,235,800)	P 466,071,637
Adjustments for:		
Gain on revaluation of investment properties	-	
Interest expense	441,471,003	611,233,424
Depreciation and amortization	324,303,619	383,749,646
Unrealized foreign currency exchange losses (gains) - net	(50,095)	(12,516,660)
Equity share in net loss (income) of joint ventures and an associate	(6,343,088)	
Impairment losses on trade and other receivables	-	
Impairment losses on other non-current assets	-	
Interest income	(8,837,606)	(7,887,168)
Share based benefit expense	-	
Provisions for lost cylinder	-	
Gain on bargain purchase	-	
Loss (gain) on disposal of property and equipment	-	(28,823,905)
Operating profit (loss) before working capital changes	511,308,033	1,411,826,974
Decrease (increase) in trade and other receivables	(244,201,097)	439,097,160
Decrease in inventories	1,241,219,540	423,750,128
Decrease in Input value-added tax - net		234,945,185
Decrease (increase) in land held for sale and land development costs	-	-
Increase in other current assets	(964,330,089)	(912,377,737)
Decrease in trade and other payables	(5,569,443,379)	163,307,581
Cash generated from operations	(5,025,446,992)	1,760,549,291
Cash paid for income taxes	(6,646,722)	(7,841,932)
Net Cash From Operating Activities	(5,032,093,714)	1,752,707,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of new subsidiaries	-	(651,951,494)
Acquisitions of property, plant and equipment	(3,076,080,951)	(3,454,528,427)
Additions to investment properties	-	
Increase in other non-current assets	1,679,121,241	80,995,525
Acquisitions through business combinations, net of cash acquired	-	
Advances to related parties	-	
Translation of financial statement of foreign subsidiary	24,123,094	
Additional investments in joint ventures	(226,570)	(6,285,743)
Proceeds from disposal of property and equipment	3,407,192,978	1,903,840
Interest received	8,837,606	7,627,873
Acquisitions of intangible assets	(3,369,839)	-
Net Cash Used in Investing Activities	2,039,597,559	(4,022,238,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional loans and borrowings	18,349,416,261	10,934,737,477
Repayments of interest-bearing loans and borrowings	(18,860,307,357)	(11,525,441,562)
Interest paid	(441,471,003)	(611,233,424)
Changes in non-controlling interests	-	-
Payments made to related parties	-	-
Additional borrowings from related parties	-	-
Collections from related parties	-	-
Employee Share Options	-	-
Payment of Cash Dividends	(170,776,632)	(79,665,000)
Advances to related parties	(70,582,731)	-
Acquisition of treasury shares	-	-
Increase (decrease) in other non-current liabilities	150,603,721	843,472,436
Deposit for future stock subscription	-	-
Decrease in revaluation reserves	1,695,308	-
Proceeds from issuance for shares of stock	-	-
Increase/decrease in APIC	-	-
Redemption of Preferred Stock	-	-
Proceeds from total return equity swap (TRES) transaction	-	-
Net Cash From Financing Activities	(1,041,422,433)	(438,130,073)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,033,918,588)	(2,707,661,140)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,810,770,115	7,889,708,807
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 5,776,851,527	P 5,182,047,667

(UNAUDITED) P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.88% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The Parent Company is 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 (UC), 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 660 operating retail service stations, and a total of 49 service stations under construction as of March 31, 2020.

1.1 Subsidiaries, Joint Ventures and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated and domiciled in the Philippines or otherwise stated:

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2020	2019
Direct interest:			
Subsidiaries			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	100%	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	100%	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	100%	100.00%
PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	100%	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	100%	100.00%
Duta, Inc. [4]	(f)	100%	100.00%
Philippine FamilyMart CVS, Inc. (PFM)	(g)	100%	100.00%
PNX Energy International Holdings, Pte. Ltd. (PNX Energy)	(h)	100%	100.00%
Phoenix Pilipinas Gas and Power, Inc.[1]	(i)	100%	-
Action.Able, Inc.(AAI)	(j)	74.90%	74.90%
Think.Able Limited (TAL)	(k)	74.90%	74.90%
Phoenix Road Transport Pilipinas Inc.	(l)	100%	-
Joint venture			
Phoenix Asphalt Philippines, Inc. (PAPI)[3]	(m)	40.00%	40.00%
Indirect interest:			
Kaparangan, Inc. (Kaparangan) [2, 4]	(n)	100.00%	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) [5]	(o)	100.00%	100.00%
PT Phoenix Petroleum Indonesia (PNX Indonesia)[7]	(p)	100.00%	100.00%
Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[6]	(q)	75.00%	75.00%
Galaxi Petroleum Fuel, Inc. (Galaxi)[8]	(r)	51.00%	51.00%
Phoenix Southern Petroleum Corp. (PSPC)[8]	(s)	49.00%	51.00%
Top Concord Quality Petroleum Corp. (TCQPC)[8]	(t)	49.00%	49.00%
CJI Fuels Corp. (CJI)[8]	(u)	49.00%	49.00%
Firebird Evzon Fuels Corp. (FEFC)[8]	(v)	49.00%	49.00%
Eastan Prime Development Corporation (EPDC)[8]	(w)	49.00%	49.00%
Zae Falco Energy Corp. (ZFEC)[8]	(x	49.00%	49.00%
Tarlac Black Gold Petroleum Corporation[8]	(y)	49.00%	-

Notes:
1 Newly incorporated subsidiary
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PNX Vietnam
7 Subsidiary of PGMI
8 Joint venture of PPMI

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

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

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

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

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

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

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses. In February 2019, it acquired a 75% interest in Phoenix Gas Vietnam (formerly Origin LPG Vietnam) through its 100%-owned subsidiary, PNX Vietnam.

(i) Incorporated on March 14, 2019 to engage in, conduct and carry on the business of selling, trading, on wholesale basis, natural gas and liquefied natural gas (LNG).

(j) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(k) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(l) Incorporated on February 19, 2020 and is engage owning, investing, and/or operating road transport business.

(m) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

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

(o) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations as of December 31, 2019.

(p) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations as of December 31, 2019.

(q) Formerly known as Origin LPG (Vietnam) Limited Liability Company, was incorporated and licensed to conduct business under the laws of Vietnam on August 6, 2008 to engage in wholesale of solid, liquid, gas fuels and other related products.

(r) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(s) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

(t) Incorporated on July 15, 2019 to operate petroleum service stations in areas of Cotabato.

(u) Incorporated on July 31, 2019 to operate petroleum service stations in areas of Iloilo.

(v) Incorporated on August 28, 2019 to operate petroleum service stations in areas of South Luzon.

(w) Incorporated on August 28, 2019 to operate petroleum service stations in areas of Metro Manila.

(x) Incorporated on November 6, 2019 to operate petroleum service stations in the Northern part and other of Luzon.

(y) Incorporated on February 20, 2010 to operate petroleum service stations in Tarlac.

1.2 Other Corporate Information

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

SPTT	–	Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales
PNX SG, PNX Energy and PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City
PGV LLC	–	No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam

1.3 Business Combinations

a) On February 21, 2019, the Group, through PNX Vietnam, a subsidiary of PNX Energy, completed its acquisition of 51.00% and 24.00% interest in PGV LLC from Origin Energy Holdings PTY LTD and Cong Ty TNHH Cong Nghiep, respectively. The acquisition of a total of 75.00% interest in PGV LLC resulted in a goodwill of P103.1 million (see Note 15), as the total consideration paid of P682.8 million exceeds the fair value of the acquired interest. The acquisition is part of the growth and expansion footprint of the Group not only in the Philippines but also within the region.

b) On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in PFM from its previous shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation, for P352.1 million. Objective of the acquisition is to broaden Group's portfolio of retail offers.

c) On May 25, 2018, the Parent Company entered into a deed of absolute sale of shares with Wildlemon, Inc. And Seawood Prime Limited for the acquisition of the voting rights for AAI and TAL, respectively (referred to as "AAI Group"). Total non-controlling interests from the acquisition of AAI Group amounted to P27.8 million and is measured at the proportionate share of the net identifiable assets.

AAI and TAL are the owner of Pos!ble.net, digital transactions-platform that offers remittances, bills payments, and other financial services. The acuisition supports business operations of the Parent Company and PFM Stores.

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

The excess of the fair value of the nets assets of Duta Group over the acquisition cost amounting to P650.2 million is presented in the 2017 consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost (see Note 2.12).

e) The Parent Company acquired 100.00% of voting rights of SPTT in 2011, and PGMI and PPMI in 2011. These acquisitions prior to 2017 resulted to a total goodwill of P11.5 million as the total cash consideration paid of P9.5 million exceeded the Parent Company's acquired fair values of the identifiable net assets.

There were no contingent consideration arrangements for all of the above acquisitions.

Aggregate information of the entitites at the acquisition date are as follows:

		Entities Acquired		
		2019	2018	
	Reference	PGV LLC	PFM	AAI Group
Fair value of assets acquired and liabilities assumed				
Cash and cash equivalents		P 53,887,074	P 21,601,695	P 5,009,121
Trade and other receivables	(i)	76,894,099	22,534,222	1,110,622
Inventories		17,777,095	80,744,545	772,585
Prepayments and other current assets			15,380,510	158,786,825
3,384,490				
Property, plant and equipment	(ii)	714,233,170	369,603,000	537,357
Intangible asset		-	21,476,320	-
Other non-current assets		127,184,991	46,832,211	344,712
Total assets		1,005,356,939	721,578,818	11,158,887
Trade and other payables		120,611,380	642,639,484	94,208,594
Short-term loans and borrowings		240,855,843	-	-
Other non-current liabilities		64,177,091	-	-
Total liabilities		425,644,314	642,639,484	94,208,594
Total identifiable net assets (liabilities)		579,712,625	78,939,334	(83,049,707)
Fair value of cash consideration transferred		682,820,389	352,070,202	71,995,652
Goodwill		P 103,107,764	P 273,130,868	P 155,045,359
Excess of fair value of net assets acquired over cash consideration transferred		n/a	n/a	n/a

Cash consideration settled in cash		P682,820,389	P352,070,202	P 71,995,652
Less: Cash and cash equivalents acquired		53,887,074	21,601,695	5,009,122
Net Cash Flow of Acquisition		P628,933,315	P330,468,507	P 66,986,530
Acquisition costs charged to expenses		P 1,458,944	P 6,440,651	P 1,738,116
Pre-acquisition income 1,628,790	(iii)		(7,821,881)	-
Revenue contribution		1,472,189,346	1,307,944,277	34,957,821
Net profit (loss) contribution		(43,127,051)	(193,507,767)	(36,310,130)

(i) The carrying amount of the acquired trade and other receivables is determined to be the reasonable approximation of fair value as these are only short-term and are expected to be collectible in whole.

(ii) The property, plant and equipment of PGV LLC and PFM were appraised by an independent appraiser [see Note 3.2*(i)*]. The fair values of the said properties are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

(iii) The 2020 and 2019 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

1.2 Approval of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the three months ended March 31, 2020 (including the comparative consolidated financial information as of December 31, 2019 and for the three months ended March 31, 2019 were authorized for issue by the Parent Company's Board of Directors (BOD) on **May 29, 2020**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial statements are summarized below. The Interim Condensed Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended December 31, 2019.

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated. The presentation of the interim condensed consolidated financial statement is consistent with the most recent annual consolidated financials except for the amendments introduced by the new accounting standards mentioned in Note 2.2.

2.2 Adoption of New and Amended PFRS

Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PFRS 16	:	Leases
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9	:	Financial Instrument
PAS 28 (Amendments)	:	Investment in Associates – Long- Term Interest in Associates and Joint Ventures
PFRS 10 (Amendments)	:	Consolidated Financial Statements
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements – (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes
PAS 23 (Amendments)	:	Borrowing Costs
PFRS 3 (Amendments)	:	Business Combination
PFRS 11(Amendments)	:	Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operations

(i) The Group has applied PFRS 16 using the modified retrospective approach and therefore, comparative information has not been restated. This means comparative information is still reported under PAS 17 and IFRIC 4.

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- the Group has the right to direct the use of the identified asset throughout the period of use.

- The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. A total of P42.0 million as part of the depreciation and an interest expense of P14.1 million as part of the finance cost were recorded during the three months of 2020, in accordance with PFRS 16.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. A total of P175.4 million was recognized as rent expense for short term leases during the three months of the year.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in Other non-current liabilities.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a lessor

The Group also earns rental income from operating leases of its investment properties. Rental income is recognized on a straight-line basis over the term of the lease.

(ii) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

The amendments were approved by the FRSC on March 14, 2018 but are still subject to the approval by the BOA.

The management is still evaluating the impact of this pronouncement. It is not expected to have significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective for annual period beginning or after January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

The management is still evaluating the impact of this pronouncement. It is not expected to have significant impact on the Group's consolidated financial statements.

(iv) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

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

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

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements.

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

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

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

2.3 Financial Instruments

(a) Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(b) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items.

The financial assets category relevant to the Group is financial assets at amortized cost.

(c) *Subsequent measurement of financial assets*

Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables, due from related parties, restricted deposits and refundable rental deposit (presented as part of Other Non-Current Assets in the consolidated condensed statement financial position) fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). This category also contains an equity investment. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Group has no FVTPL as of reporting date.

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is hold to collect the associated cash flows and sell; and,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in OCI will be recycled upon derecognition of the asset. The Group has no FVOCI as of reporting date.

(d) *Impairment of financial assets*

PFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. This replaces PAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under PFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and,
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category. '12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.
- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- Exposure at Defaults – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(e) *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under PFRS 9 compared to PAS 39, the Group's financial liabilities were not impacted by the adoption of PFRS 9. However, for completeness, the accounting policy is disclosed below.

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

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

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

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as Unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent and Storage Income in the consolidated statement of comprehensive income.

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

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

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.

2.4 Revenues

Revenue arises mainly 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.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated condensed statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated condensed statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

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

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

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

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

Except for revenues from rentals and interest, the performance obligation for revenues arising from the rendering of services and sale of goods is determined to be satisfied at a point in time.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as of and for the year ended December 31, 2019, except on the newly applied PFRS 16.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the three months ended March 31, 2020 and as of December 31, 2019, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

4. REVENUES

All of the Group's revenues except for rentals (covered under PFRS 16, *Leases*) are transferred at a point in time.

The Group's revenue disaggregated by primary geographical markets and major goods/service lines are presented in the next page (in thousands).

	Three months to March 31, 2020							
	Sale of Goods		Fuel Service & Other Revenue					
	Trading		Depot and Logistics		Real Estate		Total	
Primary Geographical Markets								
Philippines	P	15,877,444	P	561,463	P	4,765	P	16,443,670
Singapore		4,380,449		-				4,380,449
Vietnam		1,070,278		-		-		1,070,278
	P	21,328,171	P	561,463	P	4,765	P	21,894,397

Major goods/service lines								
Fuels	P	18,126,682	P	-			P	18,126,682
LPG		2,799,942		-		-		2,799,942
Merchandise		264,424		-		-		274,571
Lubricants		126,939		-		-		126,939
Terminalling/hauling		-		561,463		-		561,463
Rentals				-		4,765		4,765
POS device		10,147		-		-		
Others				-		-		
	P	**21,328,171**	**P**	**561,463**	**P**	**4,765**	**P**	**21,894,397**

	Three months to March 31, 2019							
	Trading		Depot and Logistics		Real Estate		Total	
Primary Geographical Markets								
Philippines	P	17,561,821	P	63,526	P	15,175	P	17,640,522
Singapore		6,304,175						6,304,135
Vietnam		147,935						147,935
Major goods/service lines								
Fuel	P	22,273,401	P	-	P	-	P	22,273,401
Lubricants		162,731		-		-		162,731
LPG		1,370,155		-		-		1,370,155
Rentals		15,035		-		140		15,175
Terminalling/hauling		-		63,526		-		63,526
Merchandise		175,060		-		-		175,060
POS devise		32,584		-		-		32,584
Others				-		-		
	P	**24,028,966**	**P**	**63,526**	**P**	**140**	**P**	**24,092,632**

5. SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products or services and serves different markets. The Group's trading segment is engaged in marketing, merchandising, purchasing, selling, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), lubricants and other products.

The Group is also engaged in operating of oil depots, storage facilities and provides logistics services to various entities on its Depot and Logistics Services segment. The Group's real estate segment is involved in real estate development, management and operations of properties used in the Company's operations. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

As of March 31, 2020, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The succeeding tables present revenue and profit information regarding segments for the three months ended March 31, 2020 and March 31, 2019 and certain asset and liability information regarding segments as at March 31, 2020 and December 31, 2019 (amounts in thousands).

	Trading		Depot and Logistics		Real Estate		Total	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	**March 31, 2020 (Unaudited)**	March 31, 2019 (Unaudited)	**March 31, 2020 (Unaudited)**	March 31, 2019 (Unaudited)	**March 31, 2020 (Unaudited)**	March 31, 2019 (Unaudited)
TOTAL REVENUES								
Sales to external customers	**P 21,328,170**	P 24,013,931	**P 573,445**	P 63,526	**P 4,765**	P 15,175	**P 21,906,379**	P 24,092,632
Intersegment sales	**9,365,545**	7,234,813	**96,339**	92,321	**2,099**	4,120	**9,463,983**	7,331254
Total revenues	**30,693,715**	31,248,744	**669,784**	155,847	**6,864**	19,295	**31,370,362**	31,423,886
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	**30,854,297**	29,951,380	**5,989**	65,830	**6,809**	1,767	**30,867,096**	30,018,977
Depreciation and amortization	**274,672**	289,000	**49,508**	59,355	**124**	35,395	**324,304**	383,750
	31,128,969	30,240,380	**55,497**	125,185	**6,933**	37,162	**31,191,399**	30,402,727
SEGMENT OPERATING PROFIT (LOSS)	**(P 435,254)**	P 1,008,364	**P** 614,287	P 30,662	**P(69)**	P (17,867)	**P 178,693**	P 1,021,159

	Trading		Depot and Logistics		Real Estate		Total	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
ASSETS AND LIABILITIES								
Segment assets	**P 91,464,183**	P 99,840,747	**P**	P 567,205	**P 1,861,822**	P1,421,142	**P 93,326,005**	P101,829,094
Segment liabilities	**65,478,783**	73,,370,565		416,632	1,181,083	1,312,806	**66,659,866**	75,100,003

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

	March 31 2020 (Unaudited)	March 31 2019 (Unaudited)
Revenues		
Total segment revenues	**P 31,370,362**	P 31,423,886
Elimination of intersegment revenues	**(9,475,965)**	(7,331,254)
Revenues as reported in profit or loss	**P 21,894,397**	P 24,092,632
Profit or loss		
Segment operating profit	**P 178,963**	P 1,021,159
Other unallocated income		
Other unallocated expense	**-**	
Operating profit as reported in profit or loss	**178,963**	1,021,159
Finance costs	**(459,915)**	(582,444)
Finance income	**41,716**	27,357
Profit/(Loss) before tax as reported in profit or loss	**(P 239,236)**	P 466,072

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
Assets		
Segment assets	**P 93,326,005**	P 101,829,094
Right-of-use assets- net	**1,617,702**	1,142,726
Deferred tax liabilities – net	**265,446**	155,781
Elimination of intercompany accounts	**(14,514,306)**	(16,170,224)
Total assets reported in the consolidated statements of financial position	**P 80,694,846**	P 86,957,377
Liabilities		
Segment liabilities	**P 66,659,866**	P 75,100,003
Lease Liability	**1,383,044**	1,096,852
Deferred tax liabilities – net	**804,398**	748,399
Elimination of intercompany accounts	(**9,669,114)**	(11,910,632)
Total liabilities as reported in the consolidated statements of financial position	**P 59,178,194**	P 65,034,622

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

5.1 Carrying Amounts and Fair Values by Category

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

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 5,776,851,533	P 5,776,851,533	P 9,810,770,115	P 9,810,770,115
Trade and other receivables-net*	14,997,317,256	14,997,317,256	15,617,098,103	15,617,098,103
Due from related parties	72,569,542	72,569,542	1,986,811	1,986,811
Construction Bond***	7,030,354	7,030,354	6,727,753	6,727,753
Restricted deposits	55,065,081	55,065,081	54,462,326	54,462,326
Refundable rental deposits	249,871,427	249,871,427	323,634,283	289,572,937
	P 21,158,705,193	P 21,158,705,193	P 25,814,679,391	P 25,814,679,391
Financial Liabilities				
Financial liabilities at FVTPL –				
Derivative financial liabilities	-	-	P 311,019,650	P 311,019,650
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P 49,385,296,967	P 49,385,296,967	49,896,188,062	P 48,324,629,062
Trade and other payables**	6,622,024,198	6,622,024,198	11,537,688,607	11,537,688,607
Lease liabilities	1,575,994,259	1,575,994,259	1,250,213,075	1,250,213,075
Customers' cylinder deposits	497,538,316	497,538,316	440,803,046	440,803,046
Security deposits	110,997,265	110,997,265	100,979,556	100,979,556
Cash bond deposits	258,998,996	258,998,996	306,311,395	306,311,395
	P 58,450,850,001	P 58,450,850,001	P 63,843,203,391	P 62,271,644,391

* *Excludes certain advances to suppliers and advances subject to liquidation*
** *Excludes tax-related payables*
*** *Included as part of Other Non-Current Assets*

5.2 Fair Value Hierarchy

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

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

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

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

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

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

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

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

5.3 Valuation Methods and Assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.

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

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

	March 31, 2020 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P **5,776,851,533**	P -	P -	P 5,776,851,533
Trade and other receivables - net	-	-	14,997,317,256	14,997,317,256
Due from related parties	-	-	72,569,542	72,569,542
Construction Bond			7,030,354	7,030,354
Restricted deposits	55,065,081	-		55,065,081
Refundable rental deposits	-	-	249,871,427	249,871,427
	P 5,831,916,614	**P -**	**P 15,326,788,579**	**P 21,158,705,193**
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 49,385,296,967	P 49,385,296,967
Trade and other payables	-	-	6,622,024,198	6,622,024,198
Lease Liability			1,575,994,259	1,575,994,259
Cash bond deposits			258,998,996	258,998,996
Customers' cylinder deposits			497,538,316	497,538,316
Security deposits	-	-	110,997,265	110,997,265
	P -	**P -**	**P 58,450,850,001**	**P 58,450,850,001**

	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 9,810,770,115	P -	P -	P 9,810,770,115
Trade and other receivables - net	-	-	15,617,098,103	15,617,098,103
Due from related parties	-	-	1,986,811	1,986,811
Construction bond			6,727,753	6,727,753
Restricted deposits	54,462,326	-	-	54,462,326
Refundable rental deposits	-	-	323,634,283	323,634,283
	P 9,865,232,441	P -	P 15,949,446,950	P 25,814,679,391
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 48,324,629,062	P 48,324,629,062
Trade and other payables	-	-	11,537,688,607	11,537,688,607
Lease liability			1,250,213,075	1,250,213,075
Cash bond deposits			306,311,395	306,311,395
Customers' cylinder deposits			440,803,046	440,803,046
Security deposits	-	-	100,979,556	100,979,556
	P -	P -	P 61,960,624,741	P 61,960,624,741

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

6. 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.

6.1 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.

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:

	March 31, 2020 (Unaudited)		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Financial assets	**P 5,766,328,342**	**P 6,165,493**	**P 280,556,028**
Financial liabilities	**(6,788,016,362)**	**-**	**(211,243,542)**
Net exposure	**(P 1,021,688,020)**	**P 6,165,493**	**P 69,312,486**

	December 31, 2019 (Audited)		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Financial assets	P 6,205,264,630	P 5,988,698	P 165,720,486
Financial liabilities	(15,874,853,970)		(470,584,602
Net exposure	(P 9,669,589,340)	P 5,988,698	(P 304,864,116)

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 three and 12 months, respectively, at a 99% confidence level.

	March 31, 2020 (Unaudited)		
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**
Reasonably possible change in rate	**4.892%**	**10.441%**	**16.317%**
Effect in profit before tax	**(P 50,902,229)**	**P 643,718**	**P 11,309,429**
Effect in equity after tax	**(36,631,560)**	**450,603**	**P 7,916,600**

	December 31, 2019 (Audited)		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Reasonably possible change in rate	12.93%	21.49%	13.28%
Effect in profit before tax	(P 1,250,277,902)	(P 1,286,971)	(P 40,485,955)
Effect in equity after tax	(875,194,531)	900,880	(P 28,340,168)

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 March 31, 2020 and 2019, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

The Group's objectives and policies for managing interest rate risks are described in its recent annual consolidated financial statements.

(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.

6.2 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.

Estimate of the fair value of collateral held against trade and other receivables as of March 31, 2020 and December 31,2019 follows:

	March 31, 2020	Dec. 31, 2019
Standby letter of credits	**P 545,417,176**	P 590,461,106
Cash bond	**302,546,544**	261,881,695
Real estate mortgage	**74,192,730**	74,192,730
	P 922,156,450	P 926,535,531

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.

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	**P 5,776,851,533**	P 9,810,770,115
Trade and other receivables – net*	**14,997,317,256**	15,617,098,103
Due from related parties	**72,569,542**	1,986,811
Construction Deposit**	**7,030,354**	6,727,753
Restricted deposits	**55,065,081**	54,462,326
Refundable rental deposits	**249,871,427**	323,634,283
	P 21,158,705,193	P 25,814,679,391

**excluding certain advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

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. The Group's objectives and policies for managing credit risk are described in its recent annual consolidated financial statements.

(a) Cash and Cash Equivalents

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

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

The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD. The Group's definition of Trade and Other Receivables and Due from Related Parties classification [known as Phoenix Risk Rating (PRR)] and corresponding credit risk ratings are presented in the succeeding page.

Phoenix Risk Rating (PRR)	**Description (PRR)**		**Equivalent S&P Rating**	**S&P PD (%)**	
	Financial and Business Profiles	**Other Information**		**2019**	2018
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market.	BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	**0.57 – 1.73**	0.63 – 1.90
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	**0.57-1.73**	0.63 – 1.90
PRR 1B	Counterparties with	Credit exposure is not at	B	**3.04 – 6.36**	3.16 – 6.53

	both average financial and business profile.	risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.			
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.	B CCC/C	**3.04 – 6.36**	17.97 – 22.33
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		B CCC/C	**3.04 – 6.36**	17.97 – 22.33
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	**100**	100
PRR D	Counterparties with a weak financial profile and average business profile.		D	**100**	100
PRR F	Counterparties with both weak financial profile and business profiles.		D	**100**	100

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at March 31, 2020 and December 31, 2019 to the opening loss allowance is presented below

	Trade and Other Receivables	Due from Related Parties
Credit Loss allowance at January1, 2020	655,639,182	P 86,816
Decrease/Increase in credit loss allowance during the year	-	-
Write-offs	-	-
Recoveries	-	-
Credit loss allowance at March 31, 2020	P 655,639,182	P 86,816

		Trade and Other Receivables		Due from Related Parties
Balance at beginning of year, As previously reported	P	634,396,128	P	1,908,282
Business Combination		2,006,443		
Decrease in credit loss allowance during the year		29,852,136		(1,821,466)
Write-offs	(	6,853,066)		-
Recoveries	(	3,762,459)		-
Credit loss allowance at December 31, 2019	**P**	**655,639,182**	**P**	**86,816**

The credit loss allowance provided as of March 31, 2020 and December 31, 2019 are as follows:

Trade and Other Receivables

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.13 – 0.56	**P 5,927,361,924**	**P 11,701,424**
PRR 2A	BBB	0.13 – 0.56	**993,833,923**	**1,562,717**
PRR 1A	BBB	0.13 – 0.56	**2,934,649,883**	**8,014,488**
PRR 3B	BB	0.57 – 1.73	**2,504,670,300**	**13,179,051**
PRR 2B	BB	0.57 – 1.73	**769,745,228**	**3,916,005**
PRR 1B	B	0.57 – 1.73	**1,778,924,061**	**10,477,726**
PRR 3C	B	3.04 – 6.36	**574,105,409**	**22,086,150**
PRR 2C	B	3.04 – 6.36	**211,818,047**	**7,073,111**
PRR 1C/D/F	D	100	**577,628,510**	**577,628,510**
			P16,272,737,285	**P 655,639,182**

Due From Related Parties

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3B	BB	0.57 – 1.73	**P 2,073,627**	**P 86,816**

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

	March 31, 2020 (Unaudited)
Not more than one month	**P 772,046,969**
More than one month but not more than two months	**813,511,024**
More than two months but not more than six months	**1,117,305,829**
More than six months but not more than one year	**1,063,688,288**
More than one year	**892,741,776**
	P 4,659,293,887

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.

6.3 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.

This compares to the maturity of the Group's financial liabilities as of March 31, 2020 (Unaudited) as presented below.

	Current		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans and borrowings	P 34,024,944,455	P 3,709,669,053	P 6,663,826,811	P 4,986,856,648
Trade and other payables (excluding tax-related payables)	488,762,583	6,133,261,615	-	
Security deposits	-	-	110,997,265	-
Customers' cylinder deposits	-	-	-	497,538,316
Cash bond	-	-	200,593,440	58,405,556
	P 34,513,707,038	**P** 9,842,930,668	**P** 6,975,417,516	P 5,542,800,520

As of December 31, 2019 (Audited), the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P 30,450,279,323	P 9,886,118,390	P 11,301,955,802	P 4,925,525,000
Trade and other payables (excluding tax-related payables)	793,247,218	10,744,441,389	-	-
Derivative financial Liabilities	311,019,650	-	-	-
Security deposits	-	-	100,979,556	-
Customers' cylinder deposits	-	-	-	440,803,046
Cash bond	-	-	247,905,839	58,405,556
	P 31,554,546,191	**P20,630,559,779**	**P11,650,841,197**	**P 504,133,602**

7. INVENTORIES

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

	March 31, 2020 (Unaudited)	**December 31, 2019** (Audited)
At cost:		
Fuels and by-products	**P 9,386,325,297**	P 11,007,891,911
Lubricants	**220,386,349**	302,533,668
Merchandise	**351,298,301**	192,832,067
LPG	**390,683,499**	62,167,181
Others	**89,703,919**	114,192,078
	P10,438,397,365	P 11,679,616,905

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P **8,405.57** million and P 4,554.20 million as of March 31, 2020 and December 31, 2019, respectively, have been released to the Group in trust for by the bank.

The Group is accountable to the bank for the trusted inventories or their sales proceeds.

There was no Inventory write-down in March 31, 2020 and December 31, 2019.

8. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amounts of property, plant and equipment is shown below.

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**P 28,521,591,044**	P 18,715,994,505	P 18,715,994,505
Business combination – net		215,698,587	952,310,893
Additions	**3,076,080,951**	2,306,819,001	8,953,090,343
Revaluation Increments			145,379,972
Transfers			(85,967,754)
PFRS 16 Leases (Right to Use recognition)		**919,618,497**	1,142,726,144
Disposals – net	**(3,407,192,978)**	(1,903,840)	(84,088,919)
Depreciation and amortization	(312,402,050)	(358,614,923)	(1,196,907,445)
Translation adjustments			(20,946,695)
Balance at end of the period	**P 27,878,076,967**	P 21,797,611,827	P 28,521,591,044

9. INTANGIBLE ASSETS

The reconciliation of the carrying amounts of intangible assets is shown below.

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**P 310,277,916**	P 290,275,877	P 328,054,350
Additions	**3,369,839**	21,172,100	43,332,685
Transfers from PPE			962,754
Amortization expense for the period	**(11,777,759)**	(12,567,361)	(61,534,643)
))Reclassification/adjustment			(537,230)
Balance at end of the period	**P 301,869,996**	P 298,880,616	P 310,277,916

10. INTEREST-BEARING LOANS AND BORROWINGS

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Current:		
Liabilities under LC and TR	**P 8,405,668,387**	P 6,206,767,833
Short-term loans	**23,044,027,661**	23,901,759,985
Current portion of long term loans		1843,333,333
Liabilities under short-term commercial papers	**6,284,917,459**	6,191,197,740
	37,734,613,507	38,143,058,891
Non-current –		
Obligations under finance lease*		
Term loans	**11,650,683,459**	11,753,129,172
	P 49,385,296,967	P49,896,188,063

10.1 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. These short-term trust receipts bear interests based on prevailing market interest rates at an average of 5.941 **%** and 6.125% per annum as of March 31, 2020 and December 31, 2019, respectively.

10.2 Borrowings and Repayments

The Group has term loan with outstanding balance as of March 31, 2020 of P 40,868 million. The loans bear interest ranging from 4% to 7% and are repayable in various dates until 2025.

As of March 31, 2020, repayments of term loans amounting to P 15,902 million were made in line with previously disclosed repayment terms.

11. LEASE LIABILITIES

Lease liabilities are presented in the Condensed Interim Financial Statement as follows:

Current	P 127,704,840
Non-current	1,255,339,297
	P 1,383,044,137

Additional Information on lease liabilities are broken down as follows:

	Land	Vessel	Office	Warehouse	Store Premises	TOTAL
Lease Liabilities	751,799,435	248,892,858	35,325,355	51,533,976	295,492,513	1,383,044,137

As of March 31, 2020, the Group is not committed to leases which has not commenced.

A total of P14.7 million finance cost was recognized related to the lease liabilities.

12. RELATED PARTY TRANSACTIONS

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

Summary of the Group's transactions with its related parties for the periods ended March 31, 2020 and 2019 and the related outstanding balances as of March 31, 2020 and December 31, 2019 is presented below.

Related Party Category	Amount of Transactions		Outstanding Balance	
	Mar. 31, 2020 (Unaudited)	Mar. 31, 2019 (Unaudited)	**Mar 31, 2020 (Unaudited)**	December 31 2019 (Audited)
Other related parties under common Ownership				
Sale of subsidiaries			**P**	P 500,000,000
Sale of goods	**485,007,762**	401,011,177	4,223,522,646	4,207,636,773
Sale of service	**114,790,249**		28,114,031	714,935,482
Purchases of services		52,312,216		
Purchase of goods				34,074,046
Advances to suppliers	**352,970,000**	-	4,495,513,963	30,811,857
Management fees	**-**	-		86,614,907
Rentals	**102,355,039**	28,844,845	**-**	
Advances for option to purchase properties				2,500,000,000
Due from related parties	-			1,986,811
Due to related parties	**-**	-	**-**	-
Donations	**-**	-	**-**	-
Udenna Corporation				
Advances to suppliers	**4,745,000**	-	**1,656,366,799**	1,651,621,799
Lease liability				167,656,447
Rentals	-	-		
Sale of Services				497,082,768
Associate				
Technical ship Services	-	-	**-**	-
Key management personnel				
Salaries and employee benefits		61,449,101	-	-

12.1 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. The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized for the nine months ended March 31, 2020 and 2019 based on management's assessment.

12.2 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. 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. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the three months ended March 31, 2020.

12.3 Due from Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes. Due from Related Parties (excluding advances to CISC) are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

13. EQUITY

13.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	For the three months Ended March 31, (Unaudited)		For the year ended December 31, 2019	For the three months ended March 31, (Unaudited)		For the year ended December 31, 2019
	2020	2019	(Audited)	**2020**	2019	(Audited)
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**27,000,000**	22,000,000	32,000,000	**P 27,000,000**	P 22,000,000	P 30,000,000
Issuance during the year		-	7,000,000	-		7,000,000
Redemption		-	(2,000,000)	**-**	-	(2,000,000)
Balance at end of year	**27,000,000**	22,000,000	37,000,000	**22,000,000**	22,000,000	37,000,000
Treasury shares	**(-)**	( )	(10,000,000)	**(-)**	( )	(10,000,000)
Issued and outstanding	**27,000,000**	22,000,000	27,000,000	**P 27,000,000**	P 22,000,000	P 27,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,406,204,232**	1,403,304,232	1,434,304,232	**P 1,119,904,232**	P1,090,004,232	P 1,434,304,232
Issuance during the year		-	2,900,000		-	2,900,000
Balance at end of year	**1,406,204,232**	1,403,304,232	1,437,204,232	**1,119,904,232**	1,090,004,232	1,437,204,232
Treasury shares	**-**		(31,000,000)	**-**		(344,300,00)
Issued and outstanding	**1,406,204,232**	1,403,304,232	1,406,204,232	**P 1,119,904,232**	P1,090,004,232	P 1,092,904,232
				P 1,119,904,232	P1,112,004,232	P 1,119,904,232

13.2 Employee Stock Options

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and vested five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain qualified employees to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Group's shares over a period of time consistent with the option life.

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P8.6 million and P7.2 million share-based compensation is recognized in 2019 and 2018, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2019 and 2018 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

13.3 Cash Dividends

The details of the Parent Company's cash dividend declarations, both for preferred and common shares, for the three months ended March 31 (unaudited) are as follows:

	2020	2019
Common shares	**P -**	P 210,495,635
Preferred shares	**170,776,632**	79,665,000
	P 170,776,632	P 290,160,635

13.4 Other Interim Disclosures

The Group's management is not aware of the following or is not applicable to the Group's interim operations, other than items related to COVID 19.

- Unusual items that materially affect the Group's interim condensed consolidated assets, liabilities, equity, net income or cash flows because of their size, nature or incidents;
- Material changes in contingent liabilities or contingent assets since the last annual balance sheet date;
- Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period;
- Events that will trigger direct or contingent material financial obligations to the Group;
- Material off-balance sheet transactions, arrangements, obligations (direct or contingent) and other relationships of the Group;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Material events subsequent to end of the reporting period that have not been reflected in this report;
- Material changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries, restructurings and discontinuing operations; and,
- Any seasonal aspect that had a material effect on the consolidated financial condition or results of operation.

13.5 Earnings Per Share

EPS were computed as follows:

	For the three months ended March 31, (Unaudited)		For the year ended December 31, 2019
	2020	2019	(Audited)
a) Net profit pertaining to common shares	**P (380,347,398)**	P 335,006,103	P 853,982,096
b) Net profit attributable to common shares and potential common shares	**(380,347,398)**	335,006,103	853,982,096
c) Weighted average number of outstanding common shares	**1,404,437,174**	1,403,304,232	1,404,437,174
d) Weighted average number of outstanding common and potential common shares	**1,405,612,929**	1,403,304,232	1,405,612,929
Basic EPS (a/c)	**P (0.27)**	P 0.24	P 0.61
Diluted EPS (b/d)	**P (0.27)**	P 0.24	P 0.61

14. COMMITMENTS AND CONTINGENCIES

As of March 31,2020, and December 31, 2019, the Group has commitments of more than P2,000.0 million and P6,000.0 million, respectively, 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 660 and 655 operating retail service stations as of March 31, 2020 and December 31, 2019, respectively. An additional of 5 and 50 retail service stations are opened and under various stages of completion as of March 31, 2020, respectively.

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.

As of March 31, 2020, and December 31, 2019, the Parent Company has unused LCs amounting to **P9,637.5** million and P12,620.2 million, respectively.

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial statements. Management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

15. EVENTS AFTER THE REPORTING PERIOD

On May 4, 2020, the Board of Directors of the company approved the declaration of cash dividends for Series 3A and Series 3B Preferred Shareholders with the following details.

Type of Preferred Security	Dividend Per Share (in P)	Date of Record	Date of Payment
PNX 3A	1.875	May 22, 2020	June 18, 2020
PNX 3B	2.027	May 22, 2020	June 18, 2020
PNX 4	18.92	May 18, 2020	May 22, 2020

16. SEASONAL FLUCTUATIONS

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

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

The COVID-19 pandemic has severely impacted the global economy. Measures have been taken to contain the pandemic, including restrictions in travel, nationwide quarantines, social distancing, and closures of non-essential services. These have not only resulted in disruptions in supply chain and production activities of businesses but also reduction in demand and spending that reached across all sectors and industries.

In the latter part of the first quarter of 2020, these actions, which included a Philippine-wide "Enhanced Community Quarantine (ECQ)", began to materially affect our operations and our end markets. Though our LPG business remains resilient and thriving, demand for fuel slowed as the ECQ constrained travel and other industrial activities. Travel-related sectors such as aviation, marine transport, and commercial road transport were particularly impacted.

To adapt to the changing market conditions, we have adjusted businesses practices and operations accordingly. Operational and governance systems across the Company and its subsidiaries have been established to coordinate actions, including an internal team that monitors the health and well being of our employees nationwide, which remains our utmost priority. Business continuity plans have likewise been mobilized and communicated to customers and stakeholders. In line with the changes in demand, original operating and financial plans have been assessed and mitigating and preemptive actions have been prepared in response. Cost and liquidity measures in place also ensure proper management of working capital and other funding requirements.

While the Company cannot quantify the duration or the specific impact the pandemic and its containment measures will have on the business, as well as the pace of the recovery across our end markets, we believe that we are well positioned to navigate the downturn and for the eventual upturn.

Comparable discussion on Material Changes in Results of Operations for the Period Ended March 31, 2020 vs. March 31, 2019.

Revenues, Cost of Sales and Gross Margins

The Group's **Revenues** during the 1st quarter of 2020 were lower by 9.1% at ₱21.894 billion compared to the ₱24.093 billion generated in the same period of 2019. This was mainly due to the 5.3% decrease in total volume sold for the comparative periods (2020: 769 million liters vs. 2019: 812 million liters) and the lower average pump prices in Philippines year-on-year. The decrease in volume was driven by the eruption of the Taal Volcano in January 2020, which disrupted operations of some of our commercial customers, as well as the travel restrictions brought about by the Enhanced Community Quarantine (ECQ), which started on March 16, 2020. This was partially compensated by the growth in retail and LPG coming off of a strong station network growth and expansion into Luzon. This year also marked the full quarter consolidation of our Vietnam LPG business. Meanwhile, the average price of petroleum products was lower as a result of the 25.7% drop in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD March 2020 vs 2019: US$50.26/ bbl. vs. US$63.20/ bbl).

Cost of Sales and Services decreased by 6.70%, from ₱21.600 billion in the 1st quarter of 2019 to ₱20.154 billion in 2020, principally attributable to the decline in volume.

As a result, **Gross Margin** decreased by 30.2% or ₱0.752 billion.

Operating Expenses, Non-operating Expenses, Recurring Income

Meanwhile, the company's **Selling and Administrative Expenses** amounted to ₱1.561 billion, 6.1% more than the ₱1.471 billion 2019 level. The increase is due to the full consolidation of Vietnam LPG business beginning March 2019.

On the other hand, **Net Non-operating Charges** of ₱0.418 billion was ₱0.137 billion less than the ₱0.555 billion incurred in in the same period of 2019. Part of the 24.7% reduction was the ₱0.122 billion decrease in the Finance Cost, ₱0.001 billion decrease in finance income, ₱0.005 billion decrease in the equity share in the JV income and ₱0.020 billion increase in Other Income.

Operating, Net and Comprehensive Incomes

The 1st quarter 2020 **Operating Income** of ₱0.179 billion decreased by 82.4% (₱0.842 billion) from the prior year's ₱1.021 billion, mainly because of the decrease in gross margin (₱0.752 billion) and increase in selling and administrative expenses (₱0.090 billion).

Notwithstanding the lower Net Non-operating Charges, the **Net Loss Before Tax** of₱0.239 billion during the quarter declined by 151.33% (₱0.705 billion) vis-à-vis the prior year's Net Income Before Tax of ₱0.466 billion.

Meanwhile, the company recorded a ₱0.024 billion translation adjustment gain related to Pnx SG's operations, 183.7% higher than the ₱0.029 billion loss recorded in the same period of 2019. As such, **Comprehensive Loss** of ₱0.190 billion was 149.4% lower than the ₱0.386 billion in Comprehensive Income reported in the 1st quarter of 2019.

Financial Condition
(As of March 31, 2020 versus December 31, 2019)

Consolidated resources as of March 31, 2020 stood at ₱80.695 billion, 7.2% lower than ₱86.957 billion level as of December 31, 2019. This was mainly due to the decrease in Liability and in Equity of ₱5.856 billion and ₱0.406 billion, respectively.

Cash and Cash Equivalents decreased by 41.1% (from ₱9.811 billion in December 31, 2019 to ₱5.777 billion as of March 31, 2019) mainly because of the settlement of debts and lower cash from operations as the COVID-19 pandemic affected collections and sales starting March 2020.

Trade and Other Receivables increased by 1.5% (from ₱15.973 billion as of December 31, 2019 to ₱16.217 billion as of March 31, 2020) as the travel restrictions due to the Enhanced Community Quarantine (ECQ) affected the collection schedule.

Inventory was 10.6% lower at ₱10.438 billion as of March 31, 2020 than the ₱11.678 billion as of December 31, 2019, driven by the decline in the global prices of petroleum products.

Interest-bearing Loans and Borrowings, both current and non-current of ₱49.385 billion as of March 31, 2020 decreased by 0.01% from ₱49.896 billion as of December 31, 2019, mainly due to the settlement of certain maturing loans.

Trade and Other Payables decreased by 44.1% from ₱11.841 billion as of December 31, 2019 to ₱6.622 billion as of March 31, 2019, related to the timing and value of purchases especially for Pnx SG.

Lease Liabilities both current and non-current amounting to ₱1.383 billion as of March 31, 2020 is 10.6% higher than the ₱1.250 billion as of December 31, 2019, coming from the new leases concluded during the period.

Total Stockholders' Equity decreased to ₱21.445 billion as of March 31, 2020 from ₱21.846 billion as of December 31, 2019, (by 1.8%). The decrease is due to the 5.4% reduction in retained earnings which came from the ₱0.214 billion net loss realized in the first quarter of 2020, the ₱0.171 payment of dividends on Preferred shares, and the net movement in the revaluation coming from the other comprehensive income.

Key Performance Indicators and Relevant Ratios

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

	March 31, 2020	December 31, 2019
Current Ratio[1]	0.86x : 1x	0.84x : 1x
Debt to Equity Ratio	2.75x : 1x	3.00x : 1x
Debt to Equity Interest-Bearing[2]	2.30x : 1x	2.28x : 1x
Net Book Value per Share[3]	₱9.07	₱9.36
Earnings per Share[4]	₱(0.27)	₱0.61

Notes: Formula are based on Philippine Accounting Standards
1 - Total current assets divided by current liabilities
2 - Interest Bearing Debts divided by Total stockholder's equity
3 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
4 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

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

Material (5% or more) Changes to the Group's Balance Sheet as of March 31, 2020 vs. December 31, 2019

41% decrease in Cash and Cash Equivalents
Settlement of matured debts.

11% decrease in Inventory
In relation to increase and timing of revenue generated.

3553% increase in Due from Related Party
Advances made to PAPI, Pnx Gas Vietnam and Phoenix Foundation for their working capital needs during the COVID Pandemic.

20% decrease in Input Vat Net
Due to the decreased tax base value of the recent importations in relation to the decline in global oil prices.

366% increase in Derivative Financial Assets
Due to the increase in the estimated fair value of the derivative contract in favor of Pnx SG.

11% Net decrease in Prepayments and other current assets; Other Non-current Asset
Due to a certain option to purchase agreements which was not renewed or negotiated during the period, thus has become due and demandable.

42% increase in Right of Use Asset
Due to new lease agreements entered into during the period.

9% increase in Net Deferred Tax Asset and Liabilities
Net of the estimated tax income and expense from the taxable income / loss of the subsidiaries.

44% decrease in Trade Payables
In relation to the inventory purchases level and value net of intercompany transactions, the decrease of which is attributable to the global oil prices movement during the period

100% decrease in Derivative Financial Liabilities
Related to the favorable forward contracts entered into by PNX SG

8% increase in Income Tax Payable
Net of the offset against creditable withholding taxes applied and decreased net income, unpaid during the period.

5% decrease in Retained Earnings
Driven by the net loss after tax net of the dividends declared and distributed during the period.

Material (5% or more) changes to the Group's Income Statement as of March 31, 2020 vs. March 31, 2019

11% decrease in Sale of Goods
Due to the 5% drop in volume and 20% drop in global petroleum prices.

280% increase in fuel service and other revenue
This is due to higher into-plane service revenues from new accounts, as well as higher revenues from non-fuel related businesses.

7% increase in Cost of Sales and Services
This reflects the lower sales volume as well as the lower global prices year-on-year. The increase in excise tax rates on petroleum products, however tempered the decline in cost of sales.

6% increase in Selling and Admin Expenses
Related to the Company's growth and expansion prior to ECQ, as well as the full quarter consolidation of the LPG business in Vietnam (PGV) through PNX Energy starting March 2019.

25% Net decrease in Other income/(charges)
Mainly due to lower finance costs as average interest rates decreased year-on-year and settlement of certain maturing loans during the period.

148% decrease in Tax Expense
Due to the losses incurred during the period.

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 virtual annual stockholders' meeting last March 29, 2020, Friday, at the Phoenix Corporate Headquarters in Davao City via remote communications or live streaming.

2. The Board of Directors has declared cash dividends for the Company's preferred shares (3rdTranche) for the first quarter of 2020 as follows:

Shares	Record Date	Payment Date	Interest Rate Per Annum
PNX3A	February 20, 2020	March 18, 2020	7.427%
PNX3B	February 20, 2020	March 18, 2020	8.1078%
PNX4	February 19,2020	February 21, 2020	7.5673%

3. In December 2018, the Company obtained approval from the Securities and Exchange Commission (SEC) for the registration and listing of Short Term Commercial Papers through the Philippine Dealing and Exchange Corporation (PDEX) up to the amount of PHP 10B with a three year validity period. On December 27, 2018 it listed and raised a total of PHP 7B in two tranches: Series A-1 amounting to PHP 3.5B with a discount rate of 7.0937% and is due in 180 days, and Series A-2 amounting to PHP 3.5B with a discount rate of 7.4717% and is due in 360 days. Series A-1 was fully redeemed on June 25, 2019 and on July 26, 2019 the Company filed notice with the SEC to subscribe and list up to PHP 3.5B under Series B of the Commercial Paper Program. Series B shall have a tenor of 360 days. On August 5, 2019, the company listed Series B of its Commercial Paper Program with a tenor of 360 days discounted rate of 7.00% and was fully subscribed for the amount of PHP 3.5B. On November 29, 2019, the company filed notice with the SEC to list its STCP Series C and this was listed on December 11, 2019 with a total subscription value of PHP 3.00Bn and a discount rate of 4.6657%. On December 21, 2019 the company redeemed Series A-2 of its STCP in the amount of PHP 3.50B.

4. On 15 August, 2019 the Company's Board of Directors approved the partial redemption of 500,000 preferred shares valued at Php1,000.00 per share, which was a portion of the 2,000,000 preferred shares issued, via private placement, to RCBC Capital Corporation. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code (SRC).

5. On August, 29, 2019 the Company filed with the Securities and Exchange Commission its intent to list up to PHP 7.00bn in Preferred Shares through the Philippine Stock Exchange. To be designated as PNX4 upon approval by both the SEC and PSE, the Company shall price the offer at PHP 1,000 per share.

6. On September 26, 2019 the SEC resolved in its meeting to render effective the registration of up to Seven Million (7,000,000) Preferred Shares consisting of a Five Million (5,000,000) share base offer, with an oversubscription option of up to Two Million (2,000,000) shares, at an offer price of PHP 1,000 per share, subject to the fulfilment of the required submissions.

7. On 06 November 2019, the Company's Board of Directors approved and ratified the full and final redemption of 1,500,000 Preferred Shares issued via private placement to RCBC Capital Corporation at Php1,000 per share. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code.

8. On October 9, 2019, the Philippine Stock Exchange issued its Notice of Approval for the Follow-on offer of PNX4 Preferred Shares with a primary offering of 5,000,000 shares and an oversubscription of 2,000,000 shares at a value of P1,000 per share.

9. On 21 October 2019, the SEC has ordered the effectivity of the Registration Statement and consequently issued the Permit to Sell the Company's Series 4 Preferred Shares Offering of up to 7,000,000,000 shares at Php1,000.00 per share – base offering of 5,000,000 preferred shares with oversubscription of 2,000,000 preferred shares.

   The Offer Shares have the following features, rights and privileges:
   - The Offer had a base offer of 5,000,000 Preferred Shares and an oversubscription option of up to 2,000,000 Preferred Shares.
   - The Offer Price of the Offer Share is at ₱1,000.00 per share;
   - The Initial Dividend Rate of the Offer Rates shall be at a fixed rate of 7.5673% per annum, calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period;
   - Cumulative in payment of current dividends as well as any unpaid back dividends;
   - Non-convertible into common shares;
   - Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the applicable dividend rate;
   - Non-participating in any other or further dividends beyond the dividends specifically payable on the Offer Shares;
   - Non-voting except in those cases specifically provided by law;
   - No pre-emptive rights to any subsequent issuance or disposition by the Company of its shares of stock; and
   - Redeemable at the option of the Company under such terms and conditions as specified in the Prospectus. The holders of the Offer Shares (the "PNX4 Shareholders") do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company.

   The Series 4 Preferred Share Offering was listed with the Philippine Stock Exchange on 07 November 2019 under PNX4.

10. On 06 November 2019, the Company's Board of Directors approved and ratified the full and final redemption of 1,500,000 Preferred Shares issued via private placement to RCBC Capital Corporation at Php1,000 per share. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code.

11. As of March 31, 2020, 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 movements in Current Ratio and Debt to Equity Ratio are seen to be temporary and will normalize at year-end. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

12. 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.

13. 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.

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

SIGNATURES

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

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

DENNIS A. UY
President and Chief Executive Officer

MA. CONCEPCION DE CLARO
Chief Finance Officer

JONAREST Z. SIBOG
Controller

04 March 2020

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

Philippine Stock Exchange
Disclosure Department
6/F PSE Tower, 28th Street Cor. 5th Avenue
BGC, Taguig City, Metro Manila

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

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

Ms. Janet Encarnacion
Head - Disclosure Department
Philippine Stock Exchange

Atty. Marie Rose M. Magallen-Lirio
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen and Madam:

We would like to submit our recently concluded Annual Audited Financial Statement (AAFS) for period ended 31 December 2019 complete with its attachments as will be attached to our Definitive Information Statement (SEC Form 20-IS) and distributed to our shareholders.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018,in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Domingo T. Uy
Chairman of the Board

Dennis A. Uy
Chief Executive Officer

Ma. Concepcion De Claro
Chief Financial Officer

Signed this 28th day of February 2020

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

SUBSCRIBED AND SWORN to before me on **February 28, 2020** in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Domingo T. Uy	TIN 140-162-193
Dennis A. Uy	TIN 172-020-135
Ma. Concepcion F. De Claro	TIN 120-135-353

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

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2020
Serial No. 2019-01[illegible]-2020
PTR No. 35[illegible]003 • 12-16-2019 • D.C.
IBP No. 10[illegible]366 • 01-10-2020 • D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

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

Doc. No. 392;
Page No. 80;
Book No. 107;
Series of 2020.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	2	0	0	2	0	7	2	8	3

COMPANY NAME

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

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

STELLA HIZON REYES ROAD,
BO. PAMPANGA, DAVAO CITY

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
	(082) 235-888	

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

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. CONCEPCION F. DE CLARO	concepcion.declaro @phoenixfuels.ph	(082) 235-8888	

CONTACT PERSON's ADDRESS

Stella Hizon Reyes Road, Bo. Pampanga, Davao City

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

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

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Grant Thornton
An instinct for growth™

FOR SEC FILING

SEC DAVAO
04 MAR 2020

Consolidated Financial Statements and
Independent Auditors' Report

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

December 31, 2019, 2018 and 2017

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

T +63 2 988 2288

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2019, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

The Group's revenue is primarily generated from the sale of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized as the goods are delivered. The Group's total revenue for the year ended December 31, 2019 amounted to P97,823.1 million, of which, P96,501.7 million or 98.6% pertains to sale of goods.

The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues, particularly from sale of goods. In our view, revenue recognition is a key audit matter due to its significance to profit and high volume of revenue transactions. Relative to this, we consider that there is a higher risk associated with revenue occurrence and appropriate recognition of sales in the correct accounting period.

The Group's revenue recognition policy and disaggregation of revenues are disclosed in Notes 2 and 23, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy and procedures;
- Assessing the design effectiveness and testing the operating effectiveness of internal controls related to revenue recognition process;
- Reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- Performing sales cut-off procedures immediately before and after the year-end by testing the sales invoices to evidence of delivery to ensure that revenue was recognized in the correct period;
- Confirming trade receivables, on a sample basis, as of the end of the reporting period.
- Performing detailed transaction testing by agreeing sample revenue items to supporting documents, including sales invoices, contracts and third party correspondence; and,
- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of revenues, verifying validity of the underlying data used in the analyses, and following up variances from our expectations.

(b) Existence and Measurement of Inventories

Description of the Matter

As of December 31, 2019, the Group held P11,679.6 million of inventories, which is 13.4% of the total assets of the Group. Given the size of the inventory balance relative to the total assets of the Group, and the estimates and judgments involved in this account, the measurement of inventory required our significant audit attention. As disclosed in Note 2, inventories are held at the lower of cost and net realizable value using the moving average method. As of year-end, the measurement of inventory is reviewed by the management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The breakdown of inventory as of December 31, 2019 is disclosed in Note 8 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to existence and measurement of inventories included, among others, the following:

- Assessing the design effectiveness and testing the operating effectiveness of internal controls related to measurement of inventory;
- Observing inventory counts and performing test of quantities;
- Performing test of purchases and test on the moving average cost calculation; and,
- Testing the net realizable values of sample inventory items to recent selling prices.

(c) Business Combination

Description of the Matter

As disclosed in Note 1 to the consolidated financial statements, in 2019, the Group completed the acquisition of Phoenix Gas Vietnam Limited Liability Company (PGV LLC), formerly known as Origin LPG (Vietnam) Limited Liability Company for a total consideration of P682.8 million. The Group has determined this business combination as acquisition of business for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

The management has determined Goodwill amounting to P213.6 million for the acquisition of PGV LLC. The accounting for this business acquisition is complex due to the significant judgments and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed. We, therefore, consider the business acquisition to be a key audit matter due to the significance of the amount involved and the complexity of the accounting requirements.

The Group's disclosure on policies on business combinations is presented in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to business combinations included, among others, the following:

- Reviewing the executed share purchase agreement;
- Involving our own valuation specialist to assist in evaluating the appropriateness of the valuation methods and relevant assumptions used;
- Examining supporting document of the cash consideration given;
- Reviewing the appropriateness and reasonableness of valuations prepared by independent appraisers on certain properties; in addition, assessing the competencies, objectivity and capabilities of the appraisers;
- Testing the reasonableness of the fair values of the assets acquired and liabilities assumed as at the acquisition date;
- Recalculating the difference between the net assets acquired and considerations given; and,
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

(d) Impairment of Goodwill

Description of the Matter

The Group has recognized goodwill amounting to P4,632.4 million as of December 31, 2019. Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of management process in assessing the recoverability of goodwill. In addition, the assumptions used in determining the cash-generating units (CGUs) where the goodwill is allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimated of future sales volume and prices, operating costs, terminal value, growth rates and discount rate.

The Group's disclosures about Goodwill and the policy are included in Notes 15 and 2, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs;
- Evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the estimated of future sales volume and prices, and operating costs as well as the discount rate used; and,
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

(e) Adoption of Philippine Financial Reporting Standard (PFRS) 16, Leases

Description of the Matter

Effective January 1, 2019, the Group adopted PFRS 16, which replaced PAS 17, *Leases*, and its related interpretations. The adoption of this new standard, which primarily affected the Group's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements and the significant judgments required in determining assumptions to be used in applying the standard.

Further, the recognition of right-of-use assets and lease liabilities, which are particularly covered by the provisions of PFRS 16, amounted to P1,142.7 million and P1,250.2 million, respectively as at December 31, 2019 is considered significant in amount relative to the Group's total assets and total liabilities.

The impact of the adoption of PFRS 16, and the related changes in accounting policies and bases of judgments and estimates, are disclosed in Notes 2 and 3 to the consolidated financial statements, while the carrying amounts of right-of-use assets and lease liabilities as of December 31, 2019, including the new disclosure requirements of PFRS 16, are disclosed in Note 12 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adoption of PFRS 16 included, among others, the following:

- Understanding the policies and procedures applied by the Group in identifying leases that qualify under PFRS 16, and leases that quality under the recognition exemptions on short-term leases and low-value leases, as well as compliance therewith;
- Assessing the completeness of the lease contracts and verifying the accuracy of the lease information provided, considering the reconciliation of the Group's operating lease commitments;
- Evaluating the appropriateness of adjustments as a result of the adoption of PFRS 16 on the recognition and measurement of right-of-use assets and lease liabilities and determining the adequacy of related financial statement disclosures, including changes in accounting policies and bases of judgments and estimates; and,
- Evaluating the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of security, if any, and the economic environment in which the transaction occurs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, which are expected to be made available to us after the date of the auditors' report, for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8116551, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 28, 2020

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated - see Note 2)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 9,810,770,115**	P 7,889,708,807
Trade and other receivables - net	7	**15,973,133,966**	15,030,714,704
Inventories	8	**11,679,616,905**	11,135,494,286
Due from related parties - net	29	**1,986,811**	937,904,172
Restricted deposits	9	**54,462,326**	52,719,265
Input value-added tax - net		**2,905,878,621**	1,517,537,410
Prepayments and other current assets	10	**1,931,536,398**	695,698,779
Total Current Assets		**42,357,385,142**	37,259,777,423
NON-CURRENT ASSETS			
Property, plant and equipment - net	11	**27,378,864,900**	18,715,994,505
Right-of-use assets - net	12	**1,142,726,144**	-
Investment properties	16	**1,908,972,835**	1,739,021,205
Intangible assets - net	13	**310,277,916**	328,054,350
Investments in joint ventures	14	**1,432,709,636**	455,436,370
Goodwill - net	15	**4,632,397,418**	4,418,842,831
Deferred tax assets - net	28	**155,781,031**	147,484,516
Other non-current assets	17	**7,638,262,244**	1,595,667,530
Total Non-current Assets		**44,599,992,124**	27,400,501,307
TOTAL ASSETS		**P 86,957,377,266**	P 64,660,278,730
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**P 38,143,058,891**	P 26,309,487,284
Trade and other payables	20	**11,841,661,093**	7,434,839,252
Derivative financial liabilities	21	**311,019,650**	-
Lease liabilities	12	**153,360,799**	-
Income tax payable		**49,872,393**	99,380,682
Total Current Liabilities		**50,498,972,826**	33,843,707,218
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**11,753,129,172**	13,590,520,166
Lease liabilities	12	**1,096,852,276**	-
Deferred tax liabilities - net	28	**748,398,599**	631,776,224
Other non-current liabilities	22	**937,269,144**	620,602,265
Total Non-current Liabilities		**14,535,649,191**	14,842,898,655
Total Liabilities		**65,034,622,017**	48,686,605,873
EQUITY	30		
Equity attributable to parent company			
Capital stock		**1,119,904,232**	1,112,004,232
Additional paid-in capital		**12,042,788,045**	7,233,692,486
Revaluation reserves		**806,868,975**	852,438,822
Retained earnings		**7,876,463,627**	6,812,482,236
		21,846,024,879	16,010,617,776
Non-controlling interests		**76,730,370**	(36,944,919)
Total Equity		**21,922,755,249**	15,973,672,857
TOTAL LIABILITIES AND EQUITY		**P 86,957,377,266**	P 64,660,278,730

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES				
Sale of goods	23	**P 96,501,653,189**	P 87,672,722,663	P 44,148,952,252
Fuel service and other revenues	23, 33	**1,205,744,987**	824,182,312	301,402,792
Rent income	16, 33	**115,711,069**	113,863,129	92,626,832
		97,823,109,245	88,610,768,104	44,542,981,876
COST AND EXPENSES				
Cost of sales and services	23	**86,811,287,081**	78,838,964,820	38,345,104,529
Selling and administrative expenses	24	**6,518,065,904**	5,741,750,297	4,207,027,951
		93,329,352,985	84,580,715,117	42,552,132,480
OTHER CHARGES (INCOME)				
Finance costs	25	**2,838,294,987**	1,449,247,671	804,707,861
Finance income	25	**(86,595,790)**	(73,374,342)	(56,313,476)
Fair value gains on investment properties	16	**(71,569,675)**	(624,941,000)	-
Equity share in net income of joint ventures	14	**(16,510,018)**	(7,342,245)	-
Excess of fair value of net assets acquired over acquisition cost	1	**-**	-	(650,182,327)
Others - net	7	**(12,100,025)**	(87,267,127)	(36,852,747)
		2,651,519,479	656,322,957	61,359,311
PROFIT BEFORE TAX		**1,842,236,781**	3,373,730,030	1,929,490,085
TAX EXPENSE	28	**347,659,233**	606,588,321	408,067,238
NET PROFIT		**P 1,494,577,548**	P 2,767,141,709	P 1,521,422,847
NET PROFIT ATTRIBUTABLE TO:				
Parent company		**P 1,537,339,096**	P 2,776,255,552	P 1,521,422,847
Non-controlling interests		**(42,761,548)**	(9,113,843)	-
		P 1,494,577,548	P 2,767,141,709	P 1,521,422,847
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to a foreign subsidiary	2	**(P 69,712,613)**	28,719,880	(P 3,791,486)
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land	11	**145,379,972**	1,219,846,043	-
Remeasurements of post-employment defined benefit obligation	26	**(39,889,840)**	(34,393,933)	14,060,076
Tax expense	28	**(31,647,040)**	(355,635,633)	(4,218,023)
		73,843,092	829,816,477	9,842,053
Other Comprehensive Income - net of tax		**4,130,479**	858,536,357	6,050,567
TOTAL COMPREHENSIVE INCOME		**P 1,498,708,027**	P 3,625,678,066	P 1,527,473,414
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Parent company		**P 1,541,454,672**	P 3,634,791,909	P 1,527,473,414
Non-controlling interests		**(42,746,645)**	(9,113,843)	-
		P 1,498,708,027	P 3,625,678,066	P 1,527,473,414
Basic Earnings per share	31	**P 0.61**	P 1.72	P 1.11
Diluted Earnings per share	31	**P 0.61**	P 1.72	P 1.10

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Capital Stock: Preferred Stock	Capital Stock: Preferred Treasury Stock - At Cost	Capital Stock: Common Stock	Capital Stock: Common Treasury Stock - At Cost	Capital Stock: Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interests	Total Equity
Balance at January 1, 2019														
As previously reported		P 32,000,000	(P 10,000,000)	P 1,434,304,232	(P 344,300,000)	P 1,112,004,232	P 7,233,692,486	P 827,510,428	(P 730,361,725)	P 24,928,394	P 7,542,843,961	P 16,010,617,776	(P 36,944,919)	P 15,973,672,857
Restatements	2	-	-	-	-	-	-	24,928,394	730,361,725	(24,928,394)	(730,361,725)	-	-	-
As restated			(10,000,000)	1,434,304,232	(344,300,000)	1,112,004,232	7,233,692,486	852,438,822	-	-	6,812,482,236	16,010,617,776	(36,944,919)	15,973,672,857
Cash dividends	30	-	-	-	-	-	-	-	-	-	(523,046,503)	(523,046,503)	-	(523,046,503)
Issuance of shares during the year	30	7,000,000	-	2,900,000	-	9,900,000	6,807,095,559	-	-	-	(8,852,437)	6,808,143,122	-	6,808,143,122
Redemption of shares during the year	30	(2,000,000)	-	-	-	(2,000,000)	(1,998,000,000)	-	-	-	-	(2,000,000,000)	-	(2,000,000,000)
Share-based compensation	26	-	-	-	-	-	-	-	-	-	8,855,812	8,855,812	-	8,855,812
Business combination	1	-	-	-	-	-	-	-	-	-	-	-	156,421,934	156,421,934
Transfer to retained earnings	30	-	-	-	-	-	-	(49,685,423)	-	-	49,685,423	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-	4,115,576	-	-	1,537,339,096	1,541,454,672	(42,746,645)	1,498,708,027
Balance at December 31, 2019		P 37,000,000	(P 10,000,000)	P 1,437,204,232	(P 344,300,000)	P 1,119,904,232	P 12,042,788,045	P 806,868,975	P -	P -	P 7,876,463,627	P 21,846,024,879	P 76,730,370	P 21,922,755,249
Balance at January 1, 2018														
As previously reported		P 30,000,000	(P 5,000,000)	P 1,431,538,232	P -	P 1,456,538,232	P 5,709,303,309	(P 2,306,049)	(P 730,361,725)	(P 3,791,486)	P 5,177,429,776	P 11,606,812,057	P -	P 11,606,812,057
Restatements	2	-	-	-	-	-	-	(3,791,486)	730,361,725	3,791,486	(730,361,725)	-	-	-
As restated		30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(6,097,535)	-	-	4,447,068,051	11,606,812,057	-	11,606,812,057
Cash dividends	30	-	-	-	-	-	-	-	-	-	(409,640,735)	(409,640,735)	-	(409,640,735)
Issuance of shares during the year	30	2,000,000	-	2,766,000	-	4,766,000	2,019,389,177	-	-	-	(8,444,298)	2,015,710,879	-	2,015,710,879
Acquisition of shares during the year	30	-	(5,000,000)	-	(344,300,000)	(349,300,000)	(495,000,000)	-	-	-	-	(844,300,000)	-	(844,300,000)
Share-based compensation	26	-	-	-	-	-	-	-	-	-	7,243,666	7,243,666	-	7,243,666
Business combination	1	-	-	-	-	-	-	-	-	-	-	-	(27,831,076)	(27,831,076)
Total comprehensive income for the year		-	-	-	-	-	-	858,536,357	-	-	2,776,255,552	3,634,791,909	(9,113,843)	3,625,678,066
Balance at December 31, 2018		P 32,000,000	(P 10,000,000)	P 1,434,304,232	(P 344,300,000)	P 1,112,004,232	P 7,233,692,486	P 852,438,822	P -	P -	P 6,812,482,236	P 16,010,617,776	(P 36,944,919)	P 15,973,672,857
Balance at January 1, 2017														
As previously reported		P 30,000,000	(P 5,000,000)	P 1,428,777,232	(P 330,679,783)	P 1,123,097,449	P 5,320,816,182	(P 12,148,102)	(P 730,361,725)	P -	P 3,983,964,480	P 9,685,368,284	P -	P 9,685,368,284
Restatements	2	-	-	-	-	-	-	-	730,361,725	-	(730,361,725)	-	-	-
As restated		30,000,000	(5,000,000)	1,428,777,232	(330,679,783)	1,123,097,449	5,320,816,182	(12,148,102)	-	-	3,253,602,755	9,685,368,284	-	9,685,368,284
Sale of treasury shares	30	-	-	-	440,087,488	440,087,488	367,136,612	-	-	-	-	807,224,100	-	807,224,100
Cash dividends	30	-	-	-	-	-	-	-	-	-	(331,118,383)	(331,118,383)	-	(331,118,383)
Acquisition of shares during the year	30	-	-	-	(109,407,705)	(109,407,705)	-	-	-	-	-	(109,407,705)	-	(109,407,705)
Issuance of shares during the year	30	-	-	2,761,000	-	2,761,000	21,350,515	-	-	-	(8,429,034)	15,682,481	-	15,682,481
Share-based compensation	26	-	-	-	-	-	-	-	-	-	11,589,866	11,589,866	-	11,589,866
Total comprehensive income for the year		-	-	-	-	-	-	6,050,567	-	-	1,521,422,847	1,527,473,414	-	1,527,473,414
Balance at December 31, 2017		P 30,000,000	(P 5,000,000)	P 1,431,538,232	P -	P 1,456,538,232	P 5,709,303,309	(P 6,097,535)	P -	P -	P 4,447,068,051	P 11,606,812,057	P -	P 11,606,812,057

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,842,236,781	P 3,373,730,030	P 1,929,490,085
Adjustments for:				
Interest expense on bank loans and other borrowings	25	2,582,918,502	1,376,994,786	780,917,196
Depreciation and amortization	24	1,436,858,783	1,056,749,318	851,080,582
Fair value loss on financial liabilities at fair value through profit or loss	21	464,161,271	-	-
Interest expense from lease liabilities	25	80,990,270	-	-
Fair value gains on investment properties	16	(71,569,675)	(624,941,000)	-
Translation adjustment	2	(69,712,613)	28,719,880	(3,791,486)
Interest income	25	(35,417,469)	(34,370,501)	(18,480,943)
Unrealized foreign exchange currency loss (gain) - net		(32,188,301)	(30,577,666)	3,893,468
Impairment losses on trade and other receivables	24	29,938,952	68,465,111	50,335,399
Share in net income of indirectly-owned joint ventures	14	(16,510,018)	(7,342,245)	-
Employee share options	26	8,855,812	7,243,666	11,589,866
Loss (gain) on disposal of property, plant and equipment		5,238,151	(1,006,348)	9,165,790
Recovery of accounts written off	7	3,762,459	(2,768,583)	-
Provision for loss on lost cylinders	11	-	24,290,486	-
Excess of fair value of net assets acquired over acquisition cost	1	-	-	(650,182,327)
Gain on reversal of impairment losses on investment properties	16	-	-	(40,785,503)
Impairment losses on non-financial assets		-	-	92,823
Operating profit before working capital changes		6,229,562,905	5,235,186,934	2,923,324,950
Decrease (increase) in trade and other receivables		(5,160,600,319)	(7,415,944,495)	1,784,568,722
Decrease in inventories		24,578,136,862	26,812,185,929	11,723,876,386
Increase in restricted deposits		-	(1,437,706)	(356,155)
Decrease (increase) in input value-added tax - net		(1,388,341,211)	363,028,626	(1,027,547,440)
Increase in prepayments and other current assets		(1,522,485,193)	(549,914,871)	(235,826,739)
Increase in trade and other payables		4,293,563,280	3,555,861,541	101,084,787
Increase in other non-current liabilities		175,194,648	607,880,833	63,749,068
Cash generated from operations		27,205,030,973	28,606,846,791	15,332,873,579
Cash paid for income taxes		(99,380,682)	(29,603,287)	(7,345,345)
Net Cash From Operating Activities		27,105,650,291	28,577,243,504	15,325,528,234
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	11	(8,257,359,794)	(4,517,753,320)	(3,176,343,510)
Investments in joint ventures	14	(960,763,248)	(448,094,125)	-
Acquisition of subsidiaries	1	(628,933,314)	(397,455,037)	(6,705,620,931)
Decrease (increase) in other non-current assets		(614,008,547)	(1,698,692,056)	27,350,919
Proceeds from disposal of property, plant and equipment		78,850,768	22,618,656	14,531,586
Acquisitions of intangible assets	13	(43,332,685)	(58,062,513)	(50,548,722)
Acquisitions of investment properties	16	(14,025,825)	-	-
Collections from related parties	29	6,716,432	25,952,983	1,158,519,706
Advances to related parties	29	(2,073,627)	(524,778,830)	(669,526,678)
Interest received		24,007,195	29,022,512	15,769,301
Net Cash Used in Investing Activities		(10,410,922,646)	(7,567,241,730)	(9,385,868,329)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings and lease liabilities	19	(88,838,174,724)	(71,873,587,858)	(43,104,708,403)
Proceeds from additional interest-bearing loans and borrowings	19	72,552,323,218	57,798,571,804	37,016,647,657
Proceeds from issuance of shares of stock	30	6,808,143,122	2,015,710,879	15,682,481
Interest paid		(2,772,911,450)	(1,638,604,940)	(741,202,295)
Redemption of shares of stock	30	(2,000,000,000)	-	-
Payments of cash dividends	30	(523,046,503)	(409,640,735)	(331,118,383)
Acquisition of treasury shares	30	-	(844,300,000)	(109,407,705)
Proceeds from sale of treasury shares	30	-	-	807,224,100
Net Cash Used in Financing Activities		(14,773,666,337)	(14,951,850,850)	(6,446,882,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,921,061,308	6,058,150,924	(507,222,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,889,708,807	1,831,557,883	2,338,780,526
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 9,810,770,115	P 7,889,708,807	P 1,831,557,883

Supplemental Information on Non-cash Investing and Financing Activities:

1) In 2019, the Group recognized right-of-use assets and lease liabilities both amounting to P403.1 million (see Notes 12 and 19).

2) Interest payments amounting to P695.7 million, P261.6 million and P19.7 million in 2019, 2018 and 2017, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11.1)

3) In 2018, the Parent Company acquired certain land from a related party amounting to P92.9 million, of which, P19.9 million remained unpaid as of December 31, 2018 (see Note 27).

4) Certain software development cost acquired in 2019 amounting to P1.0 million was transferred from property, plant and equipment to intangible assets in the same year (see Note 13).

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

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.88% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. 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 (UC), 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 655 operating retail service stations, and a total of 11 service stations under construction as of December 31, 2019.

1.2 Subsidiaries, Joint Ventures and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated and domiciled in the Philippines or otherwise stated:

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2019	2018
Direct interest:			
Subsidiaries			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	**100%**	100.00%
PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	**100%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	**100%**	100.00%
Duta, Inc.(Duta)[4]	(f)	**100%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM)	(g)	**100%**	100.00%
PNX Energy International Holdings, Pte. Ltd. (PNX Energy)	(h)	**100%**	100.00%
Phoenix Pilipinas Gas and Power, Inc.[1]	(i)	**100%**	-
Action.Able, Inc.(AAI)	(j)	**74.90%**	74.90%
Think.Able Limited (TAL)	(k)	**74.90%**	74.90%
Joint venture			
Phoenix Asphalt Philippines, Inc. (PAPI)[3]	(l)	**40.00%**	40.00%
Indirect interest:			
Kaparangan, Inc. (Kaparangan)[2, 4]	(m)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam)[5]	(n)	**100.00%**	100.00%
PT Phoenix Petroleum Indonesia (PNX Indonesia)[7]	(o)	**100.00%**	100.00%
Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[6]	(p)	**75.00%**	-
Galaxi Petroleum Fuel, Inc. (Galaxi)[8]	(q)	**51.00%**	51.00%
Phoenix Southern Petroleum Corp. (PSPC)[8]	(r)	**49.00%**	51.00%
Top Concord Quality Petroleum Corp. (TCQPC)[8]	(s)	**49.00%**	-
CJI Fuels Corp. (CJI)[8]	(t)	**49.00%**	-
Firebird Evzon Fuels Corp. (FEFC)[8]	(u)	**49.00%**	-
Eastan Prime Development Corporation (EPDC)[8]	(v)	**49.00%**	-
Zae Falco Energy Corp. (ZFEC)[8]	(w)	**49.00%**	-

Notes:
1 Newly incorporated subsidiary
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PNX Vietnam
7 Subsidiary of PGMI
8 Joint venture of PPMI

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

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

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

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

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

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

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark “FamilyMart” either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2019.

(i) Incorporated on March 14, 2019 to engage in, conduct and carry on the business of selling, trading, on wholesale basis, natural gas and liquefied natural gas (LNG).

(j) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(k) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(l) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

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

(n) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations as of December 31, 2019.

(o) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations as of December 31, 2019.

(p) Formerly known as Origin LPG (Vietnam) Limited Liability Company, was incorporated and licensed to conduct business under the laws of Vietnam on August 6, 2008 to engage in wholesale of solid, liquid, gas fuels and other related products.

(q) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(r) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

(s) Incorporated on July 15, 2019 to operate petroleum service stations in areas of Cotabato.

(t) Incorporated on July 31, 2019 to operate petroleum service stations in areas of Iloilo.

(u) Incorporated on August 28, 2019 to operate petroleum service stations in areas of South Luzon.

(v) Incorporated on August 28, 2019 to operate petroleum service stations in areas of Metro Manila.

(w) Incorporated on November 6, 2019 to operate petroleum service stations in Northern part and other areas of Luzon.

1.3 Other Corporate Information

The registered office and principal place of business of the existing subsidiaries and joint ventures, except those presented below, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

SPTT	–	Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales
PNX SG, PNX Energy and PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City
PGV LLC	–	No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam

1.4 Business Combinations

a) On February 21, 2019, the Group, through PNX Vietnam, a subsidiary of PNX Energy, acquired 51.00% and 24.00% interest in PGV LLC from Origin Energy Holdings PTY LTD and Cong Ty TNHH Cong Nghiep, respectively. The acquisition resulted in 75.00% equity ownership interest of the Group over PGV LLC and recognition of goodwill amounting to P213.6 million (see Note 15) for a total consideration of P682.8 million. The acquisition is part of the growth and expansion footprint of the Group not only in the Philippines but also within the region. The Group expects the acquisition to result in synergies in terms of network related to solid, liquid, gas fuels and other related products.

   Goodwill amounting to P213.6 million is primarily related to growth expectations, expected future profitability and business synergies. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

b) On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% equity ownership interest in PFM from its previous shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation, for P352.1 million. The objective of the acquisition is to broaden Group's portfolio of retail offers.

   The goodwill recognized related to the acquisition amounting to P273.1 million is related to growth expectations and expected future profitability. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

c) On May 25, 2018, the Parent Company entered into a deed of absolute sale of shares with Wildlemon, Inc. and Seawood Prime Limited for the acquisition of the voting rights for AAI and TAL, respectively (referred to as "AAI Group"). The Parent Company acquired 74.90% equity ownership interest in AAI Group for total consideration of P72.0 million.

   AAI and TAL are the owners of Pos!ble.net, a two and a half year old digital payment-platform. The acquisition supports business operations of the Parent Company, aside from synergies on its retail network development, for its various fuel products as well as the business operations of PFM.

   The acquisition has resulted to recognition of goodwill amounting to P155.0 million and is related to growth expectations and expected future profitability. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

d) On August 14, 2017, the Parent Company finalized the purchase and sale agreements with PDB (Netherlands) B.V., an entity organized under the laws of Netherlands and is an investment holdings Company of PETRONAS Dagangan Berhad (a Malaysia-listed entity), for the acquisition of the 100.00% equity ownership interest in PLPI and Duta Group for P6,481.1 million and P394.2 million, respectively. The objective of the acquisition is to broaden Group's portfolio of retail offers and to expand the Group's business to include real estate.

   The goodwill recognized related to the acquisition of PLPI amounting to P3,980.4 million is attributable to growth expectations, expected future profitability and business synergies. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

   The excess of the fair value of the net assets of Duta Group over the acquisition cost amounting to P650.2 million is mainly attributable to the fair value gains on Investment property of Duta Group as of the date of acquisition, which is not taken into consideration upon negotiation of acquisition cost with PDB (Netherlands) B.V. This gain on bargain purchase of Duta Group arose as a result of PETRONAS Dagangan Berhad selling parts of its business as part of its restructuring and strategic plan based on its review of portfolio of businesses and geographies in which it operates.

e) The Parent Company acquired 100.00% equity ownership interest in SPTT, PGMI and PPMI in 2011. These three business acquisitions prior to 2017 resulted in a total goodwill of P11.5 million as the total cash consideration paid amounting to P9.5 million exceeded the fair values of the acquired net identifiable assets. The acquisition supports business operations of the Parent Company which include synergies on its retail network development for various fuel products.

There were no contingent consideration arrangements for all of the above acquisitions. There were also no business combinations after December 31, 2019 but before the issuance of the consolidated financial statements.

Aggregate information of the entitites acquired in 2019 and 2018 are as follows:

		Entities Acquired		
		2019	2018	
	Reference	PGV LLC 75.00%	PFM 100.00%	AAI Group 74.90%
Fair value of assets acquired and liabilities assumed				
Cash and cash equivalents		P 71,849,432	P 21,601,695	P 6,687,746
Trade and other receivables	(i)	102,525,465	22,534,222	1,482,807
Inventories		23,702,793	80,744,545	1,031,489
Prepayments and other current assets		20,507,347	158,786,825	4,518,678
Property, plant and equipment	(ii)	952,310,893	369,603,000	537,357
Intangible asset		-	21,476,320	-
Other non-current assets		169,579,990	46,832,213	640,304
Total assets		1,340,475,920	721,578,820	14,898,381
Trade and other payables		197,630,783	642,639,484	125,779,164
Short-term loans and borrowings		321,141,124	-	-
Deferred tax liabilities		110,446,823		
Other non-current liabilities		85,569,455	-	-
Total liabilities		714,788,185	642,639,484	125,779,164
Total identifiable net assets (liabilities)		625,687,735	78,939,336	(110,880,783)
Fair value of cash consideration transferred		682,820,388	352,070,202	71,995,652
Share of non-controlling interests		156,421,934	-	(27,831,076)
		839,242,322	352,070,202	44,164,576
Goodwill		P 213,554,587	P 273,130,866	P 155,045,359
Excess of fair value of net assets acquired over cash consideration transferred		n/a	n/a	n/a
Cash consideration settled in cash		P 682,820,388	P 352,070,202	P 71,995,652
Cash and cash equivalents acquired		71,849,432	21,601,695	6,687,746
Less: Share of non-controlling interests		17,962,358	-	1,678,624
		53,887,074	21,601,695	5,009,122
Net Cash Flow of Acquisition		P 628,933,314	P 330,468,507	P 66,986,530
Acquisition costs charged to expenses		P 1,458,944	P 6,440,651	P 1,738,116
Pre-acquisition income	(iii)	(7,821,881)	-	1,628,790
Revenue contribution		1,472,189,346	1,307,944,277	34,957,821
Net profit (loss) contribution		(43,127,051)	(193,507,767)	(36,310,130)

(i) The carrying amount of the acquired trade and other receivables is determined to be the reasonable approximation of fair value as these are only short-term and are expected to be collectible in whole.

(ii) The property, plant and equipment of PGV LLC and PFM were appraised by an independent appraiser [see Note 3.2*(i)*]. The fair values of the said properties are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

(iii) The 2019, 2018 and 2017 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

1.5 Subsidiary with Material Non-controlling Interest

The Group includes one subsidiary, PGV LLC with material non-controlling interest (NCI) with details shown below.

Proportion of Ownership Interest and Voting Rights held NCI		25.00%
Loss allocated to NCI	P	12,891,901
Other comprehensive income allocated to NCI		14,903
Accumulated NCI		143,544,935

No dividends were paid to the NCI in 2019.

The summarized financial information of PGV LLC in 2019, before intragroup eliminations, is shown below.

Non-current assets	P 1,013,835,665
Current assets	280,452,076
Total assets	P 1,294,287,741
Non-current liabilities	P 236,807,047
Current liabilities	483,300,954
Total liabilities	P 720,108,001
Equity attributable to owners of the parent	P 574,179,740
Non-controlling interest	P 143,544,935
Revenue	P 1,962,919,129
Profit for the year attributable to owners of the parent	P 38,675,706
Profit for the year attributable to NCI	12,891,902
Profit for the year	51,567,608
Other comprehensive income for the year (all attributable to owners of the parent)	44,709
Total comprehensive income for the year attributable to owners of the parent	38,720,415
Total comprehensive income for the year attributable to NCI	12,906,805
Total comprehensive income for the year	P 51,627,220
Net cash from operating activities	P 201,456,397
Net cash used in investing activities	-
Net cash used in financing activities	(145,297,784)
Net cash outflow	(P 56,158,613)

1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 28, 2020.

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 under Equity in the 2018 consolidated statement of financial position were restated to conform to the presentation in the 2019 consolidated statement of financial position. Other reserves amounting to P730.4 million as of December 31, 2018, which pertain to the difference between the Parent Company's consideration received and disposed net assets of former subsidiaries that were already deconsolidated in 2016, was closed to Retained earnings. In addition, Accumulated translation adjustment amounting to P24.9 million as of December 31, 2018, which was previously presented as a separate item under Equity, was reclassified to Revaluation reserves (see Note 30.5). No third consolidated statement of financial position as of January 1, 2018 is presented as the restatement did not affect the amount of total equity presented.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.15), 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 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PFRS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement.* The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures.* The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation.* The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27*, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard, where right-of-use asset is measured at an amount equal to the lease liability, adjusted by prepayments or accrued lease payments.

The new accounting policies of the Group as a lessee are disclosed in Note 2.14(a), while the accounting policies of the Group as a lessor, as described in Note 2.14(b), were not significantly affected.

Discussed below are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

a. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.48%.

b. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid and accrued lease payments, and estimated cost to restore the leased asset that existed as at January 1, 2019.

c. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months or has assessed by the management to discontinue in the succeeding year and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

d. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

   i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
   ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,
   iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Note	Carrying Amount (PAS 17) December 31, 2018	Reclassification	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Assets:					
Right-of-use assets – net	b	P -	(P 55,764,894)	P 973,167,940	P 917,403,046
Liabilities:					
Trade and other payables		7,434,839,252	(55,764,894)	-	7,379,074,358
Lease liabilities	a	-	-	973,167,940	973,167,940
Impact on net assets			P -	P -	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	33.3	P 4,593,487,223
Recognition exemptions :		
Leases of low value assets	(c)	(419,339)
Leases with remaining term of less than 12 months	(c)	(206,558,474)
Reasonably certain termination options	(d)	(2,728,855,733)
Operating lease liabilities before discounting		1,657,653,677
Discount using incremental borrowing rate	(a)	(684,485,737)
Lease liabilities, January 1, 2019 (PFRS 16)		P 973,167,940

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but did not have material impact on the Group's consolidated financial statements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) Effective Subsequent to 2019 but not Adopted Early

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2019, 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 (Amendments), *Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include: (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

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

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, joint ventures and non-controlling interests as follows.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when (i) it has power over the investee; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity (see Note 2.12). The acquisition method is applied to account for acquired subsidiaries.

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.

(b) Investments in Joint Ventures

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 Group's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Group'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 investments in joint ventures is subject to impairment testing (see Note 2.16). The management has assessed that no impairment loss is required to be recognized for its investments in joint ventures in 2019 and 2018.

(c) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and joint ventures as presented in Notes 1.2 and 14, respectively.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Group is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets measured at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, and Refundable rental deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of comprehensive income as part of Other Charges (Income).

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For trade and other receivables, and due from related parties, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) Derecognition of Financial Assets

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

2.5 Inventories

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

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

2.6 Prepayments and Other Assets

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

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

2.7 Property, Plant and Equipment

Land is measured at fair value less any impairment in value. As no finite useful life for land can be determined, related carrying amount are not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amounts, which are the fair values at the date of the revaluation, as determined by independent appraisers, less any accumulated impairment losses. Appraisal is made once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.5).

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

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

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

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

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

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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

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

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

2.8 Investment Properties

Investment properties, which include parcels of land and lot improvements, are properties held to earn rental income under operating lease, but not for sale in the ordinary course of business, use in services or for administrative purposes.

Land classified as investment property is accounted for under the fair value model. It is revalued every two years and is reported in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 5.5).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains (losses) from investment property as part of Other Charges (Income) in the consolidated statement of comprehensive income.

Lot improvements is stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs, less accumulated depreciation (except for land) and any impairment losses.

Depreciation of lot improvements is computed on a straight-line basis over the estimated useful life of five years. The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.9 Intangible Assets

Intangible assets include acquired computer software licenses, software development costs, store franchise and basketball franchise, which are measured at cost less accumulated amortization and impairment in value, if any. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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.

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

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

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

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

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

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

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

The store franchise relates to asset acquired from business combination with PFM. Such is for taking in the name and management know-how of the FamilyMart mark. Amortization is computed on a straight-line method over its estimated useful life of 10.50 years (see Note 13).

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

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), derivative financial liabilities, lease liabilities, security deposits, customers' cylinder deposits and cash bond deposits (which are presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income, except for 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) which are capitalized as part of the cost of such asset (see Note 2.18).

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

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit of loss. Derivative financial assets are set off against derivative financial liabilities and the net financial instruments are presented as either Derivative Financial Assets of Derivative Financial Liabilities in the statement of financial position (see Note 5.6).

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 Income in the consolidated statement of comprehensive income.

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.7). The reduction is recognized directly in the consolidated statement of comprehensive income as part of Fuel Service and Other Revenues.

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

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

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

2.11 Provisions and Contingencies

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

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

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

2.12 Business Combinations

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

The acquisition method 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 interest issued by the Group, 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 expenses as incurred and subsequent changes 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 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 the acquiree's identifiable assets.

In cases wherein the accounting for the acquisition is not yet complete as of the end of the year, the fair value of the identifiable assets and liabilities are presented as provisionary amounts and will be adjusted upon finalization of the valuation, which is expected to be completed within 12 months from the date of acquisition.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

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

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

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

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

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

Under the pooling-of-interest method which is applicable for the acquisition and disposal of an entity under common control (see Note 30.4), 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.

2.13 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods (fuels and by-products, lubricants, LPG, and merchandise inventories) and from rendering into-plane, terminalling and hauling services.
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To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(1) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(2) each party's rights regarding the goods or services to be transferred or performed can be identified;
(3) the payment terms for the goods or services to be transferred or performed can be identified;
(4) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(5) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Sale of goods include fuel and by-products (such as CME), lubricants, LPG, and merchandise inventories. Revenue is recognized when the Group transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer.

(b) *Fuel service and other revenues* – Fuel service and other revenues mainly consist of hauling, into-plane services, management services, and transport services, is recognized over time and is based on a fixed agreed fee. These services are generally performed within the day. Invoices for services transferred are due upon receipt by the customer.

The Group presents a contract asset when performing services to a customer before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15, *Revenue from Contracts with Customers,* and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

In 2017, the Group recognized revenues based on the provisions of PAS 18, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

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

(b) Group as Lessor

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

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

2.15 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for PNX SG, PNX Energy, PNX Vietnam, which use the United States (U.S.) Dollars, PTPPI, which uses Indonesian Rupiah, and PGV LLC, which uses Vietnamese Dong, as functional currencies, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates that approximate those prevailing on transaction dates.

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

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of a foreign subsidiaries, in which their functional currency are measured as stated in Note 2.15(a), are translated to Philippine pesos, to the Group's functional currency as follows:

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

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

iii. All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Revaluation Reserves account.

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

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

2.16 Impairment of Non-financial Assets

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

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

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

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

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

2.17 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL) in 2019 and 2018, and PDEx PDST-R2 in 2017], 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. BVAL provides evaluated prices that are based on market observations from contributed sources.

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, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

(f) Share-based Payments

The Parent Company grants share options to its qualified employees 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.

2.18 Borrowing Costs

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

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

2.19 Income Taxes

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

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

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

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

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

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

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

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

2.20 Offsetting Financial Instruments

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

2.21 Related Party Transactions and Relationships

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

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

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

Transactions amounting to ten percent (10%) or more of the Group's total assets that were entered into with related parties, either individually or in aggregate over a twelve-month period, are considered material. All material related party transactions shall be approved by the majority of the BOD and shareholders. Attendance and votes of directors with personal interest in the transactions shall not be counted for the purposes of assessing the quorum and determining majority approval, respectively.

2.22 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 32, 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.
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2.23 Equity

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

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

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

Revaluation reserves comprise of gains arising from the revaluation of the Group's parcels of land under property, plant and equipment and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

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

2.24 Earnings per Share

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

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

2.25 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) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Fuel Services and Other Revenues

The Group determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. However, significant services are generally performed within the day.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) Determination of ECL of Financial Assets at Amortized Cost

The Group uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD (see Note 4.2).

The Group's internal credit rating for each customer is re-assessed when there are changes in credit limit and payment terms.

(d) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(e) *Distinction between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements as lessor. 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.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 34.

(g) *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 planned use when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

(h) *Distinction between Investment Properties and Owner-Managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

In 2019, the Group reclassified a certain property to investment property from property, plant and equipment. The said property was previously used for administrative purposes but is now currently held for capital appreciation (see Notes 11 and 16).

(i) *Joint Control of Entities in which the Group Holds More than 50%*

Management considers that the Group does not have control of Galaxi and PSPC even though the Group holds more than 50% each of the ordinary shares of these entities. In making judgment regarding its involvement in Galaxi and PSPC management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Even though the Group has 51% shareholdings and appoints three out of five members of the directors for both entities, all decisions shall require affirmative votes of at least 75% of the directors and any variation in the business of Galaxi and PSPC shall require the mutual consent of the parties. Moreover, the JV partners of the Group are responsible in managing the day-to-day operations of the Galaxi and PSPC.

(j) Impairment of Basketball Franchise

The determination when the Group's basketball franchise is considered impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the continuity and going concern status of the Philippine Basketball Association, changes in viewership of basketball leagues and the period over which the Group expects to benefit from holding the franchise, which include but are not limited to marketing and publicity, brand awareness and media mileage. Based on the recent evaluation of information and circumstances affecting the Group's basketball franchise, management has assessed that the period over which the Group expects the basketball franchise to generate inflows for the Group is indefinite and has determined that no impairment loss is required to be recognized on the Group's basketball franchise in 2019, 2018 and 2017. Future changes in those information and circumstances might significantly affect the carrying amount of the basketball franchise disclosed in Note 13.

3.2 Key Sources of Estimation Uncertainty

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

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract, for new lease contracts. The lease payments were discounted using a reasonable rate deemed by management equal to the Group’s incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, credit risk of the Group and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(*b*).

(c) 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.

(d) Estimation of Useful Lives of Property, Plant and Equipment, Right-of-use Assets, Intangible Assets and Investment Properties

The Group estimates the useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties 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, right-of-use assets, intangible assets and investment properties are analyzed in Notes 11, 12, 13 and 16, respectively. Based on management’s assessment as of December 31, 2019 and 2018, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Fair Value Measurement of Property, Plant and Equipment and Investment Properties*

The Group's property, plant and equipment and investment properties include parcels of land, that are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

The amounts of revaluation and fair value gains recognized on parcels of land under property, plant and equipment and investment properties are disclosed in Notes 11 and 16, respectively.

(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, 2019 and 2018 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2019 and 2018 is disclosed in Note 28.

(g) *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 25 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 26.3.

(h) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's goodwill, investments in joint venture, property, plant and equipment, investment properties, and intangible assets in 2019, 2018 and 2017.

(i) *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 market-based evidence and obtains assistance from third party valuation specialists on the acquired property, plant and equipment (see Note 1.4). Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(j) Provision for Losses on Lost LPG Cylinders

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

Management has recognized provision for losses on lost LPG cylinders amounting to P24.3 million in 2018 (see Note 11) while the gain on reversal of cylinder deposits amounted to P91.8 million in 2018 (see Notes 2.10 and 22). There were no similar transaction in 2019.

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. The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents. The Group also has trade receivables and payables primarily denominated in Vietnamese Dong, as a result of the Group's acquisition of PGV LLC which situated in Vietnam. Financial instruments that are Indonesian Rupiah denominated are considered immaterial, hence, not included in the analyses below.

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:

	2019			2018	
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**	U.S. Dollar	Singapore Dollar
Financial assets	**P 6,205,264,630**	**P 5,988,698**	**P 165,720,486**	P 5,361,837,054	P 5,566,810
Financial liabilities	**(15,874,853,970)**	**-**	**(470,584,602)**	(5,253,328,012)	(14,176,750)
Net exposure	**(P 9,669,589,340)**	**P 5,988,698**	**(P 304,864,116)**	P 108,509,042	(P 8,609,940)

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore dollar, and Vietnamese Dong 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.

	2019			2018	
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**	U.S. Dollar	Singapore Dollar
Reasonably possible change in rate	**12.93%**	**21.49%**	**13.28%**	11.14%	16.28%
Effect in profit before tax	**(P 1,250,277,902)**	**P 1,286,971**	**(P 40,485,955)**	P 12,087,907	(P 1,401,698)
Effect in equity after tax	**(875,194,531)**	**900,880**	**(28,340,168)**	8,461,535	(981,189)

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, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 18). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-1.40% and +/-1.93% in 2019 and 2018, respectively, for Philippine Peso. Short-term money placements and time deposits are tested on a reasonably possible change of +/-2.03% and +/-2.28% in 2019 and 2018, respectively. Banks loans subject to variable interest rates (or repricing) are tested on a reasonably possible change of +/-0.44% and +/-0.79% for Philippine peso in 2019 and 2018, respectively, and +/-0.66% and +/-0.96% in 2019 and 2018, respectively for U.S. dollar for both years. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P363.9 million and +/- P470.5 million for the years ended December 31, 2019 and 2018, respectively, and equity after tax by +/-P254.7 million and +/-P329.3 million for the years ended December 31, 2019 and 2018, respectively.

(c) Other Price Risks

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.

The Group is also exposed to price risk arising from the current non-qualifying hedges – forward contracts entered into by PNX SG. Such instruments are used to mitigate the fluctuations of expected physical oil sales and purchases contracts. These instruments are fair valued by third-party brokers/banks using observable market data and other sources. In 2019, fair value of the open derivative positions recorded within the financial instruments amounted to P311.0 million (see Note 21). The impact of a ten percent (10%) increase in prices on profit or loss, net of Singapore statutory tax rate of 17% amounted to P25.8 million in 2019 (nil in 2018).

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 employs a range of policies and practices to mitigate credit risk. 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, collaterals such as cash bonds, standby letter of credits and real estate mortgage are received to mitigate credit risk. Estimates of fair values are based on the value of collaterals assessed at the time of first dealing with the customer and are updated and monitored periodically, e.g., annually for real estate properties.

Estimate of the fair value of collateral held against trade and other receivables (excluding due from related parties) as of December 31 follows:

	2019	2018
Standby letter of credits	**P 590,461,106**	P 940,522,926
Cash bond	**261,881,695**	318,976,639
Real estate mortgage	**74,192,730**	68,138,850
	P 926,535,531	P 1,327,638,415

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

	Notes	**2019**	2018
Cash and cash equivalents	6	**P 9,810,770,115**	P 7,889,708,807
Trade and other receivables – net*	7	**15,617,098,103**	11,363,226,589
Due from related parties - net	29.4	**1,986,811**	937,904,172
Construction bond**		**6,727,753**	5,504,822
Restricted deposits	9	**54,462,326**	52,719,265
Refundable rental deposits	17	**323,634,283**	289,572,937
		P25,814,679,391	P20,538,636,592

**excluding advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

(a) *Cash and Cash Equivalents and Restricted Deposits*

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

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

The Group applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all Trade and Other Receivables and Due from Related Parties. The Group's trade and other receivables and due from related parties are assessed individually or on a per customer basis.

The Group computes expected losses using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative loss rate. The Group's definition of Trade and Other Receivables and Due from Related Parties classification [known as Phoenix Risk Rating (PRR)] and corresponding credit risk ratings are presented in the succeeding page.

Phoenix Risk Rating (PRR)	Description		Equivalent S&P Rating	S&P Loss Rate (%)	
	Financial and Business Profiles	**Other Information**		**2019**	2018
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market.	BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	**0.13 – 0.56**	0.14 – 0.61
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	**0.57 – 1.73**	0.63 – 1.90
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	**0.57-1.73**	0.63 – 1.90
PRR 1B	Counterparties with both average financial and business profile.	Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.	B	**3.04 – 6.36**	3.16 – 6.53
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.	B CCC/C	**3.04 – 6.36**	17.97 – 22.33
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		B CCC/C	**3.04 – 6.36**	17.97 – 22.33
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	**100**	100
PRR D	Counterparties with a weak financial profile and average business profile.		D	**100**	100
PRR F	Counterparties with both weak financial profile and business profiles.		D	**100**	100

The credit loss allowance provided as of December 31, 2019 and 2018 are as follows:

December 31, 2019

Trade and Other Receivables

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.13 – 0.56	**P 5,927,361,924**	**P 11,701,424**
PRR 2A	BBB	0.13 – 0.56	**993,833,923**	**1,562,717**
PRR 1A	BBB	0.13 – 0.56	**2,934,649,883**	**8,014,488**
PRR 3B	BB	0.57 – 1.73	**2,504,670,300**	**13,179,051**
PRR 2B	BB	0.57 – 1.73	**769,745,228**	**3,916,005**
PRR 1B	B	3.04 – 6.36	**1,778,924,061**	**10,477,726**
PRR 3C	B	3.04 – 6.36	**574,105,409**	**22,086,150**
PRR 2C	B	3.04 – 6.36	**211,818,047**	**7,073,111**
PRR 1C/D/F	D	100	**577,628,510**	**577,628,510**
			P 16,272,737,285	**P 655,639,182**

Due From Related Parties

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3B	BB	0.57 – 1.73	**P 2,073,627**	**P 86,816**

December 31, 2018

Trade and Other Receivables

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 87,378,373	P 215,228
PRR 2A	BBB	0.14 – 0.62	2,436,112,580	5,789,403
PRR 1A	BBB	0.14 – 0.62	3,376,579,304	5,932,107
PRR 3B	BB	0.63 – 1.90	3,228,077,624	21,232,653
PRR 2B	BB	0.63 – 1.90	1,569,274,748	6,774,836
PRR 1B	B	3.16 – 6.53	405,322,564	25,020,588
PRR 3C	CCC/C	17.97 – 22.33	68,521,800	13,649,151
PRR 2C	CCC/C	17.97 – 22.33	335,572,541	64,998,979
PRR 1C/D/F	D	100	490,783,183	490,783,183
			P 11,997,622,717	P 634,396,128

Due From Related Parties

PRR	S&P Rating	Loss Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 61,149,279	P 85,609
PRR 1A	BBB	0.14 – 0.62	808,510,976	1,414,100
PRR 3B	BB	0.63 – 1.90	70,152,199	408,573
			P 939,812,454	P 1,908,282

(c) Refundable Rental Deposits

The credit risk for refundable rental deposits is considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

4.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2019, the Group's financial liabilities (except lease liabilities – see Note 12.2) have contractual maturities, which are summarized as follows:

	Current		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans and borrowings	P30,167,954,167	P 9,330,631,443	P13,628,536,145	P -
Trade and other payables (excluding tax-related payables)	793,247,218	10,744,441,389	-	-
Derivative financial liabilities	311,019,650	-	-	-
Security deposits	-	-	100,979,556	-
Customers' cylinder deposits	-	-	-	440,803,046
Cash bond	-	-	247,905,839	58,405,556
	P31,272,221,035	**P20,075,072,832**	**P13,977,421,540**	**P 499,208,602**

As of December 31, 2018, the Group's financial liabilities have contractual maturities, which are summarized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P21,479,255,558	P 6,272,692,441	P11,302,340,399	P 4,925,525,000
Trade and other payables (excluding tax-related payables)	819,565,247	6,452,331,850	-	-
Security deposits	-	-	266,616,512	-
Customers' cylinder deposits	-	-	-	276,285,588
Cash bond	-	-	-	56,702,491
	P22,298,820,805	P12,725,024,291	P11,568,956,911	P 5,258,513,079

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

5.1 Carrying Amounts and Fair Values by Category

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

		2019		2018	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 9,810,770,115**	**P 9,810,770,115**	P 7,889,708,807	P 7,889,708,807
Trade and other receivables-net*	7	**15,617,098,103**	**15,617,098,103**	11,363,226,589	11,363,226,589
Due from related parties	29.4	**1,986,811**	**1,986,811**	937,904,172	937,904,172
Construction bond**	10	**6,727,753**	**6,727,753**	5,504,822	5,504,822
Restricted deposits	9	**54,462,326**	**54,462,326**	52,719,265	52,719,265
Refundable deposits	17	**323,634,283**	**323,634,283**	289,572,937	289,572,937
		P 25,814,679,391	**P 25,814,679,391**	P 20,538,636,592	P 20,538,636,592
Financial Liabilities					
Financial liabilities at FVTPL –					
Derivative financial liabilities	21	**P 311,019,650**	**P 311,019,650**	P -	P -
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	18	**49,896,188,062**	**48,324,629,062**	39,900,007,450	36,188,613,995
Trade and other payables***	20	**11,537,688,607**	**11,537,688,607**	7,271,897,097	7,271,897,097
Lease liabilities	12	**1,250,213,075**	**1,250,213,075**	-	-
Customers' cylinder deposits	22	**440,803,046**	**440,803,046**	276,285,588	276,285,588
Security deposits	22	**100,979,556**	**100,979,556**	266,616,512	266,616,512
Cash bond deposits	22	**306,311,395**	**306,311,395**	56,702,491	56,702,491
		P 63,843,203,391	**P 62,271,644,391**	P 47,771,509,138	P 44,060,115,683

* *Excluding advances to suppliers and advances subject to liquidation*
** *Included as part of Others under Prepayments and Other Current Assets*
*** *Excluding tax-related payables*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments. 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, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

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

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

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

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

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

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

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

5.3 Financial Instruments Measurement at Fair Value

In 2019, PNX SG entered into forward contracts which are not traded in active markets. These contracts have been fair valued using observable forward commodity rates corresponding to the maturity of the contracts by third party broker or banks. The effects of non-observable inputs are not significant for forward contracts.

The fair value of derivative financial liabilities amounting to P311.0 million as of December 31, 2019 is included in Level 2.

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

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

	Notes	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 9,810,770,115	P -	P -	P 9,810,770,115
Trade and other receivables	7	-	-	15,617,098,103	15,617,098,103
Due from related parties	29.4	-	-	1,986,811	1,986,811
Construction bond	10	-	-	6,727,753	6,727,753
Restricted deposits	9	54,462,326	-	-	54,462,326
Refundable deposits	17	-	-	323,634,283	323,634,283
		P 9,865,232,441	**P -**	**P 15,949,446,950**	**P 25,814,679,391**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	18	P -	P -	P 48,324,629,062	P 48,324,629,062
Trade and other payables	20	-	-	11,537,688,607	11,537,688,607
Lease liabilities	12	-	-	1,250,213,075	1,250,213,075
Customers' cylinder deposits	22	-	-	440,803,046	440,803,046
Security deposits	22	-	-	100,979,556	100,979,556
Cash bond deposits	22	-	-	306,311,395	306,311,395
		P -	**P -**	**P 61,960,624,741**	**P 61,960,624,741**

	Notes	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 7,889,708,807	P -	P -	P 7,889,708,807
Trade and other receivables	7	-	-	11,363,226,589	11,363,226,589
Due from related parties	29.4	-	-	937,904,172	937,904,172
Construction bond	10	-	-	5,504,822	5,504,822
Restricted deposits	9	52,719,265	-	-	52,719,265
Refundable deposits	17	-	-	289,572,937	289,572,937
		P 7,942,428,072	P -	P 12,596,208,520	P 20,538,636,592
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	18	P -	P -	P 36,188,613,995	P 36,188,613,995
Trade and other payables	20	-	-	7,271,897,097	7,271,897,097
Customers' cylinder deposits	22	-	-	276,285,588	276,285,588
Security deposits	22	-	-	266,616,512	266,616,512
Cash bond deposits	22	-	-	56,702,491	56,702,491
		P -	P -	P 44,060,115,683	P 44,060,115,683

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

5.5 Fair Value Measurement for Non-financial Assets

The fair values of the Group's parcels of land, included as part of Property, Plant and Equipment and Investment Properties accounts, were determined based on the appraisal reports of Asian Appraisal Company, Inc. and Cuervo Appraisers, Inc., respectively, who are professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the properties. In estimating the fair value of these properties, 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 the parcels of land for both recognized under property, plant and equipment and investment properties was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

These properties were revalued in 2018 due to the change in the Group's accounting policy. The reconciliation of the carrying amount of investment properties is presented in Note 16.

5.6 Offsetting of Financial Assets and Financial Liabilities

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

	December 31, 2019					
	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 15,617,098,103	P -	P 15,617,098,103	P -	(P 261,881,695)	P 15,355,216,408
Derivative financial asset	1,707,218	(1,707,218)	-	-	-	-
Restricted deposits	54,462,326	-	54,462,326	(54,462,326)	-	-
Total	**P 15,673,267,647**	**(P 1,707,218)**	**P 15,671,560,429**	**(P 54,462,326)**	**(P 261,881,695)**	**P 15,355,216,408**

	December 31, 2018					
	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 11,498,383,599	(P 135,157,010)	P 11,363,226,589	P -	(P 318,976,639)	P 11,044,249,950
Restricted deposits	52,719,265	-	52,719,265	(52,719,265)	-	-
Total	P 11,551,102,864	(P 135,157,010)	P 11,415,945,854	(P 52,719,265)	(P 318,976,639)	P 11,044,249,950

* *Excluding advances to suppliers and advances subject to liquidation*

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, 2019					
	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 49,896,188,062	P -	P 49,896,188,062	(P 54,462,326)	P -	P 49,841,725,736
Derivative financial liabilities	312,726,868	(1,707,218)	311,019,650	(311,019,650)	-	-
Security deposits	100,979,556	-	100,979,556	-	(100,979,556)	-
Cash bond deposits	306,311,395	-	306,311,395	-	(306,311,395)	-
Total	**P 50,616,205,881**	**(P 1,707,218)**	**P 50,614,498,663**	**(P 365,481,976)**	**(P 407,290,951)**	**P 49,841,725,736**

	December 31, 2018					
	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 39,900,007,450	P -	P 39,900,007,450	(P 52,719,265)	P -	P 39,847,288,185
Trade and other payables **	7,569,996,262	(135,157,010)	7,434,839,252	-	-	7,434,839,252
Security deposits	266,616,512	-	266,616,512	-	(266,616,512)	-
Cash bond deposits	56,702,491	-	56,702,491	-	(56,702,491)	-
Total	P 47,793,322,715	(P 135,157,010)	P 47,658,165,705	(P 52,719,265)	(P 323,319,003)	P 47,282,127,437

*** Excluding tax-related payables*

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

6. CASH AND CASH EQUIVALENTS

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

	2019	2018
Cash in banks	**P 7,618,074,475**	P 7,728,117,276
Cash on hand	**4,299,652**	4,082,617
Revolving fund	**20,663,842**	16,968,918
Short-term placements	**2,167,732,146**	140,539,996
	P 9,810,770,115	P 7,889,708,807

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P30.0 million, P27.2 million and P15.7 million in 2019, 2018 and 2017, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 25.2).

The balances of cash in banks as of December 31, 2019 and 2018 exclude restricted time deposits totalling to P54.5 million and P52.7 million, respectively, which are shown as Restricted Deposits account (see Note 9) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the trust receipt agreements (see Notes 9 and 18.1).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2019	2018
Trade receivables:			
Third parties		**P 6,658,095,101**	P 8,367,158,668
Related parties	29.1	**4,207,636,773**	1,851,415,359
		10,865,731,874	10,218,574,027
Advances to suppliers:			
Third parties		**244,674,156**	925,791,098
Related parties	29.2, 29.3	**30,811,857**	2,692,341,658
		275,486,013	3,618,132,756
Non-trade receivables:			
Third parties		**2,588,845,585**	698,518,436
Related parties	29.6, 29.9, 29.10	**2,795,715,925**	1,045,301,862
		5,384,561,510	1,743,820,298
Advances subject to liquidation		**80,549,850**	49,355,359
Other receivables		**22,443,901**	35,228,392
		16,628,773,148	15,665,110,832
Allowance for impairment		**(655,639,182)**	(634,396,128)
		P 15,973,133,966	P 15,030,714,704

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

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2019 and 2018, the balances of receivables under DPA amounted to P105.8 million and P47.5 million, respectively, and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2019 and 2018 consolidated statements of financial position. There are no non-current trade receivables as of those years.

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

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

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

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

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

Impairment losses amounting to P29.9 million, P68.5 million and P50.3 million in 2019, 2018 and 2017, respectively, are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 24). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Notes	**2019**	2018
Balance at beginning of year, as previously reported		**P 634,396,128**	P 585,853,177
Business combination	1.4	**2,006,443**	-
Impairment loss for the year	24	**29,852,136**	68,465,111
Written-off during the year		**(6,853,066)**	(17,153,577)
Recovery of bad debts		**(3,762,459)**	(2,768,583)
Balance at end of year	4.2	**P 655,639,182**	P 634,396,128

The written-off accounts are not subject to any enforcement activity, nor the Group expects any collections from these accounts.

8. INVENTORIES

The breakdown of inventories are as follows:

	Note	2019	2018
At cost:			
Fuels and by-products		**P 11,007,891,911**	P 10,303,317,190
Lubricants		**302,533,668**	427,496,011
Merchandise		**192,832,067**	185,837,405
LPG		**62,167,181**	157,495,582
Others		**114,192,078**	61,348,098
	23.2	**P 11,679,616,905**	P 11,135,494,286

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P4,554.2 million and P3,045.6 million as of December 31, 2019 and 2018, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 18.1).

There were no inventory write-down in 2019 and 2018.

An analysis of the cost of inventories included in the cost of fuels, lubricants, LPG and merchandise sold in each year is presented in Note 23.2.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various short-term credit facilities and trust receipts covered by hold-out agreements (see Notes 6 and 18.1) amounting to P54.4 million and P52.7 million as of December 31, 2019 and 2018, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities and trust receipts by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 3.68% per annum for 2019, 2018 and 2017. Interest income earned from restricted deposits amounted to P2.2 million, P1.4 million and P0.1 million in 2019, 2018 and 2017, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 25.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	Note	2019	2018
Prepayments	29.3	**P 1,284,786,937**	P 388,805,646
Creditable withholding tax		**327,562,434**	124,698,086
Supplies		**251,942,783**	165,373,021
Others		**67,244,244**	16,822,026
		P 1,931,536,398	P 695,698,779

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2019 and 2018 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Vessel	Land	Construction in Progress	Total
December 31, 2019											
Cost or revalued amount	P 12,181,134,379	P 496,662,161	P 5,457,947,630	P 2,667,783,519	P 612,216,937	P 745,062,041	P 109,570,369	P 640,281,212	P 4,175,292,743	P 8,145,925,569	P 35,231,876,560
Accumulated depreciation, amortization and impairment	(3,390,613,448)	(299,091,098)	(2,219,054,981)	(946,000,750)	(315,980,888)	(553,117,590)	(84,496,535)	(44,656,370)	-	-	(7,853,011,660)
Net carrying amount	**P 8,790,520,931**	**P 197,571,063**	**P 3,238,892,649**	**P 1,721,782,769**	**P 296,236,049**	**P 191,944,451**	**P 25,073,834**	**P 595,624,842**	**P 4,175,292,743**	**P 8,145,925,569**	**P 27,378,864,900**
December 31, 2018											
Cost or revalued amount	P 8,755,732,757	P 559,063,602	P 4,916,628,325	P 2,065,608,639	P 504,464,581	P 739,542,684	P 71,943,639	P -	P 3,836,203,184	P 3,323,038,453	P 24,772,225,864
Accumulated depreciation, amortization and impairment	(2,202,616,943)	(269,784,374)	(1,886,469,891)	(860,115,301)	(259,737,242)	(519,693,346)	(57,814,262)	-	-	-	(6,056,231,359)
Net carrying amount	P 6,553,115,814	P 289,279,228	P 3,030,158,434	P 1,205,493,338	P 244,727,339	P 219,849,338	P 14,129,377	P -	P 3,836,203,184	P 3,323,038,453	P 18,715,994,505
January 1, 2018											
Cost	P 7,938,264,335	P 278,440,237	P 4,307,161,317	P 1,725,126,080	P 176,628,000	P 723,956,478	P 60,325,908	P -	P 2,431,765,273	P 761,915,936	P 18,403,583,564
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,468,591)	(1,547,282,631)	(776,460,696)	(106,368,564)	(491,547,359)	(55,832,003)	-	-	-	(5,003,603,756)
Net carrying amount	P 6,084,620,423	P 105,971,646	P 2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P -	P 2,431,765,273	P 761,915,936	P 13,399,979,808

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of property, plant and equipment is shown below and in the succeeding page.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Vessel	Land	Construction in Progress	Total
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 6,553,115,814	P 289,279,228	P 3,030,158,434	P 1,205,493,338	P 244,727,339	P 219,849,338	P 14,129,377	P -	P 3,836,203,184	P 3,323,038,453	P18,715,994,505
Business combination - cost (see Note 1.4)	1,678,969,767	-	-	-	945,208	-	36,967,761	-	-	-	1,716,882,736
Business combination - accumulated depreciation (see Note 1.4)	(741,705,185)	-	-	-	(892,523)	-	(21,974,135)	-	-	-	(764,571,843)
Additions	285,906,315	12,809,729	121,868,306	602,174,880	118,626,421	121,536,635	658,969	659,106,000	278,714,587	6,751,688,501	8,953,090,343
Revaluation increments	-	-	-	-	-	-	-	-	145,379,972	-	145,379,972
Transfers (see Notes 13 and 16)	1,461,824,869	87,457	444,898,242	-	234,161	2,270,673	-	-	(85,005,000)	(1,910,278,156)	(85,967,754)
Cost of asset disposed	(3,617,682)	(74,376,474)	(21,719,057)	-	(12,948,513)	(136,126,180)	-	-	-	-	(248,787,906)
Accumulated depreciation of asset disposed	3,591,822	22,788,852	38,381,073	-	10,706,062	89,231,178	-	-	-	-	164,698,987
Depreciation and amortization charges for the year	(449,883,142)	(52,095,576)	(370,966,163)	(85,885,449)	(66,057,185)	(122,655,422)	(4,708,138)	(44,656,370)	-	-	(1,196,907,445)
Reclassification	4,028,186	-	(3,728,186)	-	385,000	17,838,229	-	-	-	(18,523,229)	-
Translation adjustment	(1,709,833)	(922,153)	-	-	510,079	-	-	(18,824,788)	-	-	(20,946,695)
Balance at December 31, 2019 net of accumulated depreciation and amortization	**P 8,790,520,931**	**P 197,571,063**	**P 3,238,892,649**	**P 1,721,782,769**	**P 296,236,049**	**P 191,944,451**	**P 25,073,834**	**P 595,624,842**	**P 4,175,292,743**	**P 8,145,925,569**	**P27,378,864,900**

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2018 net of accumulated depreciation and amortization	P 6,084,620,423	P 105,971,646	P2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,399,979,808
Business combination - cost (see Note 1.4)	-	209,860,851	-	-	330,791,968	-	4,361,691	-	5,176,388	550,190,898
Business combination - accumulated depreciation (see Note 1.4)	-	(65,849,711)	-	-	(111,527,344)	-	(2,673,486)	-	-	(180,050,541)
Additions	1,038,828,696	60,964,354	96,270,515	393,588,977	6,418,615	33,809,407	11,494,707	184,591,868	2,953,396,335	4,779,363,474
Revaluation increments	-	-	-	-	-	-	-	1,219,846,043	-	1,219,846,043
Transfers (see Note 13)	(221,360,274)	27,229,763	585,048,375	(47,135,953)	2,542,575	44,072,911	-	-	(397,450,206)	(7,052,809)
Cost of asset disposed	-	(17,680,364)	(71,851,882)	(5,970,465)	(12,195,514)	(62,296,112)	(4,238,667)	-	-	(174,233,004)
Accumulated depreciation of asset disposed	-	4,709,356	66,892,056	3,942,624	10,550,372	62,296,112	4,230,176	-	-	152,620,696
Depreciation and amortization charges for the year	(348,973,031)	(36,175,428)	(406,079,316)	(63,306,743)	(52,391,706)	(90,442,099)	(3,538,949)	-	-	(1,000,907,272)
Provision for loss on lost cylinders	-	-	-	(24,290,486)	-	-	-	-	-	(24,290,486)
Translation adjustment	-	248,761	-	-	278,937	-	-	-	-	527,698
Balance at December 31, 2018 net of accumulated depreciation and amortization	P 6,553,115,814	P 289,279,228	P 3,030,158,434	P 1,205,493,338	P 244,727,339	P 219,849,338	P 14,129,377	P 3,836,203,184	P 3,323,038,453	P 18,715,994,505

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P695.7 million, P261.6 million and P19.7 million in 2019, 2018 and 2017, respectively (see Note 18.5), 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% in both 2019 and 2018.

11.2 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P39.5 million and P21.6 million in 2019 and 2018, respectively. As of December 2019 and 2018, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P1,520.0 million and P987.4 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2019**	2018	2017
Cost of sales and services	23.2	**P 65,183,757**	P 63,306,743	P 23,964,493
Selling and administrative expenses		**1,131,723,688**	937,600,529	796,288,042
	24	**P 1,196,907,445**	P 1,000,907,272	P 820,252,535

11.3 Fair Value of Land

The Group's parcels of land are stated at their revalued amounts as of December 31, 2019 and 2018, being the fair value at December 31, 2019 and 2018, the date of appraisal reports, less any subsequent impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the 2019 and 2018 consolidated statement of financial position.

The information on the fair value measurement and disclosures related to the revalued parcels of land are presented in Note 5.5.

If the parcels of land were carried at cost model as of December 31, 2019 and 2018, the cost would be P2,891.0 million and P2,616.4 million, respectively.

12. LEASES

The Group has leases for land where stations are built, store premises, office and warehouse. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over store premises, warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position.

	Land	Vessel	Office	Warehouse	Store Premises
Number of right-of-use assets leased	60	1	1	1	34
Range of remaining term	5 to 20 years	1.4 years	4 years	12 years	1 to 14 years
Average remaining lease term	15 years	1.4 years	4 years	12 years	2.7 years
Number of leases with extension options	-	1	1	-	-
Number of leases with options to purchase	60	-	-	1	-
Number of leases with termination options	60	-	-	1	-

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2019 and the movements during the period are shown below.

	Note	Land	Vessel	Office	Warehouse	Store Premises	Total
Balance at beginning of year		P 731,258,664	P -	P -	P 54,362,449	P 131,781,933	P 917,403,046
Additions		-	160,865,014	38,511,700	-	203,714,208	403,090,922
Depreciation and amortization	24	(56,138,590)	(58,445,602)	(3,775,657)	(4,530,204)	(54,877,771)	(177,767,824)
Balance at the end of year		P 675,120,074	P 102,419,412	P 34,736,043	P 49,832,245	P 280,618,370	P1,142,726,144

12.2 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as at December 31, 2019 as follows:

Current	P 153,360,799
Non-current	1,096,852,276
	P 1,250,213,075

Additional information on the lease liabilities and amounts in respect of possible future lease extension options not recognized as a liability are as follows:

	Land	Vessel	Office	Warehouse	Store Premises	Total
Lease liabilities	P 763,540,488	P 104,324,743	P 35,321,355	P 51,533,976	P 295,492,513	P 1,250,213,075
Number of leases with an extension option that is not considered reasonably certain of exercise	-	-	1	-	-	
Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised	P -	P 130,456,106	P -	P -	P -	P 130,456,106

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The Group has pre-termination options on leases of land and warehouse. The termination is at the option of the Group without any need of judicial action. The Group is not subject to any penalties, should the Group exercise pre-termination of the lease.

As at December 31, 2019, the Group is not committed to leases which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows :

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 20 years	Total
Lease payments	P 236,158,942	P 189,678,175	P 143,059,687	P 141,063,606	P 126,927,824	P 645,284,061	P 448,568,943	P 1,930,741,238
Finance charges	(88,071,133)	(81,207,710)	(75,000,812)	(69,903,931)	(64,788,303)	(238,731,166)	(62,825,108)	(680,528,163)
Net present values	**P 148,087,809**	**P 108,470,465**	**P 68,058,875**	**P 71,159,675**	**P 62,139,521**	**P 406,552,895**	**P 385,743,835**	**P 1,250,213,075**

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets amounted to P639.7 million and P7.2 million, respectively, and are presented as part of Rent under Selling and administrative expenses in the 2019 consolidated statement of comprehensive income (see Note 24).

At December 31, 2019, the Group is committed to short-term leases, and the total commitment at that date is P367.1 million.

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P203.6 million in 2019. Interest expense in relation to lease liabilities amounted to P81.0 million and is presented as part of Finance costs under Other charges (income) in the 2019 consolidated statement of comprehensive income (see Note 25.1).

13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2019 and 2018 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
December 31, 2019						
Cost	P 176,861,660	P 42,028,644	P 261,155,875	P 73,180,177	P 1,585,143	P 554,811,499
Accumulated amortization	-	(23,566,961)	(193,260,263)	(27,598,071)	(108,288)	(244,533,583)
Net carrying amount	**P 176,861,660**	**P 18,461,683**	**P 67,895,612**	**P 45,582,106**	**P 1,476,855**	**P 310,277,916**
December 31, 2018						
Cost	P 176,861,660	P 42,028,644	P 244,288,416	P 47,571,271	P 1,334,093	P 512,084,084
Accumulated amortization	-	(19,675,619)	(150,259,211)	(13,986,616)	(108,288)	(184,029,734)
Net carrying amount	P 176,861,660	P 22,353,025	P 94,029,205	P 33,584,655	P 1,225,805	P 328,054,350
January 1, 2018						
Cost	P 176,861,660	P -	P 216,578,945	P 9,638,891	P 1,262,393	P 404,341,889
Accumulated amortization	-	-	(101,764,923)	(7,118,724)	-	(108,883,647)
Net carrying amount	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2019 and 2018 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
Balance at January 1, 2019, net of accumulated amortization	P 176,861,660	P 22,353,025	P 94,029,205	P 33,584,655	P 1,225,805	P 328,054,350
Additions	-	-	17,404,689	25,676,946	251,050	43,332,685
Transfers from property, plant, and equipment (see Note 11)	-	-	-	962,754	-	962,754
Amortization expense for the year	-	(3,891,342)	(43,001,052)	(14,642,249)	-	(61,534,643)
Reclassification/ adjustment	-	-	(537,230)	-	-	(537,230)
Balance at December 31, 2019, Net of accumulated amortization	**P 176,861,660**	**P 18,461,683**	**P 67,895,612**	**P 45,582,106**	**P 1,476,855**	**P 310,277,916**
Balance at January 1, 2018, net of accumulated amortization	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242
Business combination -cost (see Note 1.4)	-	41,078,000	-	402,438	-	41,480,438
Business combination -accumulated amortization	-	(19,675,619)	-	(328,499)	-	(20,004,118)
Additions	-	950,644	26,563,038	30,477,133	71,700	58,062,515
Transfers from property, plant, and equipment (see Note 11)	-	-	-	7,052,809	-	7,052,809
Amortization expense for the year	-	-	(48,494,288)	(6,539,393)	(108,288)	(55,141,969)
Reclassification/ adjustment	-	-	1,146,433	-	-	1,146,433
Balance at December 31, 2018, Net of accumulated amortization	P 176,861,660	P 22,353,025	P 94,029,205	P 33,584,655	P 1,225,805	P 328,054,350

Store franchise was acquired as a result of business combination in 2018 [see Notes 1.4*(b)* and 33.5].

14. INVESTMENTS IN JOINT VENTURES

14.1 Joint Venture of the Parent Company

The Parent Company has entered into a joint venture (JV) agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV company – Phoenix Asphalt Philippines, Inc. (PAPI). The JV company – PAPI was incorporated on March 23, 2018 primarily to import, store, manufacture, sell, market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots. PAPI started commercial operations in 2019.

Under the JV agreement, PAPI's authorized share capital is P275.0 million divided into 275.0 million shares with par value of P1 per share. The Parent Company owns P110.0 million shares or 40.00% of the outstanding capital stock of PAPI. The JV has no restrictions as to transfer of funds in the forms of cash dividend, or to pay advances made by PAPI. Moreover, the Parent Company shall be responsible to enter into a lease agreement for land identified as part of a certain industrial park in Batangas for the construction of terminal at fair rental value, and to cause to provide a minimum of 20 to 30 years' access rights to the oil, gas and chemical jetty for receiving and importing bulk bitumen cargo and other rights necessary for the construction and operations of terminal.

14.2 JVs of PPMI

In 2019, PPMI entered into various JV agreements with certain individuals for the management and operation of companies which are primarily established to operate petroleum service stations in certain areas in the Philippines. PPMI does not have significant control of the entities and has no significant commitments relating to the companies.

Presented below are the companies, percentage of interest and amounts of additional investments of PPMI in 2019.

Companies	Percentage of interest	Amount of Investment
Top Concord Quality Petroleum Corp. (TCQPC)	49.00%	P 1,394,397
CJI Fuels Corp. (CJI)	49.00%	7,443,738
Firebird Evzon Fuels Corp. (FEFC)	49.00%	2,625,003
Zae Falco Energy Corp. (ZFEC)	49.00%	4,009,692
Eastan Prime Development Corporation (EPDC)	49.00%	18,500,000
Total amount of investment in joint venture		P 33,972,830

In 2019, PPMI infused additional investment of P926.8 million into PSPC to acquire a portion of the increase in capital stock of PSPC. The increase in capital stock of PSPC was approved by SEC on December 17, 2019.

PPMI owns 162.9 million shares or 49% of the outstanding capital stock in 2019, and 30.6 million shares or 51.00% of the outstanding capital stock in 2018, but does not have significant control on the entity in both years [see Note 3.1*(i)*]. PPMI has no significant commitments relating to PSPC.

In 2018, PPMI entered into an agreement with Per Petroleum Corporation for the operation and management of PPMI retail network including collateral businesses that may complement the operation or the retail network in the whole of the Bicol Region. PSPC was incorporated and registered with the SEC on June 1, 2018. The primary purpose of this company is to buy and sell refined liquefied petroleum gas, various kinds of lubricants, car care products and to operate, manage and carry out gasoline retail stations, convenience store and other non-fuel related businesses.

PPMI entered into a JV agreement in 2018 with certain individuals for the management and operation of Galaxi Petroleum Fuel, Inc. (Galaxi). Galaxi was primarily established to sell petroleum products. PPMI owns P5.0 million worth of shares or 51.00% of the outstanding capital stock, but does not have significant control of the entity [see Note 3.1*(i)*]. PPMI has no significant commitments relating to Galaxi.

14.3 JVs Financial Information and Reconciliation to Carrying Amount of Investments

Presented below are the financial information of the Group's joint ventures and the reconciliation to the carrying amount of the investments in JV as of December 31, 2019:

Joint Ventures	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Total revenues	Total other comprehensive income	Net income (loss)	Percentage of ownership	Equity Share in net income (loss) during the year
PAPI	P 101,965,227	P 23,370,986	P 34,055,096	P -	122,419,720	P -	P 1,079,738	40%	**P 431,895**
PSPC	557,830,828	1,236,350,601	690,277,622	-	1,617,647,406	-	(25,831,003)	49%	**(12,657,191)**
Galaxi	172,386,078	68,798,140	153,847,098	2,099,956	2,036,169,668	-	58,462,239	51%	**29,815,742**
CJI	35,384,570	54,084	1,151,738	-	1,353,406	-	(126,669)	49%	**(62,068)**
TCQPC	19,588,588	1,749,339	2,476,469	-	1,902,515	-	199,273	49%	**97,644**
ZFEC	29,775,193	6,466,009	13,708,946	10,000	21,762,842	-	(2,157,838)	49%	**(1,057,340)**
EPDC	7,937,663	17,681,512	2,826,392	-	3,076,461	-	(119,723)	49%	**(58,664)**
FEFC	15,000,003	-	-	-	-	-	-	49%	**-**
						Total equity share in net income during the year			**16,510,018**
						Carrying value as of January 1, 2019			**455,436,370**
						Additional investment during the year			**960,763,248**
						Carrying Value as of December 31, 2019			**P 1,432,709,636**

Presented below are the financial information of the Group's joint ventures and the reconciliation to the carrying amount of the investments in JV as of December 31, 2018:

Joint Ventures	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Total revenues	Total other comprehensive income	Net income (loss)	Percentage of ownership	Equity Share in net income (loss) during the year
PAPI	P 275,278,082	P 8,786,996	P 10,613,773	P -	P 6,828,601	P -	(P 1,124,499)	40.00%	(P 449,800)
PSPC	67,459,164	-	7,988,212	-	-	-	(529,048)	51.00%	(269,814)
Galaxi	172,295,310	68,143,118	152,326,905	1,756,000	398,627,902	-	15,807,567	51.00%	8,061,859
						Total equity share in net income during the year			7,342,245
						Total acquisition costs			448,094,125
						Carrying Value as of December 31, 2018			P 455,436,370

As of December 31, 2019 and 2018, no dividends were received from the joint ventures. In addition, there are no share of contingent liabilities for all of the JVs. As of December 31, 2019 and 2018, management believes that the investments in joint ventures are not impaired.

15. GOODWILL

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

	Note	**2019**	2018
Balance at beginning of year – net of allowance for impairment		**P 4,418,842,831**	P 3,990,666,606
Additions due to business combinations	1.4	**213,554,587**	428,176,225
Balance at end of year – net of allowance for impairment		**P 4,632,397,418**	P 4,418,842,831

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized.

The Group tests whether goodwill is impaired on an annual basis. The recoverable amount of the cash generating units [identified as PLPI, PGV LLC (LPG), PFM (CVS) and AAI Group (Digital platform)] was determined based on value-in-use calculations, which require the use of assumptions. The calculations use cash flow projections based on budgets approved by the management covering a five-year period with an assumed terminal growth rate of 1.2% to 4.0% and is based on the discount rate of weighted average cost of capital of 12.0%. The growth rates reflect the long-term growth rates for the industries of the trading segment.

Goodwill recognized is allocated to the trading segment of the Group. Management's key assumptions in assessment of goodwill impairment include stable profit margins in the cash flow projections. Budgeted earnings before interest, taxes, depreciation and amortization (EBITDA) were based on expectations of future outcomes taking into account past experience of five years, adjusted for anticipated revenue growth. It is also further assumed that revenues coming from sales volume and sales prices would grow at a constant margin above forecast inflation over the next five years. Based on these, the estimated recoverable amount of each of the cash generating units exceeded its carrying amount.

The carrying values of goodwill for each of the cash-generating units are presented below.

		2019	2018
PLPI		**P 3,980,444,757**	P 3,980,444,757
PFM	1.4	**273,130,868**	273,130,868
AAI Group	1.4	**155,045,359**	155,045,359
PGV LLC	1.4	**213,554,587**	-
Others		**10,221,847**	10,221,847
Total		**P 4,632,397,418**	P 4,418,842,831

Based on these analyses, management has assessed that no impairment of goodwill is required to be recognized in 2019 and 2018.

16. INVESTMENT PROPERTIES

The Group's investment properties consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment property amounted to P20.2 million in 2019, P1.8 million in 2018 and P1.1 million in 2017 are presented as part of Rent Income in the consolidated statements of comprehensive income.

Related real property taxes amounted to P0.7 million, P0.7 million and P0.2 million was recognized as a related expense in 2019, 2018 and 2017, respectively, and are presented as part of Taxes and Licenses under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 24).

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2019 and 2018 are shown below.

	Land	Lot Improvements	Total
December 31, 2019			
Revalued amount / cost	P 1,908,807,754	P 3,500,390	P 1,912,308,144
Accumulated depreciation	-	(3,335,309)	(3,335,309)
Net carrying amount	**P 1,908,807,754**	**P 165,081**	**P 1,908,972,835**
December 31, 2018			
Revalued amount / cost	P 1,738,207,254	P 3,500,390	P 1,741,707,644
Accumulated depreciation	-	(2,686,439)	(2,686,439)
Net carrying amount	P 1,738,207,254	P 813,951	P 1,739,021,205
January 1, 2018			
Cost	P 1,113,266,254	P 3,500,390	P 1,116,766,644
Accumulated depreciation	-	(1,986,362)	(1,986,362)
Net carrying amount	P 1,113,266,254	P 1,514,028	P 1,114,780,282

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2019 and 2018 is shown below.

	Land	Lot Improvements	Total
Balance at January 1, 2019 net of accumulated depreciation and impairment loss	P 1,738,207,254	P 813,951	P 1,739,021,205
Transfer from property and equipment (see Note 11)	85,005,000	-	85,005,000
Fair value gains	71,569,675	-	71,569,675
Additions	14,025,825	-	14,025,825
Depreciation charges for the year	-	(648,870)	(648,870)
Balance at December 31, 2019 net of accumulated depreciation	**P 1,908,807,754**	**P 165,081**	**P 1,908,972,835**
Balance at January 1, 2018 net of accumulated depreciation and impairment loss	P 1,113,266,254	P 1,514,028	P 1,114,780,282
Fair value gains	624,941,000	-	624,941,000
Depreciation charges for the year	-	(700,077)	(700,077)
Balance at December 31, 2018 net of accumulated depreciation	P 1,738,207,254	P 813,951	P 1,739,021,205

In 2019, land with carrying amount of P85.0 million, which was previously used for administrative purposes but is now held for capital appreciation, was transferred from Property, Plant and Equipment account to Investment Properties account (see Note 11).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 5.5.

17. OTHER NON-CURRENT ASSETS

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

	Note	**2019**	2018
Advances to suppliers	29.2, 29.12	**P 7,056,126,489**	P 1,167,194,841
Refundable rental deposits	29.3	**323,634,283**	289,572,937
Deferred minimum lease payments		**44,709,366**	48,242,728
Other prepayments		**163,003,036**	83,386,615
Others		**50,789,070**	7,270,409
		P 7,638,262,244	P 1,595,667,530

Advances to suppliers pertain to advances made for future acquisitions of real estate properties. There are no capital commitments outstanding as of December 31, 2019 related to these acquisition.

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 (i.e. BVAL). Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P3.1 million in 2019, P2.8 million in 2018 and P2.7 million in 2017 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 25.2).

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 P3.5 million, P3.2 million and P2.7 million in 2019, 2018 and 2017, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 24).

18. INTEREST-BEARING LOANS AND BORROWINGS

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

	2019	2018
Current:		
Liabilities under LC and TR	**P 6,206,767,833**	P 3,045,567,756
Short-term loans	**23,901,759,985**	15,173,672,603
Current portion of long-term loans	**1,843,333,333**	1,493,333,334
Liabilities under short-term commercial papers	**6,191,197,740**	6,596,913,591
	38,143,058,891	26,309,487,284
Non-current term loans	**11,753,129,172**	13,590,520,166
	P 49,896,188,063	P 39,900,007,450

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 6.125% and 6.14% per annum in 2019 and 2018, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8, 9 and 29.5).

18.2 Term Loans

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

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2019	2018
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	5 to 7 years	5.38% - 5.71%	**P 7,488,129,172**	P 8,142,186,833
ii. Notes Facility Agreements	*(b)*	1 to 3 months	5.50% - 6.00%	**2,000,000,000**	200,000,000
				9,488,129,172	8,342,186,833
Philippine National Bank (PNB)					
i. Short-Term Commercial Papers	*(18.3)*	6 to 12 months	7.10% - 7.50% 4.67% - 7.00%	**6,191,197,740**	6,596,913,591
ii. Notes Payable	*(b)*	2 months to 3 years	6.21%	**600,000,000**	3,670,000,000
ii. Term Loan Agreement	*(c)*	5 years	5.30% - 8.16%	**125,000,000**	225,000,000
				6,916,197,740	10,491,913,591
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(e)*	7 years	4.85%	**4,950,000,000**	5,000,000,000
	(e)	3 years	6.00%	**333,333,333**	666,666,667
ii. Notes Payable	*(b)*	2 to 3 months	5.00% - 6.50%	**2,000,000,000**	1,100,000,000
				7,283,333,333	6,766,666,667
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(b)*	2 to 6 months	4.25% - 6.75%	**11,470,436,645**	4,304,042,213
ii. Medium-term loan	*(d)*	1 year and 6 months	3.75%	**-**	200,000,000
				11,470,436,645	4,504,042,213
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(b)*	2 to 6 months	5.25-6.25%	**900,000,000**	375,000,000
ii. Term Loan Agreement	*(f)*	5 years	5.50%	**100,000,000**	200,000,000
				1,000,000,000	575,000,000
Development Bank of the Philippines (DBP)	*(b)*	3 months	5.30%	**2,000,000,000**	1,715,000,000
Asia United Bank (AUB)	*(b)*	1 to 2 months	5.50%	**1,000,000,000**	1,009,630,390
China Banking Corporation	*(b)*	3 months to 18 months	4.63%	**-**	1,005,000,000
Rizal Commercial Banking Corporation	*(b)*	2 to 3 months	5.00%	**1,000,000,000**	985,000,000
Bank of Commerce	*(b)*	1 month	6.38%	**-**	810,000,000
United Coconut Planters Bank	*(b)*	3 to 6 months	5.00%	**712,480,000**	450,000,000
Maybank Philippines, Inc.	*(b)*	2 to 3 months	5.25%	**1,200,000,000**	200,000,000
CTBC Bank (Philippines)	*(b)*	1 month	5.25%	**443,000,000**	-
Union Bank of the Philippines (UBP)	*(b)*	3 months	5.50%	**1,000,000,000**	-
ANZ Bank Vietnam Limited	*(b)*	6 to 12 months	7.0%-8.0%	**175,843,340**	-
				P 43,689,420,230	P 36,854,439,694

(a) TLA with BDO

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month BVAL and 150 basis points divided by 0.95, or 4.00% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

The TLA requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1.1, borrower's ratio of not more than 6.0 and interest coverage ratio of at least 1.5. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the TLA, maintenance of adequate records and prohibition to make any material change in the present nature of business of the Parent Company, PLPI and Duta, among others.

The Parent Company has complied with the financial, affirmative and negative covenants for the past years except that, in 2019, it had lower than the indicated current ratio. Prior to December 31, 2019, the Parent Company requested for the waiver of this financial covenant and management is confident that such will be approved based on preliminary discussion with BDO. The Parent Company has received approval on the waiver of breach in the current ratio requirement, subject to the condition that such breach is remedied by June 30, 2020 to be tested on or before August 31, 2020 using the Group's consolidated unaudited interim financial statements as of June 30, 2020.

(b) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 4.25% to 8.00% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 29.5). The notes payable does not include financial, affirmative and negative covenants.

(c) TLA with PNB

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

This loan does not include financial, affirmative and negative covenants.

(d) Medium-Term Loan with MIB

The Parent Company signed with MIB a clean medium-term loan amounting to P200.0 million with a tenor of 547 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 3.75% and has matured on April 30, 2019. This loan does not include financial, affirmative and negative covenants.

(e) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum subject to repricing semi-annually. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2019 and 2018, the outstanding principal balance amounted to P333.3 million and P666.7 million, respectively.

On July 5, 2018, the Parent Company signed with LBP a seven-year term loan with no grace period amounting to P5,000.0 million to partially finance the general corporate requirement of the company. The loan was approved on a clean basis and is subject to an interest rate of 4.85% and shall be repriced semi-annually. The principal loan is payable in semi-annually. The first 13 installments shall be for the amount of P25.0 million semi-annually while the last installment shall be P4.675.0 million.

The TLA requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to maintenance of adequate records, prohibition to engage in any business other than its registered activities and avoidance to enter into an agreement as guarantor of the loan of another company, business or person, among others. The Parent Company has complied with all the financial, affirmative and negative covenants.

(f) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. This loan does not include financial, affirmative and negative covenants.

18.3 Liabilities under Short-term Commercial Papers (STCPs)

In 2019, the Parent Company issued its second and third series of short-term commercial papers (STCP), with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter, amounting to P3,500.0 million and P3,000.0 million, respectively. Each paper has a term of 360 days and carries a discount rate of 7.00% for the second series and 4.67% for the third series. The Parent Company used the proceeds to refinance its existing short-term loans, which are used to finance the working capital requirements of the Parent Company.

In December 2018, the Parent Company issued STCPs amounting to P7,000.0 million with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter. The amount represented the first of the two tranches totalling to P10,000.0 million of STCP registered with the SEC. Half of the first tranche consisted of 180-day paper that carries a discount rate of 7.10% while 350-day paper with discount rate of 7.50%. The Parent Company used 70.00% of the proceeds to finance the working capital requirements for the importation of fuels and lubricants, and the rest will be used to repay outstanding short-term loans with various banks. The first series of STCP has been settled by the Parent Company in 2019.

The underwriting agreement requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1. The underwriting agreement also requires the Parent Company to comply with affirmative and negative covenants relating to maintenance of adequate records, prohibition to engage in any business other than its registered activities and avoidance to enter into merger or consolidation, unless the Parent Company is the surviving entity, among others. The Parent Company has complied with all the financial, affirmative and negative covenants.

The outstanding liabilities under STCP as of December 31, 2019 and 2018 amounted to P6,191.2 million and P6,596.9 million, respectively. The outstanding balances as of December 31, 2019 and 2018 are net of the capitalized and unamortized debt issuance cost of P48.75 million and P45.2 million, respectively.

18.4 Credit Line

The Parent Company has an available credit line under LC/TR of P12,620.2 million and P17,111.3 million as of December 31, 2019 and 2018, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

18.5 Interest Expense

Interest expense for 2019, 2018 and 2017 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P2,582.9 million, P1,377.0 million and P780.9 million (see Note 25.1), respectively, which is already exclusive of the capitalized borrowing cost of P695.7 million, P261.6 million and P19.7 million for 2019, 2018 and 2017, respectively (see Note 11.1).

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 18)	Term Loans (see Note 18)	Liabilities under STCP (see Note 18)	Lease Liabilities (see Note 12)	Total
Balance as of January 1, 2019	P 3,045,567,756	P 30,257,526,103	P 6,596,913,591	P -	P 39,900,007,450
Effect of adoption of PFRS16	-	-	-	973,167,940	973,167,940
Cash flows from financing activities					
Additional borrowings	-	66,463,776,671	6,088,546,547	-	72,552,323,218
Repayment of borrowings, TR, and lease liabilities	(22,090,498,231)	(59,544,221,408)	(7,000,000,000)	(203,455,083)	(88,838,174,722)
Non-cash financing activities					
Availment of LC and TR	25,251,698,308	-	-	-	25,251,698,308
Additions to lease liability	-	-	-	403,090,922	403,090,922
Business combination		321,141,124	-	-	321,141,124
Amortization of discount and bond issue cost	-	-	505,737,602	80,990,270	586,727,872
Accrued interest	-	-	-	(3,580,974)	(3,580,974)
Balance as of December 31, 2019	**P 6,206,767,833**	**P 37,498,222,490**	**P 6,191,197,740**	**P 1,250,213,075**	**P 51,146,401,138**
Balance as of January 1, 2018	P 5,139,141,223	P 23,032,292,775	P -	P -	P 28,171,433,998
Cash flows from financing activities					
Additional borrowings	-	50,798,571,804	7,000,000,000	-	57,798,571,804
Repayment of borrowings and TR	(28,300,249,382)	(43,573,338,476)	-	-	(71,873,587,858)
Bond issue cost	-	-	(45,238,000)	-	(45,238,000)
Non-cash financing activities					
Availment of LC and TR	25,780,675,915	-	-	-	25,780,675,915
Business combination	426,000,000	-	-	-	426,000,000
Unamortized discount	-	-	(357,848,409)	-	(357,848,409)
Balance as of December 31, 2018	P 3,045,567,756	P 30,257,526,103	P 6,596,913,591	P -	P 39,900,007,450

20. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2019	2018
Trade payables:			
Third parties		**P 10,244,468,510**	P 6,142,277,375
Related parties	29.2, 29.3, 29.11	**34,074,046**	84,630,306
		10,278,542,556	6,226,907,681
Accrued expenses		**910,580,684**	895,209,882
Non-trade payables		**233,126,209**	112,877,855
Retention payable		**138,869,144**	137,666,139
Advances from customers		**117,930,781**	7,208,523
Contract liability	23.1	**16,102,117**	-
Others		**146,509,602**	54,969,172
		P 11,841,661,093	P 7,434,839,252

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

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

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group. Moreover, significant portion of the retention payable pertains to the construction of gasoline and LPG stations equipment, which are expected to be completed within one year after the reporting period.

Non-trade payables pertain to liabilities to various suppliers of goods and services that are not related to primary business activities of the Group, such as, utility bills, travel expenses and purchase of office supplies, among others.

21. DERIVATIVE FINANCIAL LIABILITIES

In 2019, PNX SG entered into forward contracts with notional amount of P7,922.6 million, maturing in 2020. For purposes of estimating the fair value of the derivative contract, whenever possible, the Group utilizes quoted market price and, if not available, estimates from third-party brokers or banks. These brokers' or banks' estimates are corroborated with multiple sources and/or other observable market data utilizing assumptions about risk and market liquidity.

The purpose of these contracts is to mitigate the fluctuations of expected physical oil sales and purchase contracts.

As of December 31, 2019, derivative financial instruments with negative fair value related to forward contracts amounted to P311.0 million and is presented as Derivative Financial Liabilities in the 2019 consolidated statement of financial position.

In 2019, the Group recognized fair value loss on derivative contracts amounting to P464.2 million, presented as part of Net purchases under Cost of sales in the 2019 statement of profit or loss (see Note 23.2).

22. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2019	2018
Customers' cylinder deposits		**P 440,803,046**	P 276,285,558
Cash bond		**306,311,395**	56,702,491
Security deposits		**100,979,556**	266,616,512
Post-employment defined benefit obligation	26.3	**58,747,779**	771,210
Unearned rent		**30,427,368**	20,226,494
		P 937,269,144	P 620,602,265

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 P15.4 million, P3.6 million and P6.3 million in 2019, 2018 and 2017, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 25.1).

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 P4.2 million, P5.6 million and P6.4 million as of December 31, 2019, 2018 and 2017, respectively, and is presented as part of Rent Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI in 2017. In 2019 and 2018, there were no refunds made to the dealers. The composition of this account as of December 31 are as follows:

	2019	2018
Deposits for cylinders	**P 520,730,811**	P 431,736,323
Less:		
Amortization of cylinder deposits	**(79,927,765)**	(63,609,144)
Gain on reversal of cylinder deposits	**-**	(91,841,621)
	P 440,803,046	P 276,285,558

The Group recognized gain on reversal of cylinder deposits amounting to nil, P91.8 million and nil in 2019, 2018 and 2017, respectively, and is presented as part of Fuel Service and Other Income in the consolidated statements of comprehensive income.

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

23. REVENUES AND COST OF SALES AND SERVICES

23.1 Revenues

Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services in the following primary geographical markets and major goods or service lines:

	Trading (point in time)	Depot and Logistics (over time)	Total
December 31, 2019			
Primary geographical markets			
Philippines	P 70,608,485,903	P 1,076,337,219	P 71,684,823,122
Singapore	23,930,537,249	129,118,676	24,059,655,925
Vietnam	1,962,630,037	289,092	1,962,919,129
	P 96,501,653,189	**P 1,205,744,987**	**P 97,707,398,176**
Major goods/service lines			
Fuel and by-products	P 88,384,504,235	P -	P 88,384,504,235
LPG	6,658,249,908	-	6,658,249,908
Merchandise	1,261,783,677	-	1,261,783,677
Lubricants	197,115,369	-	197,115,369
Management service	-	686,538,216	686,538,216
Hauling and into-plane	-	299,614,442	299,614,442
Others	-	219,592,329	219,592,329
	P 96,501,653,189	**P 1,205,744,987**	**P 97,707,398,176**
December 31, 2018			
Primary geographical markets			
Philippines	P 66,671,555,943	P 824,182,312	P 67,495,738,255
Singapore	21,001,166,720	-	21,001,166,720
	P 87,672,722,663	P 824,182,312	P 88,496,904,975
Major goods/service lines			
Fuel and by-products	P 81,233,780,249	P 3,214,286	P 81,236,994,535
LPG	4,241,227,274	-	4,241,227,274
Merchandise	1,437,531,031	-	1,437,531,031
Lubricants	699,008,147	-	699,008,147
Hauling and into-plane	-	820,968,026	820,968,026
Others	61,175,962	-	61,175,962
	P 87,672,722,663	P 824,182,312	P 88,496,904,975

All of the Group's revenues except revenues from management service, hauling and into-plane services and franchise fees (insignificant in amount), which are presented as part of Fuel Services and Other Revenues are recognized at a point in time.

Contract Balances

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. However, the management assess that contract assets, if any, are of insignificant amounts.

Changes in the contract assets and contract liabilities are recognized by the Group when the right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively. Contract liabilities amounted to P16.1 million and nil as of December 31, 2019 and 2018, respectively (see Note 20).

23.2 Cost of Sales and Services

(a) Costs of Sales and Services

This account is composed of the following:

	Notes	2019	2018	2017
Cost of fuels and lubricants		**P 81,968,236,723**	P 74,428,515,179	P 37,251,184,765
Cost of LPG		**3,884,245,585**	3,439,226,822	1,093,919,764
Cost of merchandise		**958,804,773**	971,222,819	-
	24	**P 86,811,287,081**	P 78,838,964,820	P 38,345,104,529

(b) Cost of Fuels, Lubricants, LPG and Merchandise Sold

The cost of inventories sold are broken down as follows:

	Notes	2019	2018	2017
Inventories at beginning of year		**P 11,135,494,286**	P 12,416,237,073	P 2,998,780,146
Net purchases during the year	21	**87,272,448,848**	77,381,553,342	47,660,988,176
Overhead costs	11.2	**65,183,757**	95,924,146	38,427,130
Business combination	1.4	**17,777,095**	80,744,545	63,146,150
Goods available for sale		**98,490,903,986**	89,974,459,106	50,761,341,602
Inventories at end of year	8	**(11,679,616,905)**	(11,135,494,286)	(12,416,237,073)
		P 86,811,287,081	P 78,838,964,820	P 38,345,104,529

24. COSTS AND EXPENSES BY NATURE

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

	Notes	2019	2018	2017
Cost of inventories sold		**P 86,746,103,324**	P 78,743,040,674	P 38,306,677,397
Depreciation and amortization	11.2,12.1,16	**1,436,858,782**	1,056,749,318	851,080,582
Salaries and employee benefits	26.1	**1,105,276,877**	868,282,821	438,875,069
Freight and trucking charges		**903,075,451**	859,631,739	667,780,304
Rent	12.3,17,29.3,33.3	**650,422,093**	865,873,379	654,110,277
Taxes and licenses	16	**533,449,335**	531,258,432	581,832,247
Advertising and promotions		**506,812,297**	373,530,774	267,197,963
Service fees		**242,782,883**	123,721,448	134,022,166
Utilities		**173,645,341**	154,238,778	73,874,917
Professional fees		**152,814,551**	78,808,924	53,176,668
Security fees		**119,510,213**	114,708,711	82,623,951
Repairs and maintenance		**108,313,018**	167,873,962	90,491,317
Fuel, oil and lubricants		**94,388,831**	69,321,906	50,194,019
Travel and transportation		**92,173,989**	82,991,673	58,361,503
Outside services		**90,809,455**	14,924,503	2,881,506
Insurance		**72,622,096**	71,827,325	40,957,246
Dues and subscriptions		**58,014,578**	37,887,492	-
Management fee		**40,916,557**	-	-
Office supplies		**40,475,106**	42,948,909	16,634,489
Impairment losses on trade and other receivables	7, 29.4	**29,938,952**	68,465,111	50,335,399
Representation		**27,338,499**	27,946,580	9,814,799
Donations and contributions	29.13	**22,720,000**	91,762,500	-
Royalties	33.5	**13,203,844**	12,790,403	-
Sales incentives		**4,330,921**	20,965,232	13,481,660
Provision for loss on lost cylinders	11	**-**	24,290,486	-
Deficiency taxes		**-**	45,858	5,295,972
Miscellaneous		**63,355,992**	76,828,179	102,433,029
		P 93,329,352,985	P 84,580,715,117	P 42,552,132,480

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

	Note	2019	2018	2017
Cost of sales and services	23.2	**P 86,811,287,081**	P 78,838,964,820	P 38,345,104,529
Selling and administrative expenses		**6,518,065,904**	5,741,750,297	4,207,027,951
		P 93,329,352,985	P 84,580,715,117	P 42,552,132,480

25. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

25.1 Finance Costs

	Notes	2019	2018	2017
Interest expense on bank loans and other borrowings	18.5	**P 2,582,918,502**	P 1,376,994,786	P 780,917,196
Bank charges		**140,127,818**	54,113,374	16,779,298
Interest expense from lease liabilities	12.4	**80,990,270**	-	-
Foreign currency exchange losses – net		**18,882,435**	14,575,031	92,823
Interest expense from security deposits	22	**15,375,962**	3,564,480	6,341,824
Interest expense from post-employment defined benefit obligation – net	26.3	**-**	-	576,720
		P 2,838,294,987	P 1,449,247,671	P 804,707,861

25.2 Finance Income

	Notes	2019	2018	2017
Foreign currency exchange gains – net		**P 51,070,736**	P 37,007,589	P 37,832,533
Interest income from cash in banks	6	**30,008,994**	27,225,602	15,662,627
Interest income on amortization of rental deposits	17	**3,109,626**	2,761,638	2,711,436
Interest income from restricted deposits	9	**2,178,826**	1,437,706	106,880
Interest income on retirement benefits	26.3	**120,023**	1,148,645	-
Interest income from overdue trade receivables		**-**	1,796,910	-
Others		**107,585**	1,996,252	-
		P 86,595,790	P 73,374,342	P 56,313,476

26. EMPLOYEE BENEFITS

26.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2019**	2018	2017
Short-term benefits:				
Salaries and wages		**P 827,449,755**	P 673,553,312	P 323,104,897
Employee welfare and other benefits		**189,633,713**	103,315,524	63,959,232
13th month pay and bonuses		**57,299,929**	67,321,587	30,893,578
Post-employment defined benefit	26.3	**22,037,668**	16,848,732	9,327,496
Employee share options	26.2	**8,855,812**	7,243,666	11,589,866
	24	**P 1,105,276,877**	P 868,282,821	P 438,875,069

26.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income amounted to P8.9 million, P7.2 million, P11.6 million and P5.8 million in 2019, 2018 and 2017, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the consolidated statements of financial position. Other information related to the ESOP are presented in Note 30.7.

26.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

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

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

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2019 and 2018.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 22) in the consolidated statements of financial position, are determined as follow:

	2019	2018
Present value of obligation	**P 243,226,068**	P 169,428,265
Fair value of plan assets	**(184,478,289)**	(170,568,742)
Funded status	**58,747,779**	(1,140,477)
Effect of asset ceiling	**-**	1,911,687
	P 58,747,779	P 771,210

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

	2019	2018
Balance at beginning of year	**P 169,428,265**	P 123,569,725
Current service cost	**22,037,668**	16,848,732
Effect of business combination	**-**	3,664,685
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**41,582,356**	(32,969,509)
Changes in demographic assumptions	**834,124**	3,091,223
Experience adjustments	**33,621**	51,934,933
Benefits paid from plan assets	**(3,400,197)**	(4,036,824)
Interest expense	**12,710,231**	7,325,300
Balance at end of year	**P 243,226,068**	P 169,428,265

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

	2019	2018
Balance at beginning of year	**P 170,568,742**	P 122,023,565
Contributions to the plan	**-**	54,718,273
Benefits paid from plan assets	**(3,400,197)**	(4,036,824)
Interest income	**12,982,615**	8,473,945
Gain (loss) on plan assets (excluding amounts included in net interest)	**4,327,129**	(10,610,217)
Balance at end of year	**P 184,478,289**	P 170,568,742

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

	2019	2018
Cash and cash equivalents	**P 16,782,873**	P 14,929,101
Quoted equity securities:		
Holding	**4,900,000**	1,036,800
Property	**4,091,760**	7,374,000
Construction	**2,721,139**	2,658,740
Telecommunications	**2,130,000**	2,044,800
Manufacturing (Preferred)	**7,017,260**	1,799,780
	20,860,159	14,914,120
Government bonds	**58,784,525**	55,700,985
Unit investment trust funds (UITF)	**37,957,399**	68,001,187
Corporate Bonds	**49,171,013**	17,023,349
Others	**922,320**	-
	P 184,478,289	P 170,568,742

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), excluding UITF and certain Corporate bond amounting to P6.4 million and nil in 2019 and 2018, respectively (classified as Level 2 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	2019	2018	2017
Reported in profit or loss:				
Current service cost	26.1	**P 22,037,668**	P 16,848,732	P 9,327,496
Net interest expense (income)	25.1, 25.2	**(120,023)**	(1,148,645)	576,720
Settlement loss		**-**	-	3,582,092
		P 21,917,645	P 15,700,087	P 13,486,308
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Financial assumptions		**P 41,582,356**	(P 32,969,509)	(P 5,478,352)
Demographic assumptions		**834,124**	3,091,223	(355,175)
Experience adjustments		**33,621**	51,934,933	(5,001,689)
Return (loss) on plan assets (excluding amounts included in net interest expense)		**(2,560,261)**	10,610,217	(3,399,323)
Effect of asset ceiling		**-**	1,727,069	174,463
		P 39,889,840	P 34,393,933	(P 14,060,076)

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 23).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) (see Note 25.1).

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

	2019	2018	2017
Discount rates	**5.06% to 5.22%**	7.53% to 7.97%	5.70% to 5.82%
Expected rate of salary increases	**5.00%**	2.00% to 6.00%	5.00% to 6.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.1 and 20.0 for the Parent Company and PLPI, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risk

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(e) 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:

	2019		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**P 24,298,496**	**(P 20,982,932)**
Salary increase rate	**+/- 1.00%**	**24,089,410**	**(21,199,591)**

	2018		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 13,482,291)	P 15,252,253
Salary increase rate	+/- 1.00%	15,529,199	(13,461,468)

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.

(i) 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, 2019 and 2018 is allocated to market gains and losses and accrued receivables.

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2019, the plan is underfunded by P58.7 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 P13.3 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:

	2019	2018
Within one year	**P 21,109,357**	P 23,403,502
More than one year to five years	**86,856,520**	71,661,736
More than five years to ten years	**190,971,465**	149,066,180
	P 298,937,342	P 244,131,418

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

27. REGISTRATION WITH THE BOARD OF INVESTMENTS

The Parent Company and PLPI were registered with the Board of Investments (BOI) for certain terminal and facilities that entitled the entities certain tax and non-tax incentives. Terminal and facitlities registered with the BOI are as follows:

Note	Location of Project	Entity Registered	Date of Registration	Income Tax Holiday (ITH) Period	Expiry
27.1	Bacolod City	PPPI	May 10, 2012	5 Years	May 9, 2017
27.2	Cagayan De Oro City	PPPI	May 10, 2012	5 Years	May 9, 2017
27.3	Naga City, Cebu	PLPI	March 7, 2013	5 Years	March 6, 2018
27.4	Tayud, Consolacion	PPPI	Nov 24, 2017	5 Years	Nov 24, 2022
27.5	Calapan,Oriental Mindoro	PPPI	Sep 9, 2017	5 Years	Sep 9, 2022
27.6	Villanueva, Misamis Oriental	PPPI	Oct 12, 2017	5 Years	Oct 12, 2022
27.7	Calaca, Batangas Expansion	PPPI	Dec 22, 2017	5 Years	Dec 22, 2022
27.7	Calaca, Batangas Expansion 2	PPPI	April 3, 2019	5 Years	April 3, 2024
27.8	General Santos City	PPPI	March 14, 2019	5 Years	March 14, 2024

27.1 BOI Registration for New Investment – Bacolod Storage Terminal

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 Republic Act 8479, *Downstream Oil Industry Deregulation Act* (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.

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

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

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired on May 10, 2017.

27.3 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in no case earlier than the date of registration. The ITH for this terminal and storage facility expired on March 6, 2018.

27.4 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

27.5 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from October 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

27.6 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from November 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

27.7 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calaca, Batangas Oil Terminal with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from January 2018 or date of registration whichever is earlier but in no case earlier than the date of registration.

On April 3, 2019, the Parent Company has registered with BOI under Registration No. 2019-068 its expansion for the Bulk Marketing of Petroleum Products in Calaca, Batangas Terminal, which pertains to the additional one storage tank with capacity of 16.1 million liters. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to the additional one storage tank are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from April 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

27.8 BOI Registration for New Investment in General Santos City Oil Depot

On March 14, 2019, the Parent Company has registered with BOI under Registration No. 2019-051 its new project for the Bulk Marketing of Petroleum Products in General Santos City Oil Depot. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to General Santos City Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from March 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

As of December 31, 2019 and 2018, the Parent Company and PLPI have complied with the terms and conditions under their ITH registrations.

28. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income is presented below.

	2019	2018	2017
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 306,486,865**	P 723,376,187	P 558,801,190
Concessionary tax at 10.00%	**3,480,410**	-	-
Final tax at 20.00% and 7.50%	**2,495,031**	9,174,318	3,157,079
Minimum corporate income tax (MCIT) at 2.00%	**1,428,924**	12,308,333	1,657,937
	313,891,230	744,858,838	563,616,206
Deferred tax expense (income) relating to origination and reversal of temporary differences	**33,768,003**	(138,270,517)	(155,548,968)
	P 347,659,233	P 606,588,321	P 408,067,238
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**(P 31,647,040)**	P 355,635,633	P 4,218,023

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:

	2019	2018	2017
Tax on pretax profit at 30.00% and 17.00%	**P 599,910,093**	P 893,992,261	P 804,031,571
Adjustment for income subjected to lower income tax rates	**5,128,568**	(1,671,503)	(186,606,000)
Tax effects of:			
Adjustment for income and expenses under ITH	**(319,235,104)**	(353,339,769)	(190,713,945)
Non-deductible expenses	**98,250,449**	17,551,587	62,995,167
Non-taxable income	**(36,005,434)**	(7,656,113)	(2,732,284)
Share benefit expense on on exercised stock options	**(2,656,016)**	(2,533,289)	(2,528,710)
Reversal of MCIT	**2,266,677**	2,696,116	3,157,282
Unrecognized deferred tax asset	**-**	72,038,868	-
Recognition of previously unrecognized deferred tax asset on impairment losses	**-**	(16,415,482)	-
Reversal of net operating loss carry over (NOLCO)	**-**	1,881,501	2,761,014
Reversal of deferred tax liability on 2017 unrealized forex gain, realized in 2018	**-**	44,144	(83,181,314)
Derecognition of previously recognized deferred tax assets	**-**	-	884,457
Tax expense reported in consolidated statements of comprehensive income	**P 347,659,233**	P 606,588,321	P 408,067,238

The net deferred tax assets and liabilities as of December 31, 2019 and 2018 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2019	2018	**2019**	**2019**	2018	2017	**2019**	2018	2017
Deferred tax assets:									
Provision for losses on lost cylinders	**P 78,914,501**	P 78,914,501	**P -**	**P -**	P 7,287,145	P -	**P -**	P -	P -
Unamortized past service cost	**22,583,297**	33,066,105	**-**	**(10,482,808)**	25,335,330	1,600,550	**-**	-	-
Post-employment benefit obligation	**19,129,322**	587,075	**-**	**6,575,296**	(11,624,391)	(6,006,157)	**11,966,951**	10,318,180	(4,218,023)
NOLCO	**18,460,448**	1,570,632	**-**	**11,492,684**	(13,720,738)	4,116,765	**-**	-	-
Unrealized foreign currency loss – net	**10,484,099**	12,912,783	**-**	**(2,428,684)**	11,063,337	1,110,382	**-**	-	-
MCIT	**6,209,364**	6,967,764	**-**	**4,638,732**	347,035	(1,037,884)	**-**	-	-
Accrued rent expense	**-**	13,465,656	**-**	**(13,465,656)**	13,465,656	(2,593,275)	**-**	-	-
Others	**-**	-	**-**	**-**	(761,428)	(1,041,871)	**-**	-	-
	155,781,031	147,484,516	**-**	**(3,670,436)**	31,391,946	(3,851,490)	**11,966,951**	10,318,180	(4,218,023)
Deferred tax liabilities:									
Lease liability	**P 224,575,042**	P -	**P -**	**P 224,575,042**	P -	P -	**P -**	P -	P -
Fair value gains on investment property	**(472,357,724)**	(408,299,316)	**-**	**(42,764,656)**	(187,482,300)	(220,817,016)	**(21,293,752)**	-	-
Gain on revaluation of land	**(463,161,826)**	(365,953,813)	**(110,446,823)**	**35,559,049**	-	-	**(22,320,239)**	(365,953,813)	-
Right-of-use assets	**(202,536,021)**	-	**-**	**(202,536,021)**	-		**-**	-	-
Impairment losses on trade and other receivables	**198,825,527**	172,626,073	**-**	**26,199,454**	37,127,041	(3,955,666)	**-**	-	-
Accrued rent income	**(24,578,726)**	(13,987,805)	**-**	**(10,590,921)**	(3,145,841)	(10,106,110)	**-**	-	-
Unrealized foreign currency gains – net	**(9,164,871)**	(16,161,363)	**-**	**6,996,492**	(16,161,363)	83,181,314	**-**	-	-
	(748,398,599)	(631,776,224)	**(110,446,823)**	**37,438,439**	(169,662,463)	(151,697,478)	**(43,613,991)**	(365,953,813)	-
Net deferred tax asset (liability)	**(P 592,617,568)**	(P 484,291,708)	**(P 110,446,823)**						
Net deferred tax income (expense)				**P 33,768,003**	(P 138,270,517)	(P 155,548,968)	**(P 31,647,040)**	(P 355,635,633)	(P 4,218,023)

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
2019	P 58,778,118	P 17,633,435	2022
2017	2,756,710	827,013	2020
	P 61,534,828	P 18,460,448	

Except for foreign subsidiaries, which are governed by taxes as prescribed by tax authorities of the countries they are domiciled, the Group is subject to 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. MCIT was higher than RCIT for all the years presented for PGMI, PPMI and SPTT, respectively.

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

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2019	P -	P 1,428,924	P 1,428,924	P 1,428,924	2022
2018	-	3,113,011	3,113,011	3,113,011	2021
2017	-	1,667,430	1,667,430	1,667,430	2020
	P -	P 6,209,365	P 6,209,365	P 6,209,365	

In 2019, 2018 and 2017, the Group claimed itemized deductions in computing for its income tax due.

29. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions with its related parties as of December 31, 2019, 2018, and 2017 is presented in the next page.

Category	Related Party Notes	Amount of Transactions 2019	2018	2017	Outstanding Balance 2019	2018
Other related parties under common ownership						
Sale of subsidiaries	7,29.9	**P -**	P -	P -	**P 500,000,000**	500,000,000
Sale of goods	7,29.1	**7,480,791,892**	4,732,957,659	2,038,584,803	**4,207,636,773**	1,851,288,462
Sale of services	7,29.10	**686,538,216**	322,703,055	-	**714,935,482**	346,703,054
Purchase of goods	22,29.2	**3,438,172,675**	1,035,334,676	-	**34,074,046**	56,511,741
Purchase of services	20,29.2	**-**	352,010,893	115,202,871	**-**	2,467,366
Purchase of land	20,29.11	**-**	92,880,000	-	**-**	19,876,320
Advances to suppliers	7,29.2	**1,154,125,041**	115,305,467	-	**30,811,857**	115,305,467
Management fees	7,29.6	**281,173**	-	(2,139,028)	**86,614,907**	86,598,808
Rentals	20,29.3	**101,414,780**	104,531,407	41,194,056	**-**	5,774,879
Prepaid Rent		**9,362,671**	-	-	**-**	9,362,671
Advances for option to purchase properties	7,17,29.12	**(77,036,191)**	2,577,036,191	-	**2,500,000,000**	2,577,036,191
Due from related parties	29.4	**2,073,628**	421,266,746	(988,966,628)	**1,986,811**	939,271,644
Donations	24,29.13	**8,825,000**	30,610,000	-	**-**	-
Ultimate parent						
Advances to suppliers	17,29.2	**950,752,328**	742,356,217	13,456,176	**1,651,621,799**	1,167,194,841
Lease liability	12,24,25.1,29.3	**167,656,447**	-	-	**167,656,447**	-
Rentals	20,29.3	**-**	7,106,449	1,101,775	**-**	-
Sale of services	7,29.10	**443,569,686**	100,000,000	-	**497,082,768**	112,000,000
Sale of goods	7,29.1	**795,636**	392,022	-	**-**	126,897
Key management personnel						
Salaries and Employee benefits	24,29.7	**264,741,615**	258,103,179	80,182,994	**-**	-

29.1 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. In 2018, as a result of adoption of PFRS 9, allowance for impairment losses for trade receivables from related parties that is charged to opening retained earnings amounted to P17.2 million (see Notes 4.3 and 7). No additional impairment loss was recognized in 2019 based on management's assessment.

29.2 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 20). 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). Certain advances to the Group's ultimate parent were also made for the purchase of properties and is presented as Advances to Supplier under other non-current assets in the consolidated statements of financial position (see Note 17). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

29.3 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 2019, 2018 and 2017 amounted to nil, P7.1 million and P1.1 million, respectively. Refundable rental deposits amounted to P0.77 million and nil as of December 31, 2019 and 2018, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

(b) Udenna Land, Inc. (ULI) – of which total rent expense in the years 2019, 2018 and 2017 amounted to nil, P7.2 million and P6.3 million, respectively. Prepaid rent amounted to nil and P1.3 million in 2019 and 2018, respectively (see Note 10). Rental deposit for the lease amounted to P6.7 million and P6.5 million as of December 31, 2019 and 2018, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

(c) Valueleases, Inc. (VLI) – of which total rent expense on short-term leases in the years 2019, 2018 and 2017 amounted to P78.4 million, P72.4 million and P34.9 million, respectively. Prepaid rent amounted to P9.3 million and P17.8 million in 2019 and 2018, respectively (see Note 10). Refundable rental deposits amounted to P21.1 million and P19.0 million as of December 31, 2019 and 2018, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 24) and the related outstanding rent payables for ULI 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 20).

In 2019, PFM entered into lease agreement with Udenna Corporation for 15 years. PFM recognized lease liability of P164.5 million at initial recognition. PFM also recognized depreciation expense and interest expense amounting to P4.6 million and P4.5 million, respectively (see Notes 12, 24 and 25.1).

29.4 Due from Related Parties

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

As of December 31, 2019 and 2018, the outstanding receivable from related parties are shown as Due from Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	**2019**	2018
PAPI		**P 1,979,538**	P 5,241,248
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**94,089**	58,118
Calaca Industrial Seaport Corp. (CISC)		**-**	933,096,022
Galaxi Petroleum Fuels, Inc.		**-**	876,256
Udenna Corporation		**-**	540,810
		2,073,627	939,812,454
Allowance for impairment	4.2(*b*)	**(86,816)**	(1,908,282)
		P 1,986,811	P 937,904,172

The movement of Due from Related Parties as of December 31 is as follows:

	Notes	2019	2018
Balance at beginning of year		**P 937,904,172**	P 516,096,616
Reclassification	7	**(933,096,022)**	(77,018,291)
Collections		**(6,716,432)**	(25,952,983)
Additions		**2,073,627**	524,778,830
Recovery of bad debts		**1,908,282**	-
Impairment loss for the year	24	**(86,816)**	-
Balance at end of year		**P 1,986,811**	P 937,904,172

29.5 Loan Collaterals

The TLA with DBP, OLSA with BDO and PBComm, loan agreement with HSBC and CBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 9).

29.6 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7) and are unsecured, non-interest bearing, payable on demand and normally settled in cash.

29.7 Key Management Compensations

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

	2019	2018	2017
Salaries and wages	**P 209,333,343**	P 215,217,266	P 59,621,546
13th month pay and bonuses	**21,772,957**	17,622,482	5,488,660
Honoraria and allowances	**13,110,558**	13,192,196	6,242,372
Post-employment benefits	**16,794,233**	8,494,913	3,623,132
Share-based payment	**3,730,524**	3,576,322	5,207,284
	P 264,741,615	P 258,103,179	P 80,182,994

29.8 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, 2019 and 2018 is shown in Note 26.3. As of December 31, 2019 and 2018, the retirement plan has no investment in shares of stocks of the Parent Company and other listed related parties.

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 26.3.

29.9 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC), and in CISC to Udenna Land, Inc. (ULI). Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million is still receivable as of both December 31, 2019 and 2018. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2019 and 2018 consolidated statement of financial position (see Note 7).

29.10 Sale of Service

In 2019 and 2018, the Group entered into a service agreement with certain related parties to temporarily operate and manage the related parties' operations. Total service income recognized in 2019 and 2018 amounted to P686.5 million and P337.5 million, respectively. The outstanding balance from services rendered to related parties amounted to P1.3 billion and P458.7 million in 2019 and 2018, respectively.

The service income is presented as part of Fuel Service and Other Revenues in the consolidated statements of comprehensive income and the related outstanding receivables are presented as part of Non-Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position (Note 7). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

29.11 Purchase of Land

In 2018, the Group acquired land from CISC amounting to P92.9 million, with outstanding balance of P19.9 million presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (Note 20). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash. The amount was settled in 2019.

29.12 Advances for Option to Purchase Properties

In 2018, the Group entered into reservation agreements with a one-year option period with Global Gateway Development Corporation (GGDC) and Udenna Tower Corporation (UTOWCO) for option to purchase leasehold rights and properties, respectively. The consideration paid for GGDC and UTOWCO amounted to P2,322.7 million and P254.2 million, respectively. The payments made are creditable to the payment of the purchase price of the leasehold rights and properties in the event that a Contract of Sublease covering the purchase of the sublease rights of the properties is executed or returned or refunded to the Group in the event that the referenced Contract of Sublease is not executed within the option period. The related advances are presented as part of Advances to Suppliers under Trade and Other Receivables in the 2018 consolidated statement of financial position (see Note 7).

In 2019, the option to purchase properties remained unexercised. Accordingly, this was reclassified to Other Non-current Assets in the 2019 consolidated statement of financial position (see Note 17).

29.13 Others

The Group granted P8.8 million and P30.6 million donations to Udenna Foundation, Inc. in 2019 and 2018, respectively. These are presented as part of Donations and Contributions under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 24).

30. EQUITY

30.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2019	2018	2017	**2019**	2018	2017
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**32,000,000**	30,000,000	30,000,000	**32,000,000**	P 30,000,000	P 30,000,000
Issuance during the year	**7,000,000**	2,000,000	-	**7,000,000**	2,000,000	-
Redemption	**(2,000,000)**	-	-	**(2,000,000)**	-	-
Balance at end of year	**37,000,000**	32,000,000	30,000,000	**37,000,000**	32,000,000	30,000,000
Treasury shares						
Balance at beginning of year	**(10,000,000)**	(5,000,000)	(5,000,000)	**(10,000,000)**	(5,000,000)	(5,000,000)
Redemption	**-**	(5,000,000)	-	**-**	(5,000,000)	-
Balance at end of year	**(10,000,000)**	(10,000,000)	(5,000,000)	**(10,000,000)**	(10,000,000)	(5,000,000)
Issued and outstanding	**27,000,000**	22,000,000	25,000,000	**P 27,000,000**	P 22,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning of year	**1,434,304,232**	1,431,538,232	1,428,777,232	**P1,434,304,232**	P1,431,538,232	P1,428,777,232
Issuance during the year	**2,900,000**	2,766,000	2,761,000	**2,900,000**	2,766,000	2,761,000
Balance at end of year	**1,437,204,232**	1,434,304,232	1,431,538,232	**1,437,204,232**	1,434,304,232	1,431,538,232
Treasury shares	**(31,000,000)**	(31,000,000)	-	**(344,300,000)**	(344,300,000)	-
Issued and outstanding	**1,406,204,232**	1,403,304,232	1,431,538,232	**P1,092,904,232**	P1,090,004,232	P1,431,538,232
				P1,119,904,232	P1,112,004,232	P1,456,538,232

(a) On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

(b) In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

(c) In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 30.4).

(d) In 2018, the Parent Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

(e) On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 (1st and 2nd tranche) and re-issued the same amount of P5.0 million (5.0 million shares at P1 par value).

The preferred shares shall have the following features as provided in the subscription agreement:

- Non-convertible into common shares;

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

- 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,

- 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.

- Dividends on the preferred shares shall have a fixed rate of 8.25% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

- Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall 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.

- 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 debt to equity ratio of 3:1 throughout the life of the preferred shares. The Parent Company complied with this requirement in all applicable years presented.

(f) On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 30.2).

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

Dividend rates:	PNX3A	7.43% per annum
	PNX3B	8.11% per annum
Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	

The subscription agreement does not include financial, affirmative and negative covenants.

(g) On December 3, 2018, the Parent Company entered into a Subscription Agreement for a perpetual preferred shares with RCBC Capital Corporation, which was taken from the unissued portion of the authorized capital stock of the Parent Company. The preferred shares with the same features under Note 28.1*(e)* were issued on December 5, 2018. The issuance was by way of private placement of P2,000.0 million, consisting of 2,000.0 million preferred shares at an offered price of P1,000.0 per share. Initial dividend rate is at 8.25% per annum. The subscription agreement does not include financial, affirmative and negative covenants.

(h) On November 7, 2019, the Parent Company issued and listed its 7.0 million perpetual preferred shares (P1.0 par value) Series 4 with the PSE. The preferred shares' offer price is P1,000.00 per share and issued to various subscribers (see Note 30.2).

The Series 4 of preferred shares have the same features with the 3 tranches of preferred shares except for the following:

Dividend rates:	PNX4	7.5673% per annum (Initial dividend rate)
	Unless the preferred shares are redeemed by the Parent Company on the 3rd anniversary of the issue date, the applicable dividend rate shall be adjusted to the higher of the initial dividend rate and the simple average of the yield designated as "Final BVAL YTM" for the 7-year Republic of the Philippines peso-denominated domestic government bonds, for three (3) business days immediately preceding (and including) the 3rd anniversary of the issue date plus 850 basis points.	
Dividend payment dates:	Dividends shall be payable on February 7, May 7, August 7 and November 7 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	

The subscription agreement does not include financial, affirmative and negative covenants.

30.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 30.1).

On November 7, 2019, the Parent Company has listed its Series 4 preferred shares with the PSE (see Note 30.1).

The market prices of the shares as of December 31 are as follows:

	2019	2018	2017
PNX (Common)	**P 11.94**	P 10.74	P 12.88
PNX 3A (Preferred)	**100.60**	100.00	103.70
PNX 3B (Preferred)	**106.70**	102.00	108.80
PNX 4 (Preferred)	**1,022.00**	-	-

30.3 Track Registration of Shares

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

	2019	2018	2017
Common	**62**	66	60
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	5
d) PNX 3B	**4**	4	4
e) PNX 4	**3**	-	-

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

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		**2,550,000,000**				**P1,436,248,632**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,436,248,632**
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		**2,550,000,000**			**P1,406,233,932**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,406,233,932**
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Amounts carried forward)		**2,550,000,000**			**P1,456,538,232**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000				P1,456,538,232
Issuance	Common		1		5/23/2018	73,000
Issuance	Common		1		6/30/2018	2,128,000
Redeemed treasury shares	Common		1		9/12/2018	(25,000,000)
Issuance	Common		1		9/30/2018	447,000
Redeemed treasury shares	Common		1		11/21/2018	(3,500,000)
Redeemed treasury shares	Common		1		11/21/2018	(2,500,000)
Issuance	Preferred		1	Par value	12/5/2018	2,000,000
			1,000	Issue price		
Issuance	Common		1		12/31/2018	118,000
Redeemed treasury shares	Treasury Shares		1		12/20/2018	(5,000,000)
Issuance	Common		1	Par value	7/1/2019	2,572,000
Redeemed treasury shares	Preferred		1	Par value	8/15/2019	(500,000)
			1,000	Issue price		
Issuance	Common		1	Par value	11/4/2019	328,000
Redeemed treasury shares	Preferred		1	Par value	11/6/2019	(1,500,000)
			1,000	Issue price		
Issuance	Preferred		1	Par value	11/8/2019	7,000,000
			1,000	Issue price		
Total		2,550,000,000				P1,433,204,232

30.4 Additional Paid-in Capital

In 2019, the Parent Company issued 7.0 million of its preferred shares at P1,000.00 per share. Premiums received in excess of the par value amounting to P6,784.7 million, net of stock issue cost of P208.3 million, were recorded as part of Additional Paid-in Capital account in the 2019 consolidated statement of financial position. In addition, the Parent Company also redeemed 2.0 million shares at P1,000.0 per share for a total consideration paid of P2,000.0 million. The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P1,998.0 million.

In 2019, the Parent Company issued 2.9 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P22.4 million (Notes 30.1 and 30.7). The fair value of stock options exercised in 2019, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.9 million, which is computed at P3.05 per stock option.

In 2018, the Parent Company issued 2.0 million of its preferred shares at P1,000.0 per share. Premiums received in excess of the par value amounting to P1,998.0 million were recorded as part of Additional Paid-in Capital account in the 2018 consolidated statement of financial position. In addition, the Parent Company also redeemed 5,000.0 million shares at P100.0 per share for a total consideration paid of P500.0 million. The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P495.0 million.

In 2018 and 2017, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P21.4 million and P12.9 million, respectively (see Notes 30.1 and 30.7). The fair value of stock options exercised in 2018 and 2017, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.4 million, which is computed at P3.05 per stock option.

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 30.1).

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

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

In 2012, the Parent Company issued 171.3 million shares in favor of Udenna Management and Resources Corporation (UMRC) in relation to the share-for-share swap acquisition of Chelsea Shipping Corporation (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.

30.5 Revaluation Reserves

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

	Revaluation of Land	Actuarial Gain or Loss on Defined Benefit Obligation	Accumulated Translation Adjustment	Total
Balance as of January 1, 2019				
As previously reported	P 853,892,230	(P 26,381,802)	P -	P 827,510,428
Prior period adjustment [see Note 2.1*(b)*]	-	-	24,928,394	24,928,394
As restated	853,892,230	(26,381,802)	24,928,394	852,438,822
Revaluation increment	145,379,972	-	-	145,379,972
Remeasurements of post-employment defined benefit obligation	-	(39,889,840)	-	(39,889,840)
Translation adjustment	-	-	(69,712,613)	(69,712,613)
Tax income (expense)	(43,613,991)	11,966,951	-	(31,647,040)
Other comprehensive income (loss) after tax	101,765,981	(27,922,889)	(69,712,613)	4,130,479
Transfer to retained earnings due to change in the use of land (see Notes 11 and 16)	(49,685,423)	-	-	(49,685,423)
Translation adjustment attributable to non-controlling interests	-	-	(14,903)	(14,903)
	(49,685,423)	-	(14,903)	(49,700,326)
Balance as of December 31, 2019	**P 905,972,788**	**(P 54,304,691)**	**(P 44,799,122)**	**P 806,868,975**

	Revaluation of Land	Actuarial Gain or Loss on Defined Benefit Obligation	Accumulated Translation Adjustment	Total
Balance as of January 1, 2018				
As previously reported	P -	(P 2,306,049)	P -	(P 2,306,049)
Prior period adjustment [see Note 2.1*(b)*]	-	-	(3,791,486)	(3,791,486)
As restated	-	(2,306,049)	(3,791,486)	(6,097,535)
Revaluation increment	1,219,846,043	-	-	1,219,846,043
Remeasurements of post-employment defined benefit obligation	-	(34,393,933)	-	(34,393,933)
Translation adjustment	-	-	28,719,880	28,719,880
Tax income (expense)	(365,953,813)	10,318,180	-	(355,635,633)
Other comprehensive income (loss) after tax	853,892,230	(24,075,753)	28,719,880	858,536,357
Balance as of December 31, 2018	P 853,892,230	(P 26,381,802)	P 24,928,394	P 852,438,822
Balance as of January 1, 2017	P -	(P 12,148,102)	P -	(P 12,148,102)
Remeasurements of post-employment defined benefit obligation	-	14,060,076	-	14,060,076
Translation adjustment	-	-	(3,791,486)	(3,791,486)
Tax expense	-	(4,218,023)	-	(4,218,023)
Other comprehensive income (loss) after tax	-	9,842,053	(3,791,486)	6,050,567
Balance as of December 31, 2017	P -	(P 2,306,049)	(P 3,791,486)	(P 6,097,535)

30.6 Retained Earnings

On March 14, 2019, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 15 centavos per share totalling to P210.5 million, record date of April 8, 2019. A total of P312.5 million cash dividends were also declared and distributed to 2nd and 3rd tranche, and private placement preferred stockholders in 2019. No stock dividends were declared and distributed in 2019.

On January 26, 2018, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 15 centavos per share totalling to P214.7 million, record date of April 2, 2018. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2018. No stock dividends were declared and distributed in 2018.

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

30.7 ESOP

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Group's shares over a period of time consistent with the option life.

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P8.9 million, P7.2 million and P11.6 million share-based executive compensation is recognized in 2019, 2018 and 2017, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2019, 2018 and 2017 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

30.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

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

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

	2019	2018
Total liabilities	**P 65,034,622,017**	P 48,846,319,163
Total equity	**21,922,755,249**	15,973,672,857
Debt-to-equity ratio	**3.0 : 1.0**	3.0 : 1.0

The increase of the total assets and liabilities in 2019 is due to: 1) the business combination, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired; 2) increase in interest-bearing loans and borrowings utilized for the acquisition; and, 3) impact on adoption of PFRS 16, leases, where the Group recognized right-of-use assets and the related lease liabilities. The increase in equity is due to the issuance of the Parent Company's fourth series of (PNX 4) preference shares, the net effect business combination, revaluation of land under Property, Plant and Equipment and appraisal of its investment properties, and the net profit in 2018 less the cash dividend declared and paid during the period for common shares.

The Group's goal in capital management is to maintain a debt-to-equity structure ratio that is in line with the Group's covenants related to its bank borrowings.

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.

31. EARNINGS PER SHARE

EPS were computed as follows:

	2019	2018	2017
a) Net profit pertaining to common shares	**P 853,982,096**	P 2,455,907,552	P 1,521,422,847
b) Net profit attributable to common shares and potential common shares	**853,982,096**	2,455,907,552	1,521,422,847
c) Weighted average number of outstanding common shares	**1,404,437,174**	1,424,576,265	1,372,487,454
d) Weighted average number of outstanding common and potential common shares	**1,405,612,929**	1,426,593,300	1,377,270,489
Basic EPS (a/c)	**P 0.61**	P 1.72	P 1.11
Diluted EPS (b/d)	**P 0.61**	P 1.72	P 1.10

The potential dilutive common shares totalling 1,175,755, 2,017,035 and 4,783,035 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2019, 2018 and 2017.

32. SEGMENT REPORTING

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

32.2 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.

32.3 Intersegment Transactions

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

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2019 and 2018 and certain asset and liability information regarding industry segments as of December 31, 2019 and 2018 (in thousands).

	Sale of Goods			Fuel Service and Other Revenue								
	Trading			Depot and Logistics			Real Estate			Total		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
TOTAL REVENUES												
Sales to external customers	**P 96,501,653**	P 87,672,723	P 44,148,952	**P 1,205,745**	P 824,182	P 301,403	**P 115,711**	P 113,863	P 92,627	**P 97,823,109**	P 88,610,768	P 44,542,982
Intersegment sales	**42,720,298**	20,139,519	4,180,373	**333,355**	209,985	-	**18,519**	16,721	22,338	**43,072,172**	20,366,225	4,202,711
Total revenues	**139,221,951**	107,812,242	48,329,325	**1,539,100**	1,034,167	301,403	**134,230**	130,584	114,965	**140,895,281**	108,976,993	48,745,693
COSTS AND OTHER OPERATING EXPENSES												
Cost of sales and services excluding depreciation and amortization	**134,268,949**	102,895,593	45,419,830	**674,835**	958,174	437,631	**20,882**	36,424	46,303	**134,964,666**	103,890,191	45,903,764
Depreciation and amortization	**1,429,361**	1,047,919	841,340	**6,849**	8,130	9,040	**649**	700	700	**1,436,859**	1,056,749	851,080
	135,698,310	103,943,557	46,261,170	**681,684**	966,304	446,671	**21,531**	37,124	47,003	**136,401,525**	104,946,940	46,754,844
SEGMENT OPERATING PROFIT (LOSS)	**P 3,523,641**	P 3,868,685	P 2,068,155	**P 857,416**	P 67,863	(P 145,268)	**P 112,699**	P 93,460	P 67,962	**P 4,493,756**	P 4,030,053	P 1,990,849
ASSETS AND LIABILITIES												
Segment assets	**P 99,840,747**	P 70,099,484		**P 567,205**	P 564,287		**P 1,421,142**	P 415,081		**P 101,829,094**	P 71,078,852	
Segment liabilities	**73,370,565**	51,410,451		**416,632**	421,481		**1,312,806**	318,206		**75,100,003**	52,150,138	
OTHER SEGMENT INFORMATION												
Interest expense	**P 2,582,919**	P 1,376,995	P 780,917	**P -**	P -	P -	**P 80,990**	P -	P -	**P 2,663,909**	P 1,376,995	P 780,917
Interest income	**32,307**	28,663	15,770	**-**	-	-	**3,110**	2,762	2,711	**35,417**	31,425	18,481
Income tax expense	**338,042**	600,167	404,457	4,310	5,642	2,761	**5,307**	779	849	**347,659**	606,588	408,067
Equity share in net income of joint venture	**16,510**	7,342	-	**-**	-	-	**-**	-	-	**16,510**	7,342	-
Fair value loss on financial liabilities at FVTPL	**464,161**	-	-	-	-	-	-	-	-	**464,161**	-	-

32.1 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).

	2019	2018	2017
Revenues			
Total segment revenues	**P 140,895,281**	P 108,976,993	P 48,745,693
Elimination of intersegment revenues	**(43,072,172)**	(20,366,225)	(4,202,711)
Revenues as reported in profit or loss	**P 97,823,109**	P 88,610,768	P 44,542,982
Profit or loss			
Segment operating profit	**P 4,493,756**	P 4,030,053	P 1,990,849
Fair value on investment property	**71,570**	624,941	-
Equity share in net income of joint venture	**16,510**	7,342	-
Excess of fair value of net assets acquired over acquisition costs	**-**	-	650,182
Other unallocated income	**12,100**	87,267	36,853
Operating profit as reported in profit or loss	**4,593,936**	4,749,603	2,677,884
Finance costs	**(2,838,295)**	(1,449,248)	(804,708)
Finance income	**86,596**	73,375	56,313
Profit before tax as reported in profit or loss	**P 1,842,237**	P 3,373,730	P 1,929,490
Assets			
Segment assets	**P 101,829,094**	P 71,078,852	
Right-of-use assets – net	**1,142,726**	-	
Deferred tax assets – net	**155,781**	147,485	
Elimination of intercompany accounts	**(16,170,224)**	(6,566,058)	
Total assets reported in the consolidated statements of financial position	**P 86,957,377**	P 64,660,279	
Liabilities			
Segment liabilities	**P 75,100,003**	P 52,150,138	
Lease liabilities	**1,096,852**	-	
Deferred tax liabilities – net	**748,399**	631,776	
Elimination of intercompany accounts	**(11,910,632)**	(4,095,308)	
Total liabilities as reported in the consolidated statements of financial position	**P 65,034,622**	P 48,686,606	

32.2 Geographical Segments

The Group has identified three geographical areas as operating segments, which represent the location of the Group's operations in 2019. The Group is operating in the Philippines, Singapore and Vietnam. In 2018 and 2017, the Group assessed that geographical segments other than the Philippines are not significant and relevant to present separately.

Presented below are the reportable geographical segments of the Group (in thousands) in 2019.

	Philippines	Singapore	Vietnam	Total
TOTAL REVENUES				
Sales to external customers	P 71,800,534	P 24,059,656	P 1,962,919	P 97,823,109
Intersegment sales	496,997	42,575,175	-	43,072,172
Total revenues	72,297,531	66,634,831	1,962,919	140,895,281
COSTS AND OTHER OPERATING EXPENSES				
Cost of sales and services excluding depreciation and amortization	24,234,193	109,153,582	1,576,891	134,964,666
Depreciation and amortization	1,265,861	106,909	64,089	1,436,859
	25,500,054	109,260,491	1,640,980	136,401,525
SEGMENT OPERATING PROFIT (LOSS)	**P 46,797,477**	**(P 42,625,660)**	**P 321,939**	**P 4,493,756**
ASSETS AND LIABILITIES				
Segment assets	P 87,300,573	P 13,026,609	P 1,501,912	P 101,829,094
Segment liabilities	62,476,882	11,283,239	1,339,882	75,100,003

33. COMMITMENTS AND CONTINGENCIES

33.1 Capital Commitments

As of December 31, 2019, the Group has commitments of more than P6,000.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 655 operating retail service stations as of December 31, 2019. An additional of 55 retail service stations are under various stages of completion as of December 31, 2019.

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.

In addition, in view of PLPI's development and innovation to provide legal, safer and cheaper alternative to the LPG refilled butane canisters, PLPI has entered in 2018 a purchase contract of around P100.0 million capital commitments to purchase Refillable Welded Stainless Steel (RWSS) LPG cylinders. Further, starting 2017, PLPI has about P1.0 billion commitments for purchase of LPG cylinders to augment its current operations and re-establish its market in the Luzon areas.

33.2 Unused LCs

As of December 31, 2019 and December 31, 2018, the Parent Company has unused LCs amounting to P12,620.2 million and P17,111.3 million, respectively (see Note 18.4).

33.3 Operating Lease Commitments – Group as Lessee (2018)

The Group is a lessee under several operating leases. The leases have terms ranging from 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases as of December 31, 2018 are presented as follows:

Within one year	P 502,525,573
After one year but not more than five years	1,714,046,926
More than five years	2,376,914,724
	P 4,593,487,223

Total rent expense for the years 2018 and 2017 amounted to P865.9 million and P654.1 million, respectively (see Note 24).

33.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2019	2018
Within one year	**P 121,127,284**	P 97,563,919
After one year but not more than five years	**255,243,357**	135,545,769
More than five years	**70,121,251**	3,545,631
	P 446,491,892	P 236,655,319

Rent income in 2019, 2018 and 2017 amounting to P115.7 million, P113.9 million and P92.6 million, respectively, is presented as Rent Income in the consolidated statements of comprehensive income.

Rent income recognized in 2019 on lease of investment properties and sublease of right-of-use assets amounted to P20.2 million and P95.5 million, respectively. No impairment on right-of-use assets related to subleased properties were recognized in 2019.

33.5 PFM's Franchise

(a) PFM as Franchisee

PFM has area franchise agreement with FamilyMart Co. Ltd., whereby the latter will grant exclusive rights to the PFM for operating the FamilyMart stores in the Philippines as an Area Franchisor using the FamilyMart System for a period of ten years and six months, renewable at the option of the PFM. The agreement provides for an initial franchise fee of US$1.0 million and royalty fees amounting to 1.00% of gross sales, exclusive of VAT, of all FamilyMart stores computed at the end of every month. On January 2, 2013, the PFM paid the initial franchise fee amounting to P41.1 million.

On December 11, 2017, as part of the acquisition of PFM by the Parent Company, the franchise agreement was renewed for ten years starting on the date of renewal at no additional cost to PFM. As of December 31, 2018, the carrying value of the franchise fee amounted to P18.5 million and is presented as part of Intangible Assets in the 2018 consolidated statement of financial position (see Note 13).

Royalty expense recognized by PFM in 2019 and 2018, amounted to P13.21 million P12.79 million, and is presented under Selling and Administrative Expenses in the 2019 and 2018 consolidated statements of comprehensive income (see Note 24). As of December 31, 2019, PFM recognized royalty payable amounting to P1.1 million as part of Others under Trade and Other Payables in the 2019 consolidated statement of comprehensive income (see Note 20). There are no outstanding payable in 2018 relating to the royalty.

(b) PFM as Franchisor

In December 2014, PFM started entering into franchise agreements whereby, as an Area Franchisor, PFM grants exclusive rights to qualified persons and entities (Franchisees) to own and operate FamilyMart stores at locations in the Philippines approved by it. The agreement is for a term of five years unless earlier terminated by either party and provides for a one-time franchise fee plus monthly royalties to PFM equivalent to a percentage of gross profit. Cash receipts of the franchised stores from merchandise sales are initially deposited to PFM. Deductions are made from this fund for the cost of merchandise sales, share of PFM on the store's monthly gross profit and other costs. The remaining balance is subsequently remitted to the franchisees.

One-time franchise fees, which pertain to the initial investment of the franchisees are also presented as part of Non-trade Payables under Trade and Other Payables in the 2018 consolidated statement of financial position until PFM has performed initial services as franchisor as agreed under the agreement. As of December 31, 2019, there are no outstanding liabilities. Revenues from franchise fees in 2019 and 2018 amounted to P64.6 million and P56.0 million, respectively, and is presented as part of Fuel service and other revenues in the consolidated statements of comprehensive income with the corresponding outstanding receivable from the franchisees amounting to P14.7 million, presented as part of Non-trade Receivables under Trade and Other Receivables in the 2019 consolidated financial statements.

33.6 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and its results of operations.

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

(b) 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.

(c) On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated July 25, 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the Supreme Court (SC), seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the SC, Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(d) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(e) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(f) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

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

(h) The Parent Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

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

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2019 and 2018, 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.

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

34.1 Assignment and Transfer of Retail Stations to PPMI

On January 27, 2020, the BOD of the Parent Company authorized the management to assign and transfer 72 Company-Owned Dealer-Operated (CODO) retail stations worth P700.0 million from the Parent Company to PPMI as part of additional investment in PPMI.

34.2 Subsequent Recognition of Settlement Gains on Purchases subject to Hedge Instruments

In January 2020, PNX SG recognized P166.6 million forward contract settlement gains in relation to the fair value loss on derivative financial instrument recognized by PNX SG for the month of December 2019 amounting to P88.0 million. This pertain to purchases and sale transactions of PNX SG of 20,149 metric tons of LPG to third parties.

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Report of Independent Auditors on Components of Financial Soundness Indicators

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated February 28, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8116551, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 28, 2020

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
December 31, 2019

Ratio	Formula	Ratio 2019	Ratio 2018
Current Ratio	Current Assets / Current Liabilities	**0.84**	**1.10**
Acid test ratio	Cash and cash equivalents + Trade and other receivables - net + Due from related parties / Current Liabities	**0.51**	**0.70**
Cash Ratio	Cash and Cash Equivalents / Current Liablities	**0.19**	**0.23**
Solvency Ratio	After Tax Net Profit + Depreciation / Long term liabilities + Short term Liabilities	**0.05**	**0.08**
Debt to Equity Ratio	Total Liabilities / Equity	**2.97**	**3.05**
Debt Service Coverage Ratio	Net Operating Income / Net Interest Expense + Long-term repayments	**1.16**	**1.63**
Asset to Equity Ratio	Total Assets / Equity	**3.99**	**4.06**
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	**1.71**	**3.45**
Gross Profit Margin	Sales - Cost of Goods Sold / Sales	**0.11**	**0.11**
Return on Assets	Net Income / Total Assets	**0.02**	**0.04**
Return on Equity	Net Income / Equity	**0.07**	**0.17**

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Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated February 28, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8116551, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 28, 2020

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
List of Supplementary Information
December 31, 2019

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2019

Description	***Carrying Value***		***Fair Value***	
Loans and receivables:				
Cash and cash equivalents	P	9,810,770,115	P	9,810,770,115
Trade and other receivables - net		15,617,098,103		15,617,098,103
Due from related parties		1,986,811		1,986,811
Construction bond		6,727,753		6,727,753
Restricted deposits		54,462,326		54,462,326
Refundable rental deposits		323,634,283		323,634,283
	P	**25,814,679,391**	**P**	**25,814,679,391**

Notes:
1) There are no other financial assets applicable to the Group, except for loans and receivables.
2) Trade and other receivables excludes advances to suppliers and advances to subject to liquidation.
3) Construction bond is included as part of Others under Prepayments and Other Current Assets.
4) Net of allowance for impairment losses of P655,639,182.

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

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2019

					Ending Balance		
Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Reclassification*	*Current*	*Non-current*	*Balance at end of period*
Calaca Industrial Seaport Corporation	P 933,096,022	P -	P -	(P 933,096,022)	P -	P -	P -
P-H-O-E-N-I-X Philippines Foundation, Inc.	58,118	94,090	(58,118)	-	94,090	-	94,090
Phoenix Asphalt Philippines, Inc.	5,241,248	1,979,538	(5,241,248)	-	1,979,538	-	1,979,538
Galaxi Petroleum Fuels, Inc.	876,256	-	(876,256)	-	-	-	-
Udenna Corporation	540,810	-	(540,810)	-	-	-	-
	P 939,812,454	**P 2,073,627**	**(P 6,716,432)**	**(P 933,096,022)**	**P 2,073,627**	**P -**	**P 2,073,627**

Notes:
1) There are no amounts written-off. However, allowance for impairment of P86,816 was recognized. Balance at end of period net of allowance for impairment losses amounted to P1,986,810.
2) All are related parties under common ownership except for Udenna Corporation, which is the Ultimate Parent Company.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
December 31, 2019

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Set-off and Adjustments	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.								
Advances to subsidiaries/parent	P-H-O-E-N-I-X Global Mercantile, Inc.	P 28,846,863	P 21,370,735	P -	P 25,833,140	P 24,384,458	P -	P 24,384,458
	PFL Petroleum Management, Inc.	435,701,685	1,678,237,329	18,905,540	390,225,000	1,704,808,474	-	1,704,808,474
	Subic Petroleum Trading and Transport Phils., Inc.	1,246,786,873	2,967,902,092	2,898,276,100	-	1,316,412,865	-	1,316,412,865
	PNX Petroleum Singapore, PTE Ltd.	24,442,898		24,442,898	-	-	-	-
	DUTA, Inc.	267,349,103	971,142,857	2,180,648	-	1,236,311,312	-	1,236,311,312
	Phoenix LPG Philippines, Inc.	55,152,138	20,191,729	45,063,886	-	30,279,981	-	30,279,981
	Action.Able, Inc.	198,892,712	177,157,030	35,320,566	-	340,729,176	-	340,729,176
	Philippine Familymart CVS, Inc.	692,498,930	222,869,692	1,042,247	-	914,326,375	-	914,326,375
	Phoenix Pilipinas Gas and Power, Inc.	-	300,100,000.00	-	-	300,100,000	-	300,100,000
		P 2,949,671,202	**P 6,358,971,464**	**P 3,025,231,886**	**P 416,058,140**	**P 5,867,352,640**	**P -**	**P 5,867,352,641**
P-H-O-E-N-I-X Petroleum Philippines, Inc.								
Trade and Other Receivables	P-H-O-E-N-I-X Global Mercantile, Inc.	P 6,015,926	P 1,313,581	P -	P -	P 7,329,507	P -	P 7,329,507
	PFL Petroleum Management, Inc.	14,299,648	86,435,630	88,185,654	-	12,549,624	-	12,549,624
	Phoenix LPG Philippines, Inc.	161,417,629	212,949,986	154,248,973	-	220,118,642	-	220,118,642
	PNX Petroleum Singapore, PTE Ltd.	97,261,125	-	97,261,125	-	-	-	-
	Philippine Familymart CVS, Inc.	58,122	2,629,900	23,050	-	2,664,972	-	2,664,972
	Action.Able, Inc.	-	7,231,271	-	-	7,231,271	-	7,231,271
		P 279,052,450	**P 310,560,368**	**P 339,718,802**	**P -**	**P 249,894,016**	**P -**	**P 249,894,016**
Phoenix LPG Philippines, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 16,104,048	P -	P 16,104,048	P -	P -	P -	P -
Advances in subsidiaries/parent	DUTA, Inc.	44,883,631	60,378,024	55,857,526	-	49,404,129	-	49,404,129
		P 60,987,679	**P 60,378,024**	**P 71,961,574**	**P -**	**P 49,404,129**	**P -**	**P 49,404,129**
Phoenix LPG Philippines, Inc.								
Trade and Other Receivables	PNX Petroleum Singapore, PTE Ltd.	**P 138,847,494**	**P -**	**P 138,847,494**	**P -**	**P -**	**P -**	**P -**
DUTA, Inc.	Phoenix LPG Philippines, Inc. *(Lease Receivable)*	**P 13,703,343**	**P 8,929**	**P 2,297,523**	**P -**	**P 11,414,748**	**P -**	**P 11,414,748**
PFL Petroleum Management, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	**P 1,072,527**	**P 1,265,636**	**P 1,975,421**	**P -**	**P 362,742**	**P -**	**P 362,742**
PNX Petroleum Singapore, PTE Ltd.								
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P 1,847,066,349	P 4,024,727,273	P -	P -	P 5,871,793,622	P -	P 5,871,793,622
	Phoenix LPG Philippines, Inc.	-	126,299,647	-	-	126,299,647	-	126,299,647
	Subic Petroleum Trading & Transport Phils., Inc.	-	360,506,688	-	-	360,506,688	-	360,506,688
		P 1,847,066,349	**P 4,511,533,609**	**P -**	**P -**	**P 6,358,599,958**	**P -**	**P 6,358,599,958**
PNX Petroleum Singapore, PTE Ltd.								
Advances in subsidiaries/parent	P-H-O-E-N-I-X Petroleum Philippines, Inc.	**P -**	**P 5,230,027**	**P -**	**P -**	**P 5,230,027**	**P -**	**P 5,230,027**
Action.Able, Inc.								
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 3,929,138	P -	P -	P 3,929,138	P -	P 3,929,138
	Phoenix LPG Philippines, Inc.	-	321,429	-	-	321,429	-	321,429
	Philippine Familymart CVS, Inc.	-	235,000	-	-	235,000	-	235,000
		P -	**P 4,485,566**	**P -**	**P -**	**P 4,485,566**	**P -**	**P 4,485,566**

Terms and conditions:
All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2019

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Terms*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	6,000,000,000	660,000,000	3,828,129,172	Interest rate of 5.3884%, seven-year term, maturing on August 7, 2024
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.713%, five year term, maturing on, August 18, 2021
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.3840%, maturing on November 10, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.3840%, maturing on November 10, 2022
Land Bank of the Philippines	5,000,000,000	50,000,000	4,900,000,000	Interest rate of 6.500%, seven-year term, maturing on July 4, 2025
Philippine National Bank	500,000,000	100,000,000	25,000,000	Interest rate of 6.2105%, five-year term, maturing on January 2, 2021
Total Installment, notes and loans payable	14,500,000,000	810,000,000	11,753,129,172	
TOTAL	**P 14,500,000,000**	**P 810,000,000**	**P 11,753,129,172**	

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Schedule G - Capital Stock
December 31, 2019

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Preferred shares - P1 par value						
Non-voting, non-participating,						
non-convertible into common shares						
Issued and outstanding - 27,000,000	50,000,000	27,000,000	-	-	-	27,000,000
Common shares - P1 par value						
Issued and outstanding	2,500,000,000	1,406,204,232	-	717,852,743	7,576,326	680,775,163

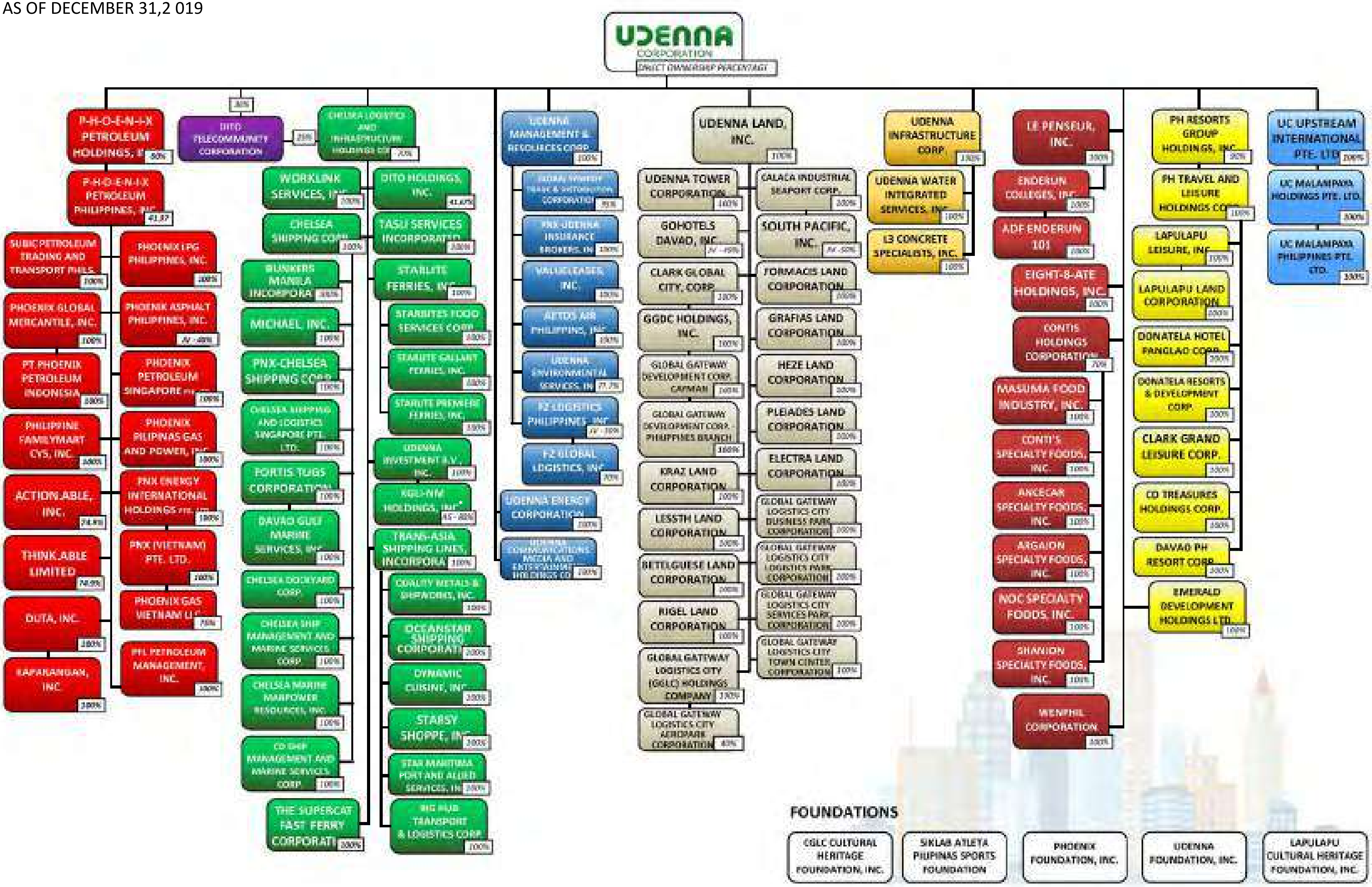
P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2019

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING		**P 4,116,624,114**
Net Profit based on the audited Statement of Comprehensive Income	P 1,615,932,685	
Less: Non-actual/unrealized income net of tax		
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument	11,714,075	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents	21,511,838	
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument	17,730,707	
Equity in net loss of joint venture net of tax	471,893	
Subtotal	28,000,362	
Net income actually earned during the period	1,643,933,047	1,643,933,047
Add/Less:		
Dividend declarations during the period:		
Common shares cash dividends	(210,495,635)	
Preferred shares cash dividends	(312,550,868)	(523,046,503)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING		**P 5,237,510,658**

UDENNA CORPORATION AND SUBSIDIARIES

UDENNA GROUP MAP

AS OF DECEMBER 31,2 019



*CLC has indirect ownership in 2GO Group, Inc. of 28.17%

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

PHOENIX

26 February 2019

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

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

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

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

Ms. Janet Encarnacion
Head - Disclosure Department
Philippine Stock Exchange

Atty. Joseph B. Evangelista
Head - Issuer Compliance and Disclosure Department
(ICDD)

Ladies and Gentlemen:

We would like to submit our recently concluded Annual Audited Financial Statement (AAFS) for period ended 31 December 2018 complete with its attachments as will be attached to our Definitive Information Statement (SEC Form 20-IS) and distributed to our shareholders.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	2	0	0	2	0	7	2	8	3

Company Name

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

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

STELLA HIZON REYES ROAD,
BO. PAMPANGA, DAVAO CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(082) 235-8888	

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. CONCEPCION F. DE CLARO	concepcion.declaro @phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road, Bo. Pampanga, Davao City

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

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

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FOR SEC FILING

SEC DAVAO EXTENSION OFFICE FEB 26 2019

Consolidated Financial Statements and Independent Auditors' Report

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

December 31, 2018, 2017 and 2016

(With Corresponding Figures as at January 1, 2017)

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An instinct for growth™

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2018, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

The Group's revenue is primarily generated from the sales of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized as the goods are delivered. The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues, particularly from sale of goods. In our view, revenue recognition is a key audit matter due to its significance to profit, high volume of revenue transactions and susceptibility to misstatement due to fraud or error. Relative to this, we consider that there is a higher risk associated with revenue occurrence and appropriate recognition of sales in the correct accounting period.

The revenue recognition policy and disaggregation of revenues are disclosed in accounting policies for revenues are included in Notes 2.13 and 21, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- updating our understanding of the Group's revenue recognition policy and procedures;
- reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- performing sales cut-off procedures immediately before and after the year-end by testing the sales invoices to evidence of delivery to ensure that revenue was recognized in the correct period;
- performing detailed transaction testing by agreeing sample revenue items to supporting documents, including sales invoices, contracts and third party correspondence;
- conducting substantive analytical procedures; and,
- confirming trade receivables, on a sample basis, as of the end of the reporting period.

(b) Impairment of Trade and Other Receivables

Description of the Matter

Under the PFRS, the Group is required to assess its trade and other receivables for impairment. As described in Note 4.2*(b)* to the consolidated financial statements, the impairment losses have been determined in accordance with PFRS 9, *Financial Instruments*. The allowance for impairment of trade and other receivables is considered to be a matter of significance since estimates used to determine the allowance for impairment requires significant judgment.

As of December 31, 2018, the Group had trade and other receivables amounting to P15,030.7 million, which contributed to 23.3% of the Group's total assets. As of December 31, 2018, the allowance for impairment on trade and other receivables amounted to P634.4 million.

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

How the Matter was Addressed in the Audit

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

- evaluating the appropriateness of the Group's expected credit loss model based on the requirements of PFRS 9;
- assessing the appropriateness and reasonableness of underlying assumptions, and the sufficiency, reliability and relevance of the data used by the Group's management,
- performing independent checking on the probability of default, loss given default and exposure at default rates that are used as bases in computing the impairment loss on selected trade and other receivables accounts; and,
- performing an independent calculations based on the Group's methodology.

(c) Business Combination

Description of the Matter

As disclosed in Note 1.4 to the consolidated financial statements, in 2018, the Group completed the acquisitions of Philippine FamilyMart CVS, Inc. (PFM), Action Able Inc. (AAI), Think Able Limited (TAL) (AAI and TAL collectively known as AAI Group). The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

Following the various acquisitions, the management has determined Goodwill amounting to P273.1 million and P155.0 million for the acquisitions of PFM and AAI Group, respectively. The accounting for these on business acquisition is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed. We, therefore, consider the business acquisition to be a key audit matter due to the significance of the amount involved and the complexity of the accounting requirements.

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

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- involving our own valuation specialist to assist in evaluating the appropriateness of the valuation methods and relevant assumptions used;
- examining supporting document of the cash consideration given;
- reviewing the appropriateness and reasonableness of valuations prepared by independent appraisers on certain properties; in addition, assessing the competencies, objectivity and capabilities of the appraisers;
- testing the reasonableness of the fair values of the assets acquired and liabilities assumed as at the acquisition date;
- recalculating the difference between the net assets acquired and considerations given; and,
- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(d) Existence and Valuation of Inventories

Description of the Matter

As of December 31, 2018, the Group held P11,135.5 million of inventories, which is 17.2% of the total consolidated assets of the Group. Given the size of the inventory balance relative to the consolidated total assets of the Group, and the estimates and judgments involved in this account, the valuation of inventory required our significant audit attention. As disclosed in Note 2.5, inventories are held at the lower of cost and net realizable value using the moving average method. As of year-end, the valuation of inventory is reviewed by the management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The breakdown of inventory as of December 31, 2018 is disclosed in Note 8 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

- observing inventory counts and performing test of quantities;
- performing test of purchases and test on the moving average cost calculation; and,
- testing the net realizable values of sample inventory items to recent selling prices.

(e) Impairment of Goodwill

Description of the Matter

The Group has recognized goodwill amounting to P4,416.8 million as of December 31, 2018. Under PFRS, the Group is required to annually test the amount of its goodwill for impairment. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of management process in assessing the recoverability of goodwill. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill is allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimated of future sales volume and prices, operating costs, terminal value growth rates and discount rate.

The Group's disclosures about Goodwill and the policy are included in Notes 14 and 2.12, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- involving our own valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs;
- evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the estimated of future sales volume and prices, and operating costs as well as the discount rate used; and,
- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(f) Change in Accounting Policy Resulting in Revaluation of Properties

Description of the Matter

As described in Note 2.1*(b)*, the Group changed its accounting policy in 2018 with respect to the subsequent measurement of its parcels of land that are classified under property, plant and equipment and investment properties. The Group now applies the revaluation model for parcels of land under property, plant and equipment, and fair value model for parcels of land under investment properties. Under the revaluation model, property, plant and equipment are carried at a revalued amount, being its fair value at the date of revaluation, less any subsequent impairment losses. Under the fair value model, investment properties are carried at fair value, and changes in fair value is recognized in profit or loss. Prior to this change, the Group applied the cost model, under which the parcels of land are carried at cost less impairment. The management believes that the new policy results in the consolidated financial statements providing reliable and more relevant information. As a result of the change in accounting policy, gain on revaluation of land under property, plant and equipment and fair value gains on investment properties amounting to P1,219.8 million and P624.9 million, respectively, were recognized. The voluntary change in accounting policy resulting to the valuation of parcels of land classified under property, plant and equipment and investment properties is considered as a key audit matter due to the significance of the amounts involved, combined with the significant judgements associated with the determination of fair values.

The Group's disclosures about the effect of the change in accounting policy is presented in Note 2.1*(b)(ii)* to the consolidated financial statements; the new accounting policy for property, plant and equipment and investment properties are discussed in Notes 2.7 and 2.8 to the consolidated financial statements, respectively; and, while the presentation of the carrying values are presented in Notes 11 and 15 for property, plant and equipment and investment properties, respectively.

How the Matter was Addressed in the Audit

Our audit procedures in relation to the change in accounting policy resulting to revaluation of the properties included, among others, the following:

- evaluating the appropriateness of the change in accounting policy and analyzing the effects from the perspective of PAS 8, *Accounting Policies, Changes in Accounting Estimates, Errors*;
- reviewing the appropriateness and reasonableness of valuations prepared by independent appraisers on certain properties and testing the land values, on a sampling basis, by comparing the values used by the independent appraisers to publicly available information of similar comparable properties;
- assessing the competencies, objectivity and capabilities of the appraisers; and,
- recalculating for the gain on revaluation of property, plant and equipment and fair value gains on investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 7333698, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
   i. Financial assets
   ii. Amounts of receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   iii. Amounts of receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements
   iv. Intangible assets – other assets
   v. Long-term debt
   vi. Indebtedness to Related Parties (Long-term loans from related Company)
   vii. Guarantee of Securities of Other Issuers
   viii. Capital stock
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018
d) Reconciliation of retained earnings available for dividend declaration
e) Schedule showing financial soundness indicators

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

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

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

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

Signed this day 22nd day of **February 2019**

DOMINGO T. UY
Chairman

DENNIS A. UY
President

MA. CONCEPCION F. DE CLARO
Chief Finance Officer

(REPUBLIC OF THE PHILIPPINES)
City of Davao) S.s

0004 '19 FEB 26 PM 1:37

SUBSCRIBED AND SWORN to before me on this day of **22 February 2019** in Davao City. Affiants have confirmed their identities by presenting competent evidence of identity viz;

Name	**Competent Evidence of Identity**
Domingo T. Uy	
Dennis A. Uy	
Ma. Concepcion F. De Claro	

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

Doc. No. 385;
Page No. 78;
Book No. 99;
Series of 2019.

KENNETH L. DABI NOTARY PUBLIC Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2020
Serial No. 2019-016-2020
PTR No. [illegible]; 12-[illegible]-19; D.C. (2019)
IBP No. 055663; 11-28-18; D.C. (2019)
Roll of Attorneys No. 47866
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P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018, AND 2017
(With Corresponding Figures as at January 1, 2017)
(Amounts in Philippine Pesos)

	Notes	December 31, 2018	December 31, 2017 (As Restated - see Note 2)	January 1, 2017 (As Restated - see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	P 7,889,706,807	P 1,831,557,883	P 2,338,780,526
Trade and other receivables - net	7	15,030,714,704	7,705,307,762	8,789,006,059
Inventories - net	8	11,135,494,286	12,416,237,073	2,998,780,146
Due from related parties - net	27	937,904,172	518,004,898	1,506,997,926
Restricted deposits	9	52,719,266	51,281,559	50,925,404
Input value-added tax - net		1,517,837,410	1,773,091,281	731,735,790
Prepayments and other current assets	10	695,698,779	610,271,176	595,963,599
Total Current Assets		37,259,777,423	24,905,751,632	17,012,189,450
NON-CURRENT ASSETS				
Property, plant and equipment - net	11	18,715,994,505	13,399,978,808	9,002,313,141
Investment properties	15	1,739,021,205	1,114,780,281	-
Intangible assets - net	12	328,054,350	295,458,242	275,037,490
Investments in joint ventures	13	465,436,370	-	-
Goodwill - net	14	4,418,842,831	3,990,666,606	10,221,849
Deferred tax assets - net	26	147,484,516	235,996,230	46,191,775
Other non-current assets	16	1,586,667,830	223,467,068	192,084,216
Total Non-current Assets		27,400,501,307	19,260,348,235	9,525,848,471
TOTAL ASSETS		P 64,660,278,730	P 44,166,099,867	P 26,538,037,921
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	P 26,309,487,284	P 16,796,874,145	P 11,262,858,843
Trade and other payables	19	7,434,839,252	3,584,623,798	3,232,652,616
Income tax payable		99,380,682	3,671,202	100,283,443
Total Current Liabilities		33,843,707,218	20,385,169,145	14,595,794,902
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	13,590,520,166	11,374,559,853	1,921,565,000
Deferred tax liabilities - net	26	631,776,224	225,027,052	-
Other non-current liabilities	20	620,602,265	497,806,312	258,584,286
Total Non-current Liabilities		14,842,898,655	12,097,393,217	2,180,149,286
Total Liabilities		48,686,605,873	32,482,562,362	16,775,944,188
EQUITY	28			
Equity attributable to parent company				
Capital stock		1,112,004,232	1,456,638,232	1,123,097,449
Additional paid-in capital		7,233,692,486	5,709,303,309	5,320,816,162
Revaluation reserves		827,510,428	(2,306,049)	(12,148,102)
Other reserves		(730,361,725)	(730,361,725)	(730,361,725)
Accumulated translation adjustment		24,928,394	(3,791,486)	-
Retained earnings		7,542,843,961	5,254,155,224	4,060,689,929
		16,010,617,776	11,683,537,505	9,762,093,733
Non-controlling interest		(36,944,919)	-	-
Total Equity		15,973,672,857	11,683,537,505	9,762,093,733
TOTAL LIABILITIES AND EQUITY		P 64,660,278,730	P 44,166,099,867	P 26,538,037,921

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated - see Note 2)	2016 (As Restated - see Note 2)
REVENUES				
Sale of goods	2, 27	**P 87,672,722,663**	P 44,148,952,252	P 29,346,197,021
Fuel service and other revenues	2, 20	**824,182,312**	301,402,792	205,587,559
Rent income	15, 31	**113,863,129**	92,626,832	148,340,733
Charter fees and other charges		**-**	-	624,704,375
Port revenues		**-**	-	126,128,262
		88,610,768,104	44,542,981,876	30,450,957,950
COST AND EXPENSES				
Cost of sales and services	21	**78,838,964,820**	38,345,104,529	25,123,949,229
Selling and administrative expenses	22	**5,741,750,297**	4,207,027,951	3,327,065,843
		84,580,715,117	42,552,132,480	28,451,015,072
OTHER CHARGES (INCOME)				
Finance costs	23	**1,449,247,671**	804,707,861	906,290,170
Fair value gains on investment properties	15	**(624,941,000)**	-	-
Finance income	23	**(73,374,342)**	(56,313,476)	(207,687,618)
Equity share in net income of joint ventures	13	**(7,342,245)**	-	50,068,966
Excess of fair value of net assets acquired over acquisition cost	1	**-**	(650,182,327)	-
Others - net	15	**(87,267,127)**	(36,852,747)	(11,006,428)
		656,322,957	61,359,311	737,665,090
PROFIT BEFORE TAX		**3,373,730,030**	1,929,490,085	1,262,277,788
TAX EXPENSE	26	**606,588,321**	408,067,238	169,802,891
NET PROFIT		**P 2,767,141,709**	P 1,521,422,847	P 1,092,474,897
NET PROFIT ATTRIBUTABLE TO:				
Parent company		**P 2,776,255,552**	P 1,521,422,847	P 1,092,474,897
Non-controlling interest		**(9,113,843)**	-	-
		P 2,767,141,709	P 1,521,422,847	P 1,092,474,897
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to a foreign subsidiary	2	**(P 28,719,880)**	(P 3,791,486)	P -
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land	11	**1,219,846,043**	-	-
Remeasurements of post-employment defined benefit obligation	24	**(34,393,933)**	14,060,076	15,360,800
Tax expense	26	**(355,635,633)**	(4,218,023)	(4,608,240)
		829,816,477	9,842,053	10,752,560
Other Comprehensive Income - net of tax		**801,096,597**	6,050,567	10,752,560
TOTAL COMPREHENSIVE INCOME		**P 3,568,238,306**	P 1,527,473,414	P 1,103,227,457
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Parent company		**P 3,577,352,149**	P 1,527,473,414	P 1,103,227,457
Non-controlling interest		**(9,113,843)**	-	-
		P 3,568,238,306	P 1,527,473,414	P 1,103,227,457
Basic Earnings per share	29	**P 1.72**	P 0.97	P 0.64
Diluted Earnings per share		**P 1.72**	P 0.96	P 0.64

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	Capital Stock: Preferred Stock	Capital Stock: Preferred Treasury Stock - At Cost	Capital Stock: Common Stock	Capital Stock: Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 2018														
As previously reported		**P 30,000,000**	**(P 5,000,000)**	**P 1,431,538,232**	**P -**	**P 1,456,538,232**	**P 5,709,303,309**	**(P 2,306,049)**	**(P 730,361,725)**	**(P 6,065,195)**	**P 5,524,581,532**	**P 11,951,690,104**	**P -**	**P 11,951,690,104**
Adjustment from adoption of PFRS 9	2	-	-	-	-	-	-	-	-	-	(76,725,448)	(76,725,448)		(76,725,448.26)
Restatements	2	-	-	-	-	-	-	-	-	2,273,709	(270,426,308)	(268,152,599)	-	(268,152,599.00)
As restated	2	30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(2,306,049)	(730,361,725)	(3,791,486)	5,177,429,776	11,606,812,057	-	11,606,812,057
Cash dividends	28	-	-	-	-	-	-	-	-	-	(409,640,735)	(409,640,735)	-	(409,640,735)
Issuance of shares during the year	28	2,000,000	-	2,766,000.00	-	4,766,000	2,019,389,177	-		-	(8,444,298)	2,015,710,879	-	2,015,710,879
Acquisition of shares during the year	28	-	(5,000,000)	-	(344,300,000)	(349,300,000)	(495,000,000)	-	-	-	-	(844,300,000)	-	(844,300,000)
Share-based compensation	24	-	-	-	-	-	-	-	-	-	7,243,666	7,243,666	-	7,243,666
Business combination	1	-	-	-	-	-	-	-	-	-	-	-	(27,831,076)	(27,831,076)
Translation adjustments during the year	2	-	-	-	-	-	-	-	-	28,719,880	-	28,719,880	-	28,719,880
Total comprehensive income											-	-		-
for the year		-	-	-	-	-	-	829,816,477	-	-	2,776,255,552	3,606,072,029	(9,113,843)	3,596,958,186
Balance at December 31, 2018		**P 32,000,000**	**(P 10,000,000)**	**P 1,434,304,232**	**(P 344,300,000)**	**P 1,112,004,232**	**P 7,233,692,486**	**P 827,510,428**	**(P 730,361,725)**	**P 24,928,394**	**P 7,542,843,961**	**P 16,010,617,776**	**(P 36,944,919)**	**P 15,973,672,857**
Balance at January 1, 2017		P 30,000,000	(P 5,000,000)	P 1,428,777,232	(P 330,679,783)	P 1,123,097,449	P 5,320,816,182	(P 12,148,102)	(P 730,361,725)	P -	P 4,060,689,929	P 9,762,093,733	P -	P 9,762,093,733
Sale of treasury shares	28	-	-	-	440,087,488	440,087,488	367,136,612	-	-	-	-	807,224,100	-	807,224,100
Cash dividends	28	-	-	-	-	-	-	-	-	-	(331,118,383)	(331,118,383)	-	(331,118,383)
Acquisition of shares during the year	28	-	-	-	(109,407,705)	(109,407,705)	-	-	-	-	-	(109,407,705)	-	(109,407,705)
Issuance of shares during the year	28	-	-	2,761,000	-	2,761,000	21,350,515	-	-	-	(8,429,034)	15,682,481	-	15,682,481
Share-based compensation	24	-	-	-	-	-	-	-	-	-	11,589,866	11,589,866	-	11,589,866
Translation adjustments during the year	2	-	-	-	-	-	-	-	-	(3,791,486)	-	(3,791,486)	-	(3,791,486)
Total comprehensive income												-	-	-
for the year		-	-	-	-	-	-	9,842,053	-	-	1,521,422,846	1,531,264,899	-	1,531,264,899
Balance at December 31, 2017 - As Restated - see Note 2		P 30,000,000	(P 5,000,000)	P 1,431,538,232	P -	P 1,456,538,232	P 5,709,303,309	(P 2,306,049)	(P 730,361,725)	(P 3,791,486)	P 5,254,155,224	P 11,683,537,505	P -	P 11,683,537,505
Balance at January 1, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183	P -	P 10,023,362,183
Deconsolidation of subsidiaries	1	-	-	-	-	-	-	(557,352,943)	(107,409,486)	-	(65,599,296)	(730,361,725)	-	(730,361,725)
Acquisition of shares during the year	28	-	-	-	(330,679,783)	(330,679,783)	-	-	-	-	-	(330,679,783)	-	(330,679,783)
Cash dividends	28	-	-	-	-	-	-	-	-	-	(309,212,179)	(309,212,179)	-	(309,212,179)
Share-based compensation	24	-	-	-	-	-	-	-	-	-	5,757,780	5,757,780	-	5,757,780
Total comprehensive income												-	-	-
for the year		-	-	-	-	-	-	10,752,560	-	-	1,092,474,897	1,103,227,457	-	1,103,227,457
Transfer of revaluation reserves												-	-	-
absorbed through												-	-	-
depreciation, net of tax		-	-	-	-	-	-	(24,842,985)	-	-	24,842,985	-	-	-
Balance at December 31, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	(P 330,679,783)	P 1,123,097,449	P 5,320,816,182	(P 12,148,102)	(P 730,361,725)	P -	P 4,060,689,929	P 9,762,093,733	P -	P 9,762,093,733

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated - see Note 2)	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 3,373,730,030**	P 1,929,490,085	P 1,262,277,788
Adjustments for:				
Interest expense on bank loans and other borrowings	23	**1,376,994,786**	780,917,196	863,399,371
Depreciation and amortization	22	**1,056,749,318**	851,080,582	1,002,088,441
Impairment losses on trade and other receivables	22	**68,465,111**	50,335,399	112,986,854
Interest income	23	**(31,424,946)**	(18,480,943)	(7,110,105)
Unrealized foreign exchange currency loss (gain) - net		**(30,577,666)**	3,893,468	(171,372,659)
Translation adjustment	2	**28,719,880**	(3,791,486)	-
Provision for loss on lost cylinders	11	**24,290,486**	-	-
Share in net income of an indirectly-owned joint ventures	13	**(7,342,245)**	-	50,068,966
Employee share options	24	**7,243,666**	11,589,866	5,757,780
Recovery of accounts written off		**(2,768,583)**	-	-
Loss (gain) on disposal of property, plant and equipment		**(1,006,348)**	9,165,790	-
Excess of fair value of net assets acquired over acquisition cost	1	**-**	(650,182,327)	-
Gain on reversal of impairment losses on investment properties	15	**-**	(40,785,503)	-
Impairment losses on non-financial assets		**-**	92,823	-
Operating profit before working capital changes		**5,863,073,489**	2,923,324,950	3,118,096,436
Decrease (increase) in trade and other receivables		**(7,415,944,495)**	1,784,568,722	528,697,133
Decrease (increase) in inventories		**26,812,185,929**	11,723,876,386	(370,318,364)
Decrease in land held for sale and land development costs		**-**	-	22,667,290
Decrease (increase) in restricted deposits		**(1,437,706)**	(356,155)	20,046,803
Decrease (increase) in input value-added tax - net		**363,028,626**	(1,027,547,440)	(36,265,532)
Increase in prepayments and other current assets		**(1,174,855,871)**	(235,826,739)	(637,592,575)
Increase (decrease) in trade and other payables		**3,555,861,543**	101,084,787	(288,096,189)
Cash generated from operations		**28,001,911,515**	15,269,124,511	2,357,235,002
Cash paid for income taxes		**(29,603,287)**	(7,345,345)	(4,508,301)
Net Cash From Operating Activities		**27,972,308,228**	15,261,779,166	2,352,726,701
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	11	**(4,517,753,320)**	(3,176,343,510)	(2,155,960,542)
Increase in other non-current assets		**(1,698,692,055)**	27,350,919	(15,994,274)
Advances to related parties	27	**(524,778,830)**	(669,526,678)	(944,762,083)
Investments in joint ventures	13	**(448,094,125)**	-	-
Acquisition of subsidiaries	1	**(397,455,037)**	(6,705,620,931)	-
Acquisitions of intangible assets	12	**(58,062,515)**	(50,548,722)	(203,908,603)
Interest received		**27,225,602**	15,769,301	3,777,233
Collections from related parties	27	**25,952,983**	1,158,519,706	25,000
Proceeds from disposal of property, plant and equipment		**22,618,656**	14,531,586	2,434,359
Proceeds from disposal of subsidiaries	27	**-**	-	2,450,000,000
Increase in land held for future development		**-**	-	(151,281,172)
Net Cash Used in Investing Activities		**(7,569,038,642)**	(9,385,868,329)	(1,015,670,082)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		**(71,873,587,858)**	(43,104,708,403)	(19,886,544,848)
Proceeds from additional interest-bearing loans and borrowings		**57,798,571,804**	37,016,647,657	20,684,209,975
Proceeds from issuance of shares of stock	28	**2,015,710,879**	15,682,481	-
Interest paid		**(1,638,604,940)**	(741,202,295)	(801,737,593)
Acquisition of treasury shares	28	**(844,300,000)**	(109,407,705)	(330,679,783)
Payments of cash dividends	28	**(409,640,735)**	(331,118,383)	(309,212,179)
Increase in other non-current liabilities		**606,732,188**	63,749,068	13,900,134
Proceeds from sale of treasury shares	28	**-**	807,224,100	-
Net Cash Used in Financing Activities		**(14,345,118,662)**	(6,383,133,480)	(630,064,294)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,058,150,924**	(507,222,643)	706,992,325
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,831,557,883**	2,338,780,526	1,631,788,201
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 7,889,708,807**	P 1,831,557,883	P 2,338,780,526

Supplemental Information on Non-cash Investing and Financing Activities:

1) In 2018, the Parent Company acquired certain land from a related party amounting to P92.9 million, of which, P19.8 million remained unpaid as of December 31, 2018 (see Note :

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

3) Interest payments amounting to P261.6 million, P19.7 million, and P61.7 million in 2018, 2017 and 2016, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11.1)

4) Certain hauling and heavy equipment with carrying amount of nil as of December 31, 2018 and 2017 and P3.1 million as of December 31, 2016, respectively, are accounted for under finance leases.

5) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Calaca Industrial Seaport Corp. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.5). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.5 and 2.12). As of December 31, 2018 and 2017, the outstanding receivable from the sale of subsidiaries is presented as part of Non-trade receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Notes 7 and 27.9).

See Notes to Consolidated Financial Statements.

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.97% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The Parent Company is 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 (UC), 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 600 operating retail service stations, and a total of eight service stations under construction as of December 31, 2018.

1.2 Subsidiaries, Joint Ventures and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated and domiciled in the Philippines or otherwise stated:

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2018	2017
Direct interest:			
Subsidiaries			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	**100.00%**	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	**100.00%**	100.00%
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	(c)	**100.00%**	100.00%
PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	**100.00%**	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	**100.00%**	100.00%
Duta, Inc. [4]	(f)	**100.00%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM) [1]	(g)	**100.00%**	-
PNX Energy International Holdings, Pte. Ltd. (PNX Energy) [1]	(h)	**100.00%**	-
Action.Able, Inc.(AAI) [1]	(i)	**74.90%**	-
Think.Able Limited (TAL) [1]	(j)	**74.90%**	-
Joint venture			
Phoenix Asphalt Philippines, Inc.[3]	(k)	**40.00%**	-
Indirect interest:			
Kaparangan, Inc. (Kaparangan) [2,4]	(l)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) [5]	(m)	**100.00%**	-
PT Phoenix Petroleum Indonesia (PNX Indonesia)[6]	(n)	**100.00%**	-
Galaxi Petroleum Fuel, Inc. (Galaxi)[7]	(o)	**51.00%**	-
Phoenix Southern Petroleum Corp. (PSPC)[7]	(p)	**51.00%**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PGMI
7 Joint venture of PPMI

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

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

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

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

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

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

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2018.

(i) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(j) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(k) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

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

(m) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations.

(n) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations.

(o) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(p) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

1.3 Other Corporate Information

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

SPTT	–	Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales
PNX SG	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Energy	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City

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

1.4 Business Combinations

a) On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in PFM from its previous shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation, for P352.1 million. Objective of the acquisition is to broaden Group's portfolio of retail offers.

b) On May 25, 2018, the Parent Company entered into a deed of absolute sale of shares with Wildlemon, Inc. And Seawood Prime Limited for the acquisition of the voting rights for AAI and TAL, respectively (referred to as "AAI Group"). Total non-controlling interests from the acquisition of AAI Group amounted to P27.8 million and is measured at the proportionate share of the net identifiable assets.

   AAI and TAL are the owner of Pos!ble.net, a two and a half year old digital payment-platform. The acquisition supports business operations of the Parent Company, aside from synergies on its retail network development, for its various fuel products as well as the business operations of PFM.

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

d) The Parent Company acquired 100.00% of voting rights of SPTT in 2011, and PGMI and PPMI in 2011. These acquisitions prior to 2017 resulted to a total goodwill of P11.5 million as the total cash consideration paid of P9.5 million exceeded the Parent Company's acquired fair values of the identifiable net assets.

The acquisition of PLPI and Duta Group strategically supports the Parent Company's expansion in operation as well as product lines.

Aggregate information of the entitites at the acquisition date are as follows:

	Reference	Entities Acquired			
		2017		2018	
		PLPI	DUTA Group	PFM	AAI Group
Fair value of assets acquired and liabilities assumed					
Cash and cash equivalents		P 145,913,427	P 23,743,964	P 21,601,695	P 5,009,121
Trade and other receivables	(i)	361,001,122	11,249,647	22,534,222	1,110,622
Inventories		63,146,150	-	80,744,545	772,585
Prepayments and other current assets		26,606,283	219,695	158,786,825	3,384,490
Property, plant and equipment		2,046,988,346	-	369,603,000	537,357
Investment properties		-	1,074,502,000	-	-
Intangible asset		-	-	21,476,320	-
Other non-current assets		155,581,389	-	46,832,211	344,712
Total assets		2,799,236,717	1,109,715,306	721,578,818	11,158,887
Trade and other payables		298,619,669	65,316,461	642,639,484	94,208,594
Total identifiable net assets (liabilities)		2,500,617,048	1,044,398,845	78,939,334	(83,049,707)
Fair value of cash consideration transferred		6,481,061,805	394,216,518	352,070,202	71,995,652
Goodwill		P 3,980,444,757	n/a	P 273,130,868	P 155,045,359
Excess of fair value of net assets acquired over cash consideration transferred	(ii)	n/a	P 650,182,327	n/a	n/a
Cash consideration settled in cash		P 6,481,061,805	P 394,216,518	P 352,070,202	P 71,995,652
Less: Cash and cash equivalents acquired		145,913,428	23,743,964	21,601,695	5,009,122
Net Cash Flow of Acquisition		P 6,335,148,377	P 370,472,554	P 330,468,507	P 66,986,530
Acquisition costs charged to expenses		P 84,018,826	P 679,767	P 6,440,651	P 1,738,116
Pre-acquisition income	(iii)	273,205,535	6,244,345	-	1,628,790
Revenue contribution		1,531,240,882	48,283,182	1,307,944,277	34,957,821
Net profit (loss) contribution		134,147,822	42,017,785	(193,507,767)	(36,310,130)

(i) The carrying amount of the acquired trade and other receivables is determined to be the reasonable approximation of fair value as these are only short-term and are expected to be collectible in whole.

(ii) The excess of the fair value of the nets assets of Duta Group over the acquisition cost amounting to P650.2 million is presented in the 2017 consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost (see Note 2.12). The acquisition of DUTA Group resulted to gain on bargain purchase because the fair value of net assets acquired exceeded the total cash consideration paid. The real properties of Duta Group, which pertain to investment properties, and property plant and equipment of PFM were appraised by an independent appraiser [see Note 3.2*(h)*]. The fair values of the said properties are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

(iii) The 2018 and 2017 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

1.5 Disposal of Investment of Shares of Chelsea Shipping Corporation (CSC) and Calaca Industrial Seaport Corp. (CISC)

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

1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements as of and for the year ended December 31, 2017 and the corresponding figures as of and for the year ended January 1, 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 22, 2019.

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.

(i) In 2018, the Group adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Group not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement and impairment of financial assets are recognized in the opening balance of Retained Earnings in the current year [see Note 4.2*(b)*].

(ii) Also in 2018, Group changed its accounting policy on recognition of its parcels of land presented under Property, Plant and Equipment from cost to revaluation model. PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, makes a specific exception for a change in accounting policy to measure property, plant and equipment at a revalued amount for the first time. Such initial adoption is indeed a change in policy, however, the change due to the revaluation is accounted for as a revaluation in the year of adoption rather than prior year adjustment. Accordingly, the prior periods are not restated. In addition, the Group changed its accounting policy on recognition of its real properties presented under Investment Properties from cost to fair value model. Such change in the accounting policy is reflected only at the current year since the 2017 revalued amounts are already recognized at the time of business combination (see Note 1.4).

The management believes that the new policy results in the consolidated financial statements providing reliable and more relevant information as it is more closely aligned with the current actual valuation of the real properties. Further, the Group intends to maximize the value of the Group by capitalizing and/or leveraging on its assets in its strategic business ventures.

(iii) In addition, the Group has made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2017 comparative consolidated statement of financial position and 2017 comparative consolidated statement of comprehensive income. These adjustments pertain to: (1) restatements of the foreign subsidiary's financial statements to correct certain accounting treatment; and, (2) recognition of deferred tax liability on the fair value adjustment of the investment properties acquired through business combination (see Note 1.4). Accordingly, the Group presents a third statement of financial position as at January 1, 2017 without the related notes, except for the disclosures required under PAS 8. The balance of Retained Earnings of the Group as at December 31, 2017, has been restated from the amount previously reported. Because of the restatements, the 2017 comparative consolidated financial statements contained in these consolidated financial statements differ from those previously presented in the Group's consolidated financial statements as at and for the year ended December 31, 2017. The prior period adjustments had no effect on 2016 comparative consolidated financial statements.

(iv) Lastly, certain items in the 2017 and 2016 consolidated statements of financial position and consolidated statements of comprehensive income have been reclassified to conform to the 2018 consolidated statement of financial position presentation and classification. The deferred tax asset – net amounting to P231.9 million in 2017 was previously presented as net amount of the deferred tax asset and deferred tax liability, is now separately being presented at gross [see Note 2.1*(b)(vi)*]. Rebates amounting to P258.7 million in 2017 and P125.7 million in 2016 that are previously presented as part of selling and administrative expenses are reclassified as reduction to sale of goods under Revenues on the 2017 and 2016 consolidated statements of comprehensive income.

(v) The table below shows the impact of the adoption of PFRS 9, change in accounting policy and prior period adjustments to the Group's total equity as of January 1, 2018:

		Effects on		
	Notes	Retained Earnings	Accumulated Translation Adjustment	Total Equity
Balance at January 1, 2018		P 5,524,581,532	(P 6,065,195)	P 11,951,690,104
Impact of PFRS 9 [see Note 4.2(b)(ii)]:				
Increase in allowance for credit losses on trade and other receivables	2.1*(b)(i)*	(109,607,783)	-	(109,607,783)
Increase in deferred tax asset arising from increase in credit loss allowance	2.1*(b)(i)*	32,882,335	-	32,882,335
Prior period adjustments – increase in deferred tax liability on fair value adjustment from business combination	2.1*(b)(iii)*	(220,817,016)	-	(220,817,016)
Prior period adjustments – restatements of foreign subsidiary's financial statements	2.1*(b)(iv)*	(49,609,291)	2,273,708	(47,335,583)
		P 5,177,429,777	**(P 3,791,487)**	**P 11,606,812,057**

(vi) The analyses of the impact on the affected accounts due to prior period adjustments in the Group's consolidated statement of financial position as at December 31, 2017 is presented below.

	Notes	As Previously Reported	Adjustments	As Restated
Changes in assets:				
Cash and cash equivalents	6	P 1,831,542,441	P 15,442	P 1,831,557,883
Trade and other receivables	7	7,509,198,377	196,109,385	7,705,307,762
Inventories	8	12,969,947,045	(553,709,972)	12,416,237,073
Prepayments and other current assets	10	581,435,883	28,835,293	610,271,176
Property, plant and equipment	11	13,400,687,345	(707,537)	13,399,979,808
Intangible assets	12	274,931,452	20,526,790	295,458,242
Deferred tax assets - net	26	231,866,237	4,129,992	235,996,230
Changes in liabilities:				
Trade and other payables	19	3,832,668,620	(248,044,822)	3,584,623,798
Deferred tax liabilities - net	26	-	225,027,052	225,027,052
Income tax payable		17,301,439	13,630,237	3,671,202
Decrease in Equity			(P 268,152,599)	
Changes in equity:				
Accumulated translation adjustments		(P 6,065,195)	P 2,273,709	(P 3,791,486)
Retained earnings		5,524,581,532	(270,426,308)	5,254,155,224
Decrease in Equity			(P 268,152,599)	

(vii) The analyses of the affected line items in the consolidated statement of comprehensive income of the Group for the year ended December 31, 2017 are shown below.

	Notes	As Previously Reported	Adjustments	As Restated
Changes in profit or loss:				
Sale of goods		P 44,051,471,509	P 97,480,743	P 44,148,952,252
Fuel service and other revenues		281,941,966	19,460,828	301,402,792
Cost of sales and services	21	(37,908,797,906)	(436,306,623)	(38,345,104,529)
Selling and administrative expenses	22	(4,411,742,322)	204,714,371	(4,207,027,951)
Finance income	23.2	56,629,280	(315,804)	56,313,476
Finance costs	23.1	(855,043,260)	50,335,399	(804,707,861)
Tax expense	26	(202,272,019)	(205,795,219)	(408,067,238)
Decrease in net income			(P 270,426,305)	
Basic earnings per share	29	P1.16		P0.97
Diluted earnings per share	29	P1.16		P0.96

(viii) The analyses of the affected line items in the consolidated statement of cash flows of the Group for the year ended December 31, 2017 are shown below.

	As Previously Reported	Adjustments	As Restated
Changes in cash flows from operating activities			
Profit before tax	P 1,994,121,173	(P 64,631,088)	P 1,929,490,085
Translation adjustments	(6,065,195)	2,273,709	(3,791,486)
Decrease in trade and other receivables	1,980,678,107	(196,109,385)	1,784,568,722
Decrease in inventories	11,170,166,814	553,709,572	11,723,876,386
Increase in prepayments and other current assets	(206,291,369)	(29,535,370)	(235,826,739)
Increase in trade and other payables	362,759,847	(261,675,060)	101,084,787
Changes in cash flows from investing activities			
Acquisitions of property, plant and equipment	(3,175,635,973)	(707,537)	(3,176,343,510)
Acquisitions of intangible assets	(30,021,932)	(20,526,790)	(50,548,722)

(ix) There are no changes in the total comprehensive income and in the consolidated statement of cash flows as a result of the reclassification of accounts in 2016. Hence, analysis is not presented.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.15), 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 2018 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

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

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no impact on the Group's consolidated financial statements.

(ii) PFRS 2 (Amendments), *Share-based Payment – Classification and Measurement of Share-based Payment Transactions.* The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The application of this amendment has no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. 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, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt 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 such financial assets; 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.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.4 and 2.10.

The impact of the adoption of this new accounting standard to the Group's financial statements are as follows:

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows. All of the financial assets continue to be accounted for at amortized cost as the management assessed that the cash flows are solely payments for principal and interest (SPPI). There are no resulting reclassifications of financial assets.

- The application of the ECL methodology based on external benchmarking assessment for trade and other receivables resulted in the recognition of additional allowance for credit losses for trade and other receivables and due from related parties amounting P107.7 million and P1.9 million, respectively; as of January 1, 2018. Such amount, together with the total related deferred tax asset amounting to P32.9 million, were charged against the opening balance of Retained Earnings account.

- The adoption of PFRS 9 has no significant impact on the Group's financial liabilities.

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

The Group's revenue arises mainly from sale of fuel, lubricants, LPG, other petroleum products and merchandise inventories. Revenue from the sale of goods are recognized at a point in time when the control has been transferred to the customer. Certain revenues are recognized over time but management has assessed that such are not significant to the consolidated financial statements.

The Group adopted PFRS 15 using the modified retrospective approach. The adoption of PFRS 15 did not result in significant change in the Group's accounting policies. Accordingly, no cumulative effects from the initial application of the standard was made to the opening balance of the Retained Earnings account at January 1, 2018. The disaggregation of the Group's sources of revenues is presented in Note 21.

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

(vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification* is relevant to the Group but had no material impact on the Group's financial statements as this amendment merely clarify existing requirements. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

(b) Effective in 2018 that are not Relevant to the Group

The following annual amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's consolidated financial statements:

Annual Improvments to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-Term Exceptions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, 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 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

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

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements.

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

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

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements.

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

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

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

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, joint ventures and non-controlling interests as follows.

(a) Investments in Subsidiaries

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 14). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

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

(b) Investments in 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 Group's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Group'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 investments in joint ventures is subject to impairment testing (see Note 2.16). The management has assessed that no impairment loss is required to be recognized for its investments in joint ventures in 2018.

(c) Transactions with Non-controlling interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and joint ventures as presented in Notes 1.2 and 13, respectively.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified into the following categories: financial assets at amortized cost, financial assets at fair value through comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Group is financial assets at amortized costs.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial application to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2018, the Group has not made such designation.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated financial statement of comprehensive income as part of Other Charges (Income).

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets.

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

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

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

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

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.

(c) Impairment of Financial Assets Under PFRS 9

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group’s identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The allowance for credit losses for financial assets at amortized cost is based on ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.
- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Impairment of Financial Assets Under PAS 39

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

As of December 31, 2017, the Group assessed impairment of loans and receivables as follows.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, 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 the profit or loss.

(e) Derecognition of Financial Assets

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

2.5 Inventories

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

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

2.6 Prepayments and Other Current Assets

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

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

2.7 Property, Plant and Equipment

Prior to 2018, the Group measured land at cost [see Note 2.1*(b)*]. Currently, land is measured at fair value less any impairment in value. As no finite useful life for land can be determined, related carrying amount are not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred (see Note 2.13).

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

Revalued amounts are fair market values determined based on appraisals by external professional appraiser once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.5).

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

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

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

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

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

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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

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

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

2.8 Investment Properties

Investment properties, which include parcels of land and lot improvements, are properties held to earn rental income under operating lease, but not for sale in the ordinary course of business, use in services or for administrative purposes.

Land classified as investment property is accounted for under the fair value model. It is revalued every two years and is reported in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 5.5).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains (losses) from investment property as part of Other Charges (Income) in the consolidated statement of comprehensive income.

Lot improvements is stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs, less accumulated depreciation (except for land) and any impairment losses.

Depreciation of lot improvements is computed on a straight-line basis over the estimated useful life of five years. The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.9 Intangible Assets

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

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

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

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

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

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

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

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

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

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

The intangible asset account also includes store franchise acquired from business combination with PFM. Such is for taking in the name and management know-how of the FamilyMart mark. The store franchise is carried at cost, less any accumulated amortization and any impairment in value. Amortization is computed on a straight-line method over its estimated useful life of 10.50 years (see Note 12).

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

2.10 Financial Liabilities

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

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.18). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

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

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as Unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent Income in the consolidated statement of comprehensive income.

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.8). The reduction is recognized directly in the consolidated statement of comprehensive income as part of Fuel Service and Other Revenues.

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

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

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

2.11 Provisions and Contingencies

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

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

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

2.12 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

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

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

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

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

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

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

2.13 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods (fuels and by-products, lubricants, LPG, and merchandise inventories) and from rendering into-plane, terminalling and hauling services
.
To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(1) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(2) each party's rights regarding the goods or services to be transferred or performed can be identified;
(3) the payment terms for the goods or services to be transferred or performed can be identified;
(4) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(5) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when or as the Group transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer. Sale of goods include fuel and by-products (such as CME); lubricants; LPG; and, merchandise inventories.

(b) *Fuel service and other revenues* – Revenue, which mainly consists of hauling, into-plane services, and transport services, is recognized over time and is based on a fixed agreed fee. These services are generally performed within the day. Invoices for services transferred are due upon receipt by the customer.

The Group presents a contract asset when performing services to a customer before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 18, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For fuel services and other revenues, charter fees and other charges and port revenues, revenue is recognized when the performance of the contractually agreed task has been substantially rendered.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

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

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

2.15 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for PNX SG, PEIH, PNX Vietnam, which use the Singapore Dollars as its functional currency, and PTPPI, which uses Indonesian Rupiah, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates which approximate those prevailing on transaction dates.

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

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of a foreign subsidiaries, in which their functional currency are measured as stated in Note 2.15(a), are translated to Philippine pesos, to the Group's functional currency as follows:

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are recognized under Translation Adjustment Related to Foreign Subsidiaries in the 2018 and 2017 consolidated statements of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

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

2.16 Impairment of Non-financial Assets

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

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

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

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

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

2.17 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], 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. BVAL provides evaluated prices that are based on market observations from contributed sources.

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Profit-sharing and Bonus Plans

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

(e) Compensated Absences

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

2.18 Borrowing Costs

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

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

2.19 Income Taxes

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

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

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

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

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

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

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

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

2.20 Offsetting Financial Instruments

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

2.21 Related Party Transactions and Relationships

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

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

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

2.22 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

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

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2.23 Equity

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

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

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

Revaluation reserves comprise of gains arising from the revaluation in 2018 of the Group's parcels of land under property, plant and equipment 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 consideration received and the disposed net assets of CSC and CISC (see Note 1.5).

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

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

2.24 Earnings per Share

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

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

2.25 Share-based Payments

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

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

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

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

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Timing of Satisfaction of Performance Obligations (2018)

(i) Rendering of Fuel Services and Other Revenues

The Group determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. However, significant services are generally performed within the day.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(b) Determination of ECL of Financial Assets at Amortized Costs (2018)

The Group uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.2).

(c) Evaluation of Business Model Applied in Managing Financial Instruments (2018)

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(d) 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.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 31.

(f) 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 planned use 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.

(g) Distinction between Investment Properties and Owner-Managed Properties

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

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

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL (2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(*b*).

(b) Determination of Net Realizable Value of Inventories

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

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

The Group estimates the useful lives of property, plant and equipment, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment and intangible assets are analyzed in Notes 11 and 12, respectively. The carrying amount of investment properties is disclosed in Note 15. Based on management's assessment as of December 31, 2018 and 2017, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement of Property, Plant and Equipment and Investment Properties (2018)

The Group's property, plant and equipment and investment properties include parcels of land, that are carried at revalued amount at the end of the reporting period. These assets were previously recorded under the cost model [see Note 2.1(*b*)]. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

The amounts of revaluation and fair value gains recognized on parcels of land under property, plant and equipment and investment properties are disclosed in Notes 11 and 15, respectively.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2018 and 2017 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2018 and 2017 is disclosed in Note 26.

(f) Valuation of Post-employment Defined Benefit Obligation

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

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

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2018, 2017 and 2016.

(h) Fair Value Measurements of Business Combinations

On initial recognition in a business combination using the purchase method of accounting, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates and obtains assistance from third party valuation specialists on the acquired investment properties (see Note 1.4). Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(i) Provision for Losses on Lost LPG Cylinders

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

The Management has recognized provision for losses on lost LPG cylinders amounting to P24.3 million and nil in 2018 and 2017, respectively (see Note 11). Relatively, the gain on reversal of cylinder deposits amounted to P91.8 million and nil in 2018 and 2017, respectively (see Notes 2.10 and 20). LPG cylinders were only acquired as result of business combination in 2017 [see Note 1.4*(c)*].

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Market Risk

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

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (U.S.$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents. Financial instruments that are Indonesian Rupiah denominated are considered immaterial, hence, not included in the analyses below.

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:

	2018		2017 [As restated - see Note 2.1*(b)*]	
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar	Singapore Dollar
Financial assets	**P 5,361,837,054**	**P 5,566,810**	P 1,220,868,767	P 72,694,628
Financial liabilities	**(5,253,328,012)**	**(14,176,750)**	(1,566,782,434)	(17,705,741)
Net exposure	**P 108,509,042**	**(P 8,609,940)**	(P 345,913,667)	P 54,988,887

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

	2018		2017 [As restated - see Note 2.1*(b)*]	
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar	Singapore Dollar
Reasonably possible change in rate	**11.14%**	**16.28%**	10.77%	16.88%
Effect in profit before tax	**P 12,087,907**	**(P 1,401,698)**	(P 37,254,902)	P 9,282,124
Effect in equity after tax	**8,461,535**	**(981,189)**	(26,078,431)	6,497,487

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, 2018 and 2017, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 17). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-1.93% and +/-0.47% in 2018 and 2017, respectively, for Philippine Peso and nil and +/-0.50% in 2018 and 2017, respectively, for Singapore dollar. Short-term money placements and time deposits are tested on a reasonably possible change of +/-2.28% and +/-0.90% in 2018 and 2017, respectively. Banks loans subject to variable interest rates (or repricing) are tested on a reasonably possible change of +/-0.79% and +/-0.30% for Philippine peso in 2018 and 2017, respectively, and nil for U.S. dollar for both years. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P470.5 million and +/-P94.5 million for the year ended December 31, 2018 and 2017, respectively, and equity after tax by +/-P329.3 million and +/-P66.2 million for the year ended December 31, 2018 and 2017, respectively.

(c) Other Price Risk

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

4.2 Credit Risk

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

The Group employs a range of policies and practices to mitigate credit risk. 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, collaterals such as advance payments are received to mitigate credit risk. Estimates of fair values are based on the value of collaterals assessed at the time of first dealing with the customer and are updated and monitored periodically, e.g., annually for real estate properties.

Estimate of the fair value of collateral held against trade and other receivables as of December 31 follows:

	2018	2017
Standby letter of credits	**P 940,522,926**	P 668,797,536
Cash bond	**318,976,639**	281,709,354
Real estate mortgage	**68,138,850**	69,292,121
	P 1,327,638,425	P 1,019,799,011

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

	Notes	**2018**	2017 [As restated – see Note 2.1*(b)*]
Cash and cash equivalents	6	**P 7,889,708,807**	P 1,831,557,883
Trade and other receivables – net*	7	**11,363,226,589**	7,039,808,333
Due from related parties - net	27.4	**937,904,172**	518,004,898
Construction bond**	10	**5,504,822**	-
Restricted deposits	9	**52,719,265**	51,281,559
Refundable deposits	16	**289,572,937**	182,480,300
		P20,538,636,592	P 9,623,132,973

**excluding advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

(a) Cash and Cash Equivalents

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

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

The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD. The Group's definition of Trade and Other Receivables and Due from Related Parties classification [known as Phoenix Risk Rating (PRR)] and corresponding credit risk ratings are presented in the next page.

Phoenix Risk Rating (PRR)	Description (PRR) Financial and Business Profiles	Description (PRR) Other Information	Equivalent S&P Rating	S&P PD (%)
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market.	BBB	0.14 – 0.61
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	0.14 – 0.61
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	0.14 – 0.61
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	0.63 – 1.90
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	0.63 – 1.90
PRR 1B	Counterparties with both average financial and business profile.	Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.	B	3.16 – 6.53
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.	CCC/C	17.97 – 22.33
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		CCC/C	17.97 – 22.33
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	100
PRR D	Counterparties with a weak financial profile and average business profile.		D	100
PRR F	Counterparties with both weak financial profile and business profiles.		D	100

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at December 31, 2018 to the opening loss allowance is presented below:

	Trade and Other Receivables	Due from Related Parties
Loss allowance at December 31, 2017 – PAS 39	P 478,153,676	P -
Additional loss allowance charged to opening retained earnings	107,699,501	1,908,282
Loss allowance at January 1, 2018 – PFRS 9	585,853,177	1,908,282
Increase in credit loss allowance during the year	68,465,111	-
Write-offs	(17,153,577)	-
Recoveries	(2,768,583)	-
Credit loss allowance at December 31, 2018	**P 634,396,128**	**P 1,908,282**

The credit loss allowance provided as of December 31, 2018 is as follows:

Trade and Other Receivables

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 52,149,981	P 215,228
PRR 2A	BBB	0.14 – 0.62	2,436,112,580	5,789,403
PRR 1A	BBB	0.14 – 0.62	3,376,579,304	5,932,107
PRR 3B	BB	0.63 – 1.90	3,228,077,624	21,232,653
PRR 2B	BB	0.63 – 1.90	1,569,274,748	6,774,836
PRR 1B	B	3.16 – 6.53	405,322,564	25,020,588
PRR 3C	CCC/C	17.97 – 22.33	68,521,800	13,649,151
PRR 2C	CCC/C	17.97 – 22.33	335,572,541	64,998,979
PRR 1C/D/F	D	100	490,783,183	490,783,183
			P 11,997,622,718	**P 634,396,128**

Due From Related Parties

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 61,149,279	P 85,609
PRR 1A	BBB	0.14 – 0.62	808,510,976	1,414,100
PRR 3B	BB	0.63 – 1.90	70,152,199	408,573
			P 939,812,454	**P 1,908,282**

4.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2018, the Group's financial liabilities have contractual maturities, which are summarized as follows:

	Current		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans and borrowings	**P21,479,255,558**	**P 6,272,692,441**	**P11,302,340,399**	**P 4,925,525,000**
Trade and other payables (excluding tax-related payables)	**819,565,247**	**6,452,331,850**	-	-
Security deposits	-	-	**266,616,512**	-
Customers' cylinder deposits	-	-	-	**276,285,588**
Cash bond	-	-	-	**56,702,491**
	P22,316,820,805	**P12,725,024,291**	**P11,568,956,911**	**P 5,258,513,079**

As of December 31, 2017 [As Restated – See Note 2.1*(b)*], the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P17,093,687,980	P 770,678,974	P 9,934,502,651	P 2,318,636,250
Trade and other payables (excluding tax-related payables)	3,482,001,666	-	-	-
Security deposits	-	-	245,488,541	-
Customers' cylinder deposits	-	-	-	196,380,513
Cash bond	-	-	-	33,492,002
	P20,575,689,646	P 770,678,974	P10,179,991,192	P 2,548,508,765

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

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

5.1 Carrying Amounts and Fair Values by Category

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

		2018		2017 [As restated – See Note 2.1*(b)*]	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 7,889,708,807**	**P 7,889,708,807**	P 1,831,557,883	P 1,831,557,883
Trade and other receivables-net*	7	**11,363,226,589**	**11,363,226,589**	7,039,808,333	7,039,808,333
Due from related parties	27.4	**937,904,172**	**937,904,172**	518,004,898	518,004,898
Construction bond***	10	**5,504,822**	**5,504,822**	-	-
Restricted deposits	9	**52,719,265**	**52,719,265**	51,281,559	51,281,559
Refundable deposits	16	**289,572,937**	**289,572,937**	182,480,300	182,480,300
		P 20,538,636,592	**P 20,538,636,592**	P 9,623,132,973	P 9,623,132,973
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	**P 39,945,245,450**	**P 36,188,613,995**	P 28,171,433,998	P 26,474,273,801
Trade and other payables**	19	**7,271,897,097**	**7,271,897,097**	3,482,001,666	3,482,001,666
Customers' cylinder deposits	20	**276,285,588**	**276,285,588**	196,380,513	196,380,513
Security deposits	20	**266,616,512**	**266,616,512**	245,488,541	245,488,541
Cash bond deposits	20	**56,702,491**	**56,702,491**	33,492,002	33,492,002
		P 47,816,747,138	**P 44,060,115,683**	P 32,128,796,720	P 30,431,636,523

* *Excluding advances to suppliers and advances subject to liquidation*
** *Excluding tax-related payables*
*** *Included as part of Others under Prepayments and Other Current Assets*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4. The carrying values of refundable deposits, customers' cylinder deposits, security deposits and cash bond deposits are reasonable approximation of their fair values.

5.2 Fair Value Hierarchy

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

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

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

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

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

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

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

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

5.3 Financial Instruments Measurement at Fair Value

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2018 and 2017.

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

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

		2018			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 7,889,708,807	P -	P -	P 7,889,708,807
Trade and other receivables	7	-	-	11,363,226,589	11,363,226,589
Due from related parties	27.4	-	-	937,904,172	937,904,172
Construction bond	10	-	-	5,504,822	5,504,822
Restricted deposits	9	52,719,265	-	-	52,719,265
Refundable deposits	16	-	-	289,572,937	289,572,937
		P 7,942,428,072	**P -**	**P 12,596,208,520**	**P 20,538,636,592**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	17	P -	P -	P 36,188,613,995	P 36,188,613,995
Trade and other payables	19	-	-	7,271,897,097	7,271,897,097
Customers' cylinder deposits	20	-	-	276,285,588	276,285,588
Security deposits	20	-	-	266,616,512	266,616,512
Cash bond deposits	20	-	-	56,702,491	56,702,491
		P -	**P -**	**P 44,060,115,683**	**P 44,060,115,683**

		2017 [As restated – see Note 2.1*(b)*]			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 1,831,557,883	P -	P -	P 1,831,557,883
Trade and other receivables	7	-	-	7,039,808,333	7,039,808,333
Due from related parties	27.4	-	-	518,004,898	518,004,898
Restricted deposits	9	51,281,559	-	-	51,281,559
Refundable deposits	16	-	-	182,480,300	182,480,300
		P 1,882,839,442	P -	P 7,740,293,531	P 9,623,132,973
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	17	P -	P -	P 26,474,273,801	P 26,474,273,801
Trade and other payables	19	-	-	3,482,001,666	3,482,001,666
Security deposits	20	-	-	245,488,541	245,488,541
Customers' cylinder deposits	20	-	-	196,380,513	196,380,513
Cash bond deposits	20	-	-	33,492,002	33,492,002
		P -	P -	P 30,431,636,523	P 32,128,796,720

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

5.5 *Fair Value Measurement for Non-financial Assets*

The fair values of the Group's parcels of land, included as part of Property, Plant and Equipment and Investment Properties accounts, were determined based on the appraisal reports of Asian Appraisal Company, Inc. and Cuervo Appraisers, Inc., respectively, who are professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the vessels. In estimating the fair value of these properties, 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 2 fair value of the parcels of land for both recognized under property, plant and equipment and investment properties was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

These properties were revalued in 2018 due to the change in the Group's accounting policy [see Note 2.1*(b)*]. The reconciliation of the carrying amount of investment properties is presented in Note 15.

5.6 *Offsetting of Financial Assets and Financial Liabilities*

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

	December 31, 2018					
	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 11,498,383,599	(P 135,157,010)	P 11,363,226,589	P -	(P 323,319,003)	P 11,039,907,586
Restricted deposits	52,719,265	-	52,719,265	(52,719,265)	-	-
Total	**P 11,551,102,864**	**(P 135,157,010)**	**P11,415,945,854**	**(P 52,719,265)**	**(P 323,319,003)**	**P** 11,039,907,586

	December 31, 2017 [As Restated – see Note 2.1(b)]					
	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 7,039,808,333	P -	P 7,039,808,333	P -	(P 278,980,543)	P 6,760,827,790
Restricted deposits	51,281,559	-	51,281,559	(51,288,559)	-	-
Total	P 7,091,089,892	P -	P 7,091,089,892	(P 51,281,559)	(P 278,980,543)	P 6,760,827,790

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, 2018					
	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 39,945,245,450	P -	P 39,945,245,450	(P 52,719,265)	P -	P 39,892,526,185
Security deposits	266,616,512	-	266,616,512	-	(266,616,512)	-
Cash bond deposits	56,702,491	-	56,702,491	-	(56,702,491)	-
Total	P 40,268,564,453	P -	P40,268,564,453	(P 52,719,265)	(P 323,319,003)	P 39,892,526,185

	December 31, 2017 [As Restated – see Note 2.1(b)]					
	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 28,171,433,998	P -	P28,171,433,998	(P 51,281,559)	P -	P 28,120,152,440
Security deposits	245,488,541	-	245,488,541	-	(245,488,541)	-
Cash bond deposits	33,492,002	-	33,492,002	-	(33,492,002)	-
Total	P 28,450,414,541	P -	P 28,450,414,54	(P 51,281,559)	(P 278,980,543)	P 28,120,152,440

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

6. CASH AND CASH EQUIVALENTS

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

	2018	2017 [As restated - see Note 2.1*(b)*]
Cash in banks	**P 7,728,117,276**	P 1,549,265,669
Cash on hand	**4,082,617**	412,846
Revolving fund	**16,968,918**	11,527,561
Short-term placements	**140,539,996**	270,351,807
	P 7,889,708,807	P 1,831,557,883

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P27.2 million, P15.7 million and P3.9 million in 2018, 2017 and 2016, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2018 and 2017 exclude restricted time deposits totalling to P52.7 million and P51.3 million, respectively, which are shown as Restricted Deposits account (see Note 9) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2018	2017 (As restated - see Note 2.1[b])
Trade receivables:			
Third parties		**P 8,367,158,668**	P 5,437,450,799
Related parties	27.1	**1,851,415,359**	955,539,554
		10,218,574,027	6,392,990,353
Advances to suppliers:			
Third parties		**925,791,098**	219,626,441
Related parties	27.12	**2,692,341,658**	424,838,624
		3,618,132,756	644,465,065
Non-trade receivables:			
Third parties		**698,518,436**	517,507,971
Related parties	27.6, 27.9, 27.10	**1,045,301,862**	586,598,808
		1,743,820,298	1,104,106,779
Advances subject to liquidation		**49,355,359**	21,034,364
Other receivables		**35,228,394**	20,864,877
		15,665,110,832	8,183,461,438
Allowance for impairment		**(634,396,128)**	(478,153,676)
		P 15,030,714,704	P 7,705,307,762

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

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2018 and 2017, the balances of receivables under DPA amounted to P47.5 million and P28.3 million, respectively, and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2018 and 2017 consolidated statements of financial position. There are no non-current trade receivables as of the said cut-offs.

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

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

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

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

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

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2018 and 2017.

Impairment losses amounting to P68.5 million, P50.3 million and P113.0 million in 2018, 2017 and 2016, respectively, are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	Notes	**2018**	2017
Balance at beginning of year, as previously reported		**P 478,153,676**	P 339,048,847
Effect of application of PFRS 9	2.1*(b)*	**107,699,501**	-
As restated		**585,853,177**	-
Business combination	1.4	**-**	138,498,702
Impairment loss for the year	22	**68,465,111**	46,167,713
Written-off during the year		**(17,153,577)**	(44,844,753)
Recovery of bad debts		**(2,768,583)**	(716,833)
Balance at end of year		**P 634,396,128**	P 478,153,676

In 2018 and 2017, the Group directly written off past due accounts amounting to nil and P4.1 million,respectively, which is also presented as part of Impairment losses on trade and other receivables under Selling and Administrative Expenses (see Note 22.1).

8. INVENTORIES

The breakdown of inventories are as follows:

	Note	**2018**	2017 [As restated - see Note 2.1*(b)*]
At cost:			
Fuels and by-products		**P 10,303,317,190**	P 12,017,877,179
Lubricants		**427,496,011**	271,868,702
Merchandise		**185,837,405**	-
LPG		**157,495,582**	124,305,656
Others		**61,348,098**	2,185,536
	21.2	**P 11,135,494,286**	P 12,416,237,073

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P3,045.6 million and P5,139.1 million as of December 31, 2018 and 2017, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 17.1).

There were no inventory write-down in 2018 and 2017.

An analysis of the cost of inventories included in the cost of fuels, lubricants, LPG and merchandise sold in each year is presented in Note 21.2.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P52.7 million and P51.3 million as of December 31, 2018 and 2017, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 3.68% per annum for December 31, 2018, 2017 and 2016. Interest income earned from restricted deposits amounted to P1.4 million, P0.1 million, P0.7 million in 2018, 2017 and 2016, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2018 and 2017 is shown below.

	Note	**2018**	2017 [As restated - see Note 2.1*(b)*]
Prepayments	27.3	**P 388,805,646**	P 299,066,139
Supplies		**165,373,021**	159,214,128
Creditable withholding tax		**124,698,086**	151,609,200
Others		**16,822,026**	381,709
		P 695,698,779	P 610,271,176

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2018 and 2017 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
December 31, 2018										
Cost or revalued amount	P 8,755,732,757	P 559,063,602	P 4,916,628,325	P 2,065,608,639	P 504,464,581	P 739,542,684	P 71,943,639	P 3,836,203,184	P3,323,038,453	P 24,772,225,864
Accumulated depreciation, amortization and impairment	(2,202,616,943)	(269,784,374)	(1,886,469,891)	(860,115,301)	(259,737,242)	(519,693,346)	(57,814,262)	-	-	(6,056,231,359)
Net carrying amount	**P 6,553,115,814**	**P 289,279,228**	**P 3,030,158,434**	**P 1,205,493,338**	**P 244,727,339**	**P 219,849,338**	**P 14,129,377**	**P 3,836,203,184**	**P3,323,038,453**	**P 18,715,994,505**
December 31, 2017										
Cost	P 7,938,264,335	P 278,440,237	P 4,307,161,317	P 1,725,126,080	P 176,628,000	P 723,956,478	P 60,325,908	P 2,431,765,273	P 761,915,936	P 18,403,583,564
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,468,591)	(1,547,282,631)	(776,460,696)	(106,368,564)	(491,547,359)	(55,832,003)	-	-	(5,003,603,756)
Net carrying amount [As restated - see Note 2.1*(b)*]	P 6,084,620,423	P 105,971,646	P 2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,399,979,808
January 1, 2017										
Cost	P 4,634,286,358	P 294,381,659	P 3,115,535,438	P -	P 105,444,580	P 652,099,361	P 38,154,152	P 1,696,586,766	P1,081,354,000	P 11,617,842,314
Accumulated depreciation and amortization	(1,135,333,357)	(89,335,859)	(857,037,528)	-	(84,301,661)	(411,366,616)	(38,154,152)	-	-	(2,615,529,173)
Net carrying amount	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P 1,696,586,766	P1,081,354,000	P 9,002,313,141

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 of property, plant and equipment is shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2018 net of accumulated depreciation and amortization – as previously reported	P 6,084,620,423	P 108,321,362	P 2,759,878,686	P 948,665,384	P 68,617,257	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,400,687,345
Restatement – cost	-	(2,110,086)	-	-	1,797,340	-	-	-	-	(312,746)
Restatement – accumulated depreciation	-	(239,630)	-	-	(155,161)	-	-	-	-	(394,791)
As restated – see Note 2.1(b)	6,084,620,423	105,971,646	2,759,878,686	948,665,384	70,259,436	232,409,119	4,493,905	2,431,765,273	761,915,936	13,399,979,808
Business combination - cost (see Note 1.4)	-	209,860,851	-	-	330,791,968	-	4,361,691	-	5,176,388	550,190,898
Business combination - accumulated depreciation (see Note 1.4)	-	(65,849,711)	-	-	(111,527,344)	-	(2,673,486)	-	-	(180,050,541)
Additions	1,038,828,696	60,964,354	96,270,515	393,588,977	6,418,615	33,809,407	11,494,707	184,591,868	2,953,396,335	4,779,363,474
Revaluation increments	-	-	-	-	-	-	-	1,219,846,043	-	1,219,846,043
Transfers (see Note 12)	(221,360,274)	27,229,763	585,048,375	(47,135,953)	2,542,575	44,072,911	-	-	(397,450,206)	(7,052,809)
Cost of asset disposed	-	(17,680,364)	(71,851,882)	(5,970,465)	(12,195,514)	(62,296,112)	(4,238,667)	-	-	(174,233,004)
Accumulated depreciation of asset disposed	-	4,709,356	66,892,056	3,942,624	10,550,372	62,296,112	4,230,176	-	-	152,620,696
Depreciation and amortization charges for the year	(348,973,031)	(36,175,428)	(406,079,316)	(63,306,743)	(52,391,706)	(90,442,099)	(3,538,949)	-	-	(1,000,907,272)
Provision for loss on lost cylinders	-	-	-	(24,290,486)	-	-	-	-	-	(24,290,486)
Translation adjustment	-	248,761	-	-	278,937	-	-	-	-	527,698
Balance at December 31, 2018 net of accumulated depreciation and amortization	**P 6,553,115,814**	**P 289,279,228**	**P 3,030,158,434**	**P 1,205,493,338**	**P 244,727,339**	**P 219,849,338**	**P 14,129,377**	**P 3,836,203,184**	**P 3,323,038,453**	**P 18,715,994,505**

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2017 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P 1,696,586,766	P1,081,354,000	P 9,002,313,141
Business combination - cost (see Note 1.4)	1,475,209,901	-	494,487,528	1,665,092,760	20,693,043	-	18,814,376	-	4,753,049	3,679,050,657
Business combination - accumulated depreciation and provision for loss on lost cylinders (see Note 1.4)	(507,141,325)	-	(333,104,296)	(757,139,740)	(16,551,492)	-	(18,125,459)	-	-	(1,632,062,312)
Additions	915,256	6,799,404	5,402,980	74,504,679	57,390,498	103,659,961	4,227,327	735,178,507	2,207,257,158	3,195,335,770
Restatement – cost	-	(2,110,086)	-	-	1,797,340	-	-	-	-	(312,746)
Restatement – accumulated depreciation	-	(239,630)	-	-	(155,161)	-	-	-	-	(394,791)
Transfers	1,827,852,820	(19,666,168)	723,567,010	(521,536)	-	-	-	-	(2,531,232,126)	-
Cost of asset disposed	-	(964,572)	(31,831,639)	(13,949,823)	(8,697,461)	(31,802,844)	(869,947)	-	(216,145)	(88,332,431)
Accumulated depreciation of asset disposed	-	964,572	23,068,476	4,610,559	8,567,528	26,568,472	855,448	-	-	64,635,055
Depreciation and amortization charges for the year	(211,169,230)	(83,857,674)	(380,209,283)	(23,931,515)	(13,927,778)	(106,749,215)	(407,840)	-	-	(820,252,535)
Balance at December 31, 2017 net of accumulated depreciation and amortization [As restated – see Note 2.1(*b*)]	P 6,084,620,423	P 105,971,646	P 2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,399,979,808

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P261.6 million, P19.7 million and P61.7 million as of December 31, 2018, 2017 and 2016, respectively (see Note 17.5), 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 2018 and 2017.

11.2 Finance Lease

There are no hauling and heavy equipment held under finance lease as of December 31, 2018 and 2017.

11.3 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P21.6 million and P24.9 million in 2018 and 2017, respectively. As of December 2018 and 2017, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P987.4 million and P1,044.8 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2018**	2017	2016
Cost of sales and services	21.2, 21.3	**P 63,306,743**	P 23,964,493	P 402,281,752
Selling and administrative expenses		**937,600,529**	796,288,042	582,127,726
	22	**P 1,000,907,272**	P 820,252,535	P 984,409,478

11.4 Fair Value of Land

The Group's parcels of land are stated at their revalued amounts as of December 31, 2018 (see Note 2.1[b]), being the fair value at December 31, 2018, the date of appraisal report, less any subsequent impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the 2018 consolidated statement of financial position.

The information on the fair value measurement and disclosures related to the revalued parcels of land are presented in Note 5.5.

If the parcels of land were carried at cost model as of December 31, 2018, the cost would be P2,597.7 million.

12. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2018 and 2017 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
December 31, 2018						
Cost	P 176,861,660	P 42,028,644	P 244,288,416	P 47,571,271	P 1,334,093	P 512,084,084
Accumulated amortization	-	(19,675,619)	(150,259,211)	(13,986,616)	(108,288)	(184,029,734)
Net carrying amount	**P 176,861,660**	**P 22,353,025**	**P 94,029,205**	**P 33,584,655**	**P 1,225,805**	**P 328,054,350**
December 31, 2017						
Cost	P 176,861,660	P -	P 216,578,945	P 9,638,891	P 1,262,393	P 404,341,889
Accumulated amortization	-	-	(101,764,923)	(7,118,724)	-	(108,883,647)
Net carrying amount	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242
January 1, 2017						
Cost	P 176,861,660	P -	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated amortization	-	-	(72,935,492)	(5,472,272)	-	(78,407,764)
Net carrying amount	P 176,861,660	P -	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2018 and 2017 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
Balance at January 1, 2018, net of accumulated amortization – as previously reported	P 176,861,660	P -	P 94,287,232	P 2,520,167	P 1,262,393	P 274,931,452
Restatement – cost	-	-	20,874,703	-	-	20,874,703
Restatement – accumulated amortization	-	-	(347,913)	-	-	(347,913)
As restated – see Note 2.1(b)	176,861,660	-	114,814,022	2,520,167	1,262,393	295,458,242
Business combination -cost (see Note 1.4)	-	41,078,000	-	402,438	-	41,480,438
Business combination -accumulated amortization	-	(19,675,619)	-	(328,499)	-	(20,004,118)
Additions	-	950,644	26,563,038	30,477,133	71,700	58,062,515
Transfers from property, plant, and equipment (see Note 11)	-	-	-	7,052,809	-	7,052,809
Amortization expense for the year	-	-	(48,494,288)	(6,539,393)	(108,288)	(55,141,969)
Reclassification/ adjustment	-	-	1,146,433	-	-	1,146,433
Balance at December 31, 2018, Net of accumulated amortization	**P 176,861,660**	**P 22,353,025**	**P 94,029,205**	**P 33,584,655**	**P 1,225,805**	**P 328,054,350**
Balance at January 1, 2017, net of accumulated amortization	P 176,861,660	P -	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
Additions	-	-	49,856,452	363,571	328,699	50,548,722
Amortization expense for the year	-	-	(28,481,518)	(1,646,452)	-	(30,127,970)
Balance at December 31, 2017, net of accumulated amortization [As restated – see Note 2.1*(b)*]	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242

In 2018, computer software licenses amounting to P7.5 million were transferred from property, plant and equipment (see Note 11). The amount of amortization is presented as part of selling and administrative expenses in the consolidated statements of comprehensive income (see Note 22).

Store franchise was acquired as a result of business combination in 2018 [see Notes 1.4*(a)* and 31.5].

Intangible assets are subject to annual impairment testing and whenever there is an indication of impairment. The Group assessed that the useful life of the basketball franchise to be indefinite. Based on analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group. No impairment losses were recognized in 2018, 2017 and 2016 on such basis.

13. INVESTMENTS IN JOINT VENTURES

13.1 Joint venture of the Parent Company

The Parent Company has entered into a joint venture (JV) agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV company – Phoenix Asphalt Philippines, Inc. (PAPI). The JV company – PAPI was incorporated on March 23, 2018 primarily to import, store, manufacture, sell, market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

Under the JV agreement, PAPI's authorized share capital is P275.0 million divided into 275.0 million shares with par value of P1 per share. The Parent Company owns P110.0 million shares or 40.00% of the outstanding capital stock of PAPI. The JV has no restrictions as to transfer of funds in the forms of cash dividend, or to pay advances made by PAPI. Moreover, the Parent Company shall be responsible to enter into a lease agreement for land identified as part of a certain industrial park in Batangas for the construction of terminal at fair rental value, and to cause to provide a minimum of 20 to 30 years' access rights to the oil, gas and chemical jetty for receiving and importing bulk bitumen cargo and other rights necessary for the construction and operations of terminal.

13.2 Joint ventures of PPMI

PPMI entered into an agreement with Per Petroleum Corporation for the operation and management of PPMI retail network including collateral businesses that may complement the operation or the retail network in the whole of the Bicol Region. The JV company, Phoenix Southern Petroleum Corp. (PSPC), was incorporated and registered with the SEC on June 1, 2018. The primary purpose of this company is to buy and sell refined liquefied petroleum gas, various kinds of lubricants, car care products and to operate, manage and carry out gasoline retail stations, convenience store and other non-fuel related businesses.

PPMI owns P30.6 million worth of shares or 51.00% of the outstanding capital stock, but does not has significant control on the entity. PPMI has no significant commitments relating to PSPC.

PPMI entered into a JV agreement with certain individuals for the management and operation of Galaxi Petroleum Fuel, Inc. (Galaxi). Galaxi was primarily established to sell petroleum products. PPMI owns P5.0 million worth of shares or 51.00% of the outstanding capital stock, but does not have significant control of the entity. PPMI has no significant commitments relating to Galaxi.

13.3 JVs financial information

Presented below are the financial information of the Group's joint ventures and the movements of the carrying value as of December 31, 2018:

	Joint Ventures			
	PAPI	PSPC	Galaxi	
Total current assets	P 275,278,082	P 67,459,164	P 172,295,310	
Total non-current assets	8,786,996	-	68,143,118	
Total current liabilities	10,613,773	7,988,212	152,326,905	
Total non-current liabilities	-	-	1,756,000	
Total revenues	6,828,601	-	398,627,902	
Total other comprehensive income	-	-	-	
				Total
Net income (loss)	(P 1,124,499)	(P 529,048)	P 15,807,567	
Percentage of ownership	40.00%	51.00%	51.00%	
Equity share in net income (loss) during the year	(P 449,800)	(P 269,814)	P 8,061,859	P 7,342,245
Total acquisition costs				448,094,125
Carrying value				P 455,436,370

No dividends were received from the joint ventures during the year. In addition, there are no share of contingent liabilities for all of the JVs. As of December 31, 2018, management believes that the investments in joint ventures are not impaired.

14. GOODWILL

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

	Note	**2018**	2017
Balance at beginning of year – net of allowance on impairment loss		**P 3,990,666,606**	P 10,221,849
Additions due to business combinations	1.4	**428,176,225**	3,980,444,757
Balance at end of year		**P 4,418,842,831**	P 3,990,666,606

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized.

The Group tests whether goodwill is impaired on an annual basis. The recoverable amount of the cash generating units [identified as PLPI (LPG), PFM (CVS) and AAI Group (Digital platform)] was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on budgets approved by the management covering a five-year period with an assumed a terminal growth rate of 3.0% and is based on the discount rate of weighted average cost of capital of 12.00%. Budgeted earnings before interest, taxes, depreciation and amortization (EBITDA) were based on expectations of future outcomes taking in to past experience of five years, adjusted for anticipated revenue growth. It is also further assumed that revenues coming from sales volume and sales prices would grow at a constant margin above forecast inflation over the next five years. Based on these, the estimated recoverable amount of each of the cash generating units exceeded its carrying amount. The carrying values of goodwill for each of the cash-generating units are disclosed in Note 1.4.

Based on these analyses, management has assessed that no impairment of goodwill is required to be recognized in 2018 and 2017.

15. INVESTMENT PROPERTIES

The Group's investment properties were acquired through business combinations in 2017 (see Note 1.4) and consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment property amounted to P1.8 million in 2018, P1.1 million in 2017 and nil in 2016 are presented as part of Rent Income in the 2018 and 2017 consolidated statements of comprehensive income.

Related real property taxes amounted to P0.7 million and P0.2 million was recognized as a related expense in 2018 and 2017, respectively, and are presented as part of Taxes and Licenses under Selling and Administrative Expenses in the 2018 and 2017 consolidated statements of comprehensive income (see Note 22).

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2018 and 2017 are shown below and in the next page.

	Land	Lot Improvements	Total
December 31, 2018			
Revalued amount / cost [see Note 2.1*(b)*]	P 1,742,840,628	P 3,500,390	P 1,746,341,018
Accumulated impairment loss	(4,633,374)	-	(4,633,374)
Accumulated depreciation	-	(2,686,439)	(2,686,439)
Net carrying amount	**P 1,738,207,254**	**P 813,951**	**P 1,739,021,205**
December 31, 2017			
Cost	P 1,117,899,628	P 3,500,390	P 1,121,400,018
Accumulated impairment loss	(4,633,374)	-	(4,633,374)
Accumulated depreciation	-	(2,001,986)	(1,986,362)
Net carrying amount	P 1,113,266,254	P 1,514,028	P 1,114,780,282

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2018 and 2017 is shown below.

	Land	Lot Improvements	Total
Balance at January 1, 2018 net of accumulated depreciation and impairment loss	P 1,113,266,254	P 1,514,028	P 1,114,780,282
Fair value gains	624,941,000	-	624,941,000
Depreciation charges for the year	-	(700,077)	(700,077)
Balance at December 31, 2018 net of accumulated depreciation	**P 1,738,207,254**	**P 813,951**	**P 1,739,021,205**
Balance at January 1, 2017 net of accumulated depreciation and impairment loss	P 336,839,553	P 2,214,105	P 339,053,658
Business combination	736,056,721	-	736,056,721
Depreciation charges for the year	-	(700,077)	(700,077)
Reversal of accumulated impairment losses	40,785,503	-	40,785,503
Cost of disposed property	(415,523)	(715,701)	(1,131,224)
Accumulated depreciation of disposed property	-	715,701	715,701
Balance at December 31, 2017 net of accumulated depreciation and impairment loss	P 1,113,266,254	P 1,514,028	P 1,114,780,282

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

In 2018, the Group has appraised its investment properties where fair value gains were recognized at the opening balance amounting to P624.9 million [see Note 2.1*(b)*].

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 5.5.

16. OTHER NON-CURRENT ASSETS

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

	Note	2018	2017
Advances to suppliers	27.2	**P 1,167,194,841**	P -
Refundable rental deposits	27.3	**289,572,937**	182,480,300
Deferred minimum lease payments		**48,242,728**	39,079,505
Other prepayments		**83,386,615**	-
Others		**7,270,409**	1,907,263
		P 1,595,667,530	P 223,467,068

Advances to suppliers pertain to advances made to related parties for future acquisition of real properties (see Note 27.2).

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease (i.e. BVAL). Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P2.8 million in 2018, P2.7 million in 2017 and P2.6 million in 2016 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 P3.2 million, P2.7 million and P2.4 million in 2018, 2017 and 2016, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2018	2017
Current:		
Liabilities under LC and TR	**P 3,045,567,756**	P 5,139,141,223
Term loans	**16,667,005,937**	11,657,732,922
Liabilities under short-term commercial papers	**6,596,913,591**	-
	26,309,487,284	16,796,874,145
Non-current Term loans	**13,590,520,166**	11,374,559,853
	P 39,900,007,450	P 28,171,433,998

17.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 6.14% and 3.97% per annum in 2018 and 2017, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8, 9 and 27.5).

17.2 Term Loans

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

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2018	Outstanding Balance 2017
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	7 years	4.77%	**P 5,142,186,833**	P 5,799,559,853
ii. Notes Facility Agreements	*(b), (c)*	1 month to 5 years	5.72% - 7.59%	**3,200,000,000**	4,600,000,000
				8,342,186,833	10,399,559,853
Philippine National Bank (PNB)					
i. Short-Term Commercial Papers	*(17.3)*	6 to 12 months	7.10% - 7.50%	**6,596,913,591**	-
ii. Notes Payable	*(c)*	2 months to 6 months	4.63% - 7.00%	**3,670,000,000**	2,150,000,000
ii. Term Loan Agreement	*(d)*	5 years	5.30% - 6.21%	**225,000,000**	325,000,000
				10,491,913,591	2,475,000,000
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(f)*	7 years	4.85%	**5,000,000,000**	-
	(f)	3 years	4.00%	**666,666,667**	1,000,000,000
ii. Notes Payable	*(c)*	2 to 3 months	6.00%	**1,100,000,000**	900,000,000
				6,766,666,667	1,900,000,000
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(c)*	3 to 7 months	4.75% - 6.50%	**4,304,042,213**	2,385,732,922
ii. Medium-term loan	*(e)*	1 year and 6 months	3.75%	**200,000,000**	-
				4,504,042,213	2,385,732,922
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(c)*	2 to 6 months	6.75%	**375,000,000**	625,000,000
ii. Term Loan Agreement	*(b), (g)*	5 years	5.50%	**200,000,000**	347,000,000
				575,000,000	972,000,000
Development Bank of the Philippines (DBP)	*(c)*	2 to 3 months	5.30% - 5.90%	**1,715,000,000**	1,200,000,000
Asia United Bank (AUB)	*(c)*	3 months	6.75%	**1,009,630,390**	400,000,000
China Banking Corporation	*(c)*	3 months to 18 months	4.63%	**1,005,000,000**	-
Rizal Commercial Banking Corporation	*(c)*	2 to 3 months	7.25%	**985,000,000**	1,000,000,000
Bank of Commerce	*(c)*	1 month	6.38%	**810,000,000**	500,000,000
United Coconut Planters Bank	*(c)*	1 month	7.00%	**450,000,000**	500,000,000
Maybank Philippines, Inc.	*(c)*	3 months	6.00%	**200,000,000**	-
Pentacapital Investment Corporation	*(c)*	3 months	5.00%	**-**	400,000,000
Philippine Veterans Bank (PVB)	*(c)*	1 month	3.50%	**-**	600,000,000
Union Bank of the Philippines (UBP)	*(c)*	2 months	3.50%-4.00%	**-**	300,000,000
				P 36,854,439,694	P 23,032,292,775

(a) TLA with BDO

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month BVAL and 150 basis points divided by 0.95, or 4.00% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1.1, and debt coverage ratio of at least 1.5.

As of December 31, 2018 and 2017, the Parent Company has complied with its debt covenants.

(b) Notes Facility Agreement

In 2011, the Parent Company availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO, Maybank International, Ltd. and RBC. The long-term loan amounting to P700.0 million with interest rate of 7.40% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.70% is payable on August 23, 2018. The outstanding balance of the note facility as of December 31, 2018 and 2017 amounted to nil and P47.0 million, respectively. This loan does not include any covenant.

(c) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 4.63% to 7.00% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.5).

The total outstanding balance of the various promissory notes as of December 31, 2018 and 2017 are P18,683.7 million and P14,560.7 million, respectively.

(d) TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P225.0 million and P325.0 million, respectively. This loan does not include any covenant.

(e) Medium-Term Loan with MIB

The Parent Company signed with MIB a clean medium-term loan amounting to P200.0 million with a tenor of 547 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 3.75% and is maturing on April 30, 2019. This loan does not include any covenant.

(f) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum subject to repricing semi-annually. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P666.7 million and P1,000.0 million, respectively.

On July 5, 2018, the Parent Company signed with LBP a seven-year term loan with no grace period amounting to P5,000.0 million to partially finance the general corporate requirement of the company. The loan was approved on a clean basis and is subject to an interest rate of 4.85%and shall be repriced semi-annually. The principal loan is payable in semi-annually. The first 13 installments shall be for the amount of P25.0 million semi-annually while the last installment shall be P4.675.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1.

As of December 31, 2018 and 2017, the outstanding principal balance amounted to P5,000.0 million and nil, respectively. The Parent Company has complied with its debt covenants.

(g) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P200.0 million and P300.0 million, respectively. This loan does not include any covenant.

17.3 Liabilities under Short-term Commercial Papers (STCPs)

In December 2018, the Parent Company issued STCPs amounting to P7,000.0 million with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter. The amount represented the first of the two tranches totalling to P10,000.0 million of STCP registered with the SEC. Half of the first tranche consisted of 180-day paper that carries a discount rate of 7.10% while 350-day paper with discount rate of 7.50%. The Parent Company used 70.00% of the proceeds to finance the working capital requirements for the importation of fuels and lubricants, and the rest will be used to repay outstanding short-term loans with various banks.

The outstanding liabilities under STCP as of December 31, 2018 and 2017 amounted to P6,596.9 million and nil, respectively. The outstanding balance as of December 31, 2018 is net of the capitalized and unamortized debt issuance cost of P45.2 million.

17.4 Credit Line

The Parent Company has an available credit line under LC/TR of P17,111.3 million and P8,902.3 million and as of December 31, 2018 and 2017, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

17.5 Interest Expense

Interest expense for 2018, 2017 and 2016 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P1,377.0 million, P780.9 million and P863.4 million (see Note 23.1), respectively, which is already exclusive of the capitalized borrowing cost of P261.6 million, P19.7 million and P61.7 million as of December 31, 2018, 2017 and 2018, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 17)	Term Loans (see Note 17)	Liabilities under STCP (see Note 17)	Obligations under finance lease (see Note 17)	Other Non-current Liabilities (see Note 20)	Total
Balance as of January 1, 2018	P 5,139,141,223	P 23,032,292,775	P -	P -	P 504,947,844	P 28,676,381,842
Cash flows from financing activities						
Additional borrowings	-	50,798,571,804	7,000,000,000	-	-	57,798,571,804
Repayment of borrowings and TR	(28,300,249,382)	(43,573,338,476)	-	-	-	(71,873,587,858)
Increase in non-current liability	-	-	-	-	78,717,366	78,717,366
Bond issue cost	-	-	(45,238,000)	-	-	(45,238,000)
Non-cash financing activities						
Availment of LC and TR	25,780,675,915	-	-	-	-	25,780,675,915
Business combination	426,000,000	-	-	-	3,664,685	429,664,685
Unamortized discount	-	-	(357,848,409)	-	-	(357,848,409)
Balance as of December 31, 2018	**P 3,045,567,756**	**P 30,257,526,193**	**P 6,596,913,591**	**P -**	**P 587,329,895**	**P 40,487,337,345**
Balance as of January 1, 2017	P 2,163,936,859	P 9,911,509,730	P 1,107,711,982	P 1,265,272	P 258,584,286	P 13,443,008,129
Cash flows from financing activities						
Additional borrowings	-	35,895,647,657	1,121,000,000	-	-	37,016,647,657
Repayment of borrowings and TR	(18,099,859,838)	(22,776,136,983)	(2,228,711,982)	-	-	(43,104,708,803)
Increase in non-current liability	-	-	-	-	63,749,068	63,749,068
Non-cash financing activities						
Availment of LC and TR	21,075,064,202	-	-	-	-	21,075,064,202
Business combination	-	-	-	-	182,614,490	182,614,490
Interest amortization on finance lease obligation	-	-	-	(1,265,272)	-	(1,265,272)
Amortization of unrecorded discount	-	1,272,371	-	-	-	1,272,371
Balance as of December 31, 2017	P 5,139,141,223	P 23,032,292,775	P -	P -	P 504,947,844	P 28,676,381,842

19. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2018	2017 [As Restated - Note 2.1*(b)*]
Trade payables:			
Third parties		**P 6,142,277,375**	P 2,844,928,495
Related parties	27.2, 27.3, 2.11	**84,630,306**	20,995,548
		6,226,907,681	2,865,924,043
Accrued expenses		**895,209,882**	439,067,334
Retention payable		**137,666,139**	78,959,503
Non-trade payables		**112,877,855**	13,344,313
Advances from customers		**7,208,523**	108,796,437
Others		**54,969,172**	78,532,168
		P 7,434,839,252	P 3,584,623,798

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

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

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group. Moreover, significant portion of the retention payable pertains to the construction of gasoline and LPG stations equipment, which are expected to be completed within one year after the reporting period.

Non-trade payables pertain to liabilities to various suppliers of goods and services which are not related to primary business activities of the Group, such as, utility bills, travel expenses and purchase of office supplies, among others.

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2018	2017
Customers' cylinder deposits		**P 276,285,558**	P 196,380,513
Security deposits		**266,616,512**	245,488,541
Cash bond		**56,702,491**	33,492,002
Unearned rent		**20,226,494**	20,724,633
Post-employment defined benefit obligation	24.4	**771,210**	1,720,623
		P 620,602,265	P 497,806,312

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 P3.6 million, P6.3 million and P11.7 million in 2018, 2017 and 2016, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P5.6 million, P6.4 million and P8.1 million as of December 31, 2018, 2017, and 2016, respectively, and is presented as part of Rent Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI in 2017 (see Note 1.4). In 2018 and 2017, there were no refunds made to the dealers. The composition of this account in 2017 are as follows:

	2018	2017
Deposits for cylinders	**P 431,736,323**	P 248,173,086
Less:		
Gain on reversal of cylinder deposits	**(91,841,621)**	-
Amortization of cylinder deposits	**(63,609,144)**	(51,792,573)
	P 276,285,558	P 196,380,513

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement.

This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement. The Group recognized gain on reversal of cylinder deposits amounting to P91.8 million and nil in 2018 and 2017, respectively, and is presented as part of Fuel Service and Other Income in the consolidated statements of comprehensive income.

21. REVENUES AND COST OF SALES AND SERVICES

Revenues

Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services in the following primary geographical markets and major goods or service lines:

	Trading (point in time)	Depot and Logistics (over time)	Total
Primary geographical markets			
Philippines	P 66,671,556,143	P 824,182,312	P 67,495,738,455
Singapore	21,001,166,720	-	21,001,166,720
	P 87,672,722,863	**P 824,182,312**	**P 88,496,905,175**
Major goods/service lines			
Fuel and by-products	P 81,478,209,826	P 3,214,286	P 81,481,424,112
LPG	4,241,227,274	-	4,241,227,274
Merchandise	1,437,531,031	-	1,437,531,031
Lubricants	699,008,147	-	699,008,147
Hauling and into-plane	-	820,968,026	820,958,026
Others	61,175,962	-	61,175,962
	P 87,672,722,863	**P 824,182,312**	**P 88,496,905,175**

All of the Group's revenues except revenues from hauling and into-plane services and franchise fees (insignificant in amount), which are presented as part of Fuel services and other revenues are transferred at a point in time.

Contract Balances

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. However, the management assess that contract assets, if any, are of insignificant amounts.

Changes in the contract assets and contract liabilities are recognized by the Group a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively. However, the management assess that contract liabilities, if any, are of insignificant amounts.

Cost of Sales and Services

21.1 Costs of Sales and Services

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

	Notes	2018	2017 [As Restated - see Note 2.1*(b)*]	2016
Cost of fuels and lubricants	21.2	**P 74,428,515,179**	P 37,251,184,765	P 23,914,378,824
Cost of LPG	21.2	**3,439,226,822**	1,093,919,764	-
Cost of merchandise	21.2	**971,222,819**	-	-
Cost of services	21.3	**-**	-	1,209,570,405
	22	**P 78,838,964,820**	P 38,345,104,529	P 25,123,949,229

21.2 Cost of Fuels, Lubricants, LPG and Merchandise Sold

The cost of inventories sold are broken down as follows:

	Notes	2018	2017 [As Restated - see Note 2.1*(b)*]	2016
Inventories at beginning of year		**P 12,416,237,073**	P 2,998,780,146	P 2,638,614,688
Net purchases during the year		**77,380,780,757**	47,660,988,176	24,274,544,282
Overhead costs	11.3	**95,924,146**	38,427,130	-
Business combination	1.4	**81,517,130**	63,146,150	-
Goods available for sale		**89,974,459,106**	50,761,341,602	26,913,158,970
Inventories at end of year	8	**(11,135,494,286)**	(12,416,237,073)	(2,998,780,146)
		P 78,838,964,820	P 38,345,104,529	P 23,914,378,824

21.3 Cost of Services

There are no cost of services as of December 31, 2018 and 2017. The details of cost of services as of December 31, 2016 follows:

	Notes	
Charter hire fees		P 219,480,628
Depreciation and amortization	11.3, 12	402,281,752
Salaries and employee benefits		223,104,624
Bunkering		128,272,479
Port expenses		69,045,193
Repairs and maintenance		47,398,625
Insurance		41,880,302
Taxes and licenses		18,061,125
Outside services		6,060,643
Service fees		5,228,607
Security services		2,650,929
Fuel, gas and lubricants		148,605
Professional fees		-
Others		45,956,893
		P 1,209,570,405

22. COSTS AND EXPENSES BY NATURE

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

	Notes	2018	2017 [As Restated - see Note 2.1*(b)*]	2016
Cost of inventories sold	21.1	**P 78,743,040,674**	P 38,306,677,397	P 23,914,378,824
Depreciation and amortization	11, 12, 15	**1,056,749,318**	851,080,582	1,002,088,441
Salaries and employee benefits	24.1	**868,282,821**	438,875,069	549,545,236
Rent	16, 27.3, 31.3	**865,873,379**	654,110,277	638,617,179
Freight and trucking charges		**859,631,739**	667,780,304	594,195,277
Taxes and licenses	15	**531,258,432**	581,832,247	336,339,378
Advertising and promotions		**373,530,774**	267,197,963	85,071,762
Repairs and maintenance		**167,873,962**	90,491,317	118,676,191
Utilities		**154,238,778**	73,874,917	60,577,393
Service fees		**123,721,448**	134,022,166	88,540,285
Security fees		**114,708,711**	82,623,951	69,578,620
Donations and contributions	27.13	**91,762,500**	-	-
Travel and transportation		**82,991,673**	58,361,503	50,971,497
Professional fees		**78,808,924**	53,176,668	107,609,032
Insurance		**71,827,325**	40,957,246	71,213,196
Fuel, oil and lubricants		**69,321,906**	50,194,019	27,084,236
Impairment losses on trade and other receivables	7	**68,465,111**	50,335,399	112,986,854
Office supplies		**42,948,909**	16,634,489	12,914,083
Dues and Subscriptions		**37,887,492**	-	-
Representation		**27,946,580**	9,814,799	16,204,648
Provision for loss on lost cylinders	11	**24,290,486**	-	-
Sales incentives		**20,965,232**	13,481,660	17,120,040
Outside services		**14,924,503**	2,881,506	7,753,440
Deficiency taxes		**45,858**	5,295,972	81,276,439
Charter hire fees		**-**	-	152,635,025
Bunkering		**-**	-	128,272,479
Port expenses		**-**	-	40,173,775
Miscellaneous	27.11	**89,103,852**	102,433,029	167,191,742
		P 84,580,715,117	P 42,552,132,480	P 28,576,725,128

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

	Note	2018	2017	2016
Cost of sales and services	21.1	**P 78,838,964,820**	P 38,345,104,529	P 25,123,949,229
Selling and administrative expenses		**5,741,750,297**	4,207,027,951	3,327,065,843
		P 84,580,715,117	P 42,552,132,480	P 28,451,015,072

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	**2018**	2017	2016
Interest expense on bank loans and other borrowings	17.5	**P 1,376,994,786**	P 780,917,196	P 863,399,371
Bank charges		**54,113,374**	16,779,298	18,828,373
Foreign currency exchange losses – net		**14,575,031**	92,823	-
Interest expense from security deposits	20	**3,564,480**	6,341,824	11,680,584
Interest expense from post-employment defined benefit obligation – net	24.3	**-**	576,720	1,678,468
Others		**-**	-	10,703,374
		P 1,449,247,671	P 804,707,861	P 906,290,170

23.2 Finance Income

	Notes	**2018**	2017 [As Restated - see Note 2.1*(b)*]	2016
Foreign currency exchange gains – net		**P 37,007,589**	P 37,832,533	P 200,196,556
Interest income from cash in banks	6	**27,225,602**	15,662,627	3,874,299
Interest income on amortization of rental deposits	16	**2,761,638**	2,711,436	2,566,528
Interest income from overdue trade receivables		**1,796,910**	-	380,957
Interest income from restricted deposits	9	**1,437,706**	106,880	669,278
Interest income on retirement benefits	24.3	**1,148,645**	-	-
Others		**1,996,252**	-	-
		P 73,374,342	P 56,313,476	P 207,687,618

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2018**	2017	2016
Short-term benefits:				
Salaries and wages		**P 673,553,312**	P 323,104,897	P 434,209,853
Employee welfare and other benefits		**103,315,524**	63,959,232	76,840,351
13th month pay and bonuses		**67,321,587**	30,893,578	23,944,763
Post-employment defined benefit	24.3	**16,848,732**	9,327,496	8,792,489
Employee share options	24.2	**7,243,666**	11,589,866	5,757,780
	22	**P 868,282,821**	P 438,875,069	P 549,545,236

24.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income amounted to P7.2 million, P11.6 million and P5.8 million in 2018, 2017 and 2016, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the consolidated statements of financial position.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

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

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

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2018 and 2017.

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:

	2018	2017
Present value of obligation	**P 169,428,265**	P 123,569,725
Fair value of plan assets	**(170,568,742)**	(122,023,565)
Funded status	**(1,140,477)**	1,546,160
Effect of asset ceiling	**1,911,687**	174,463
	P 771,210	P 1,720,623

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

	2018	2017
Balance at beginning of year	**P 123,569,725**	P 59,336,376
Current service cost	**16,848,732**	9,327,496
Effect of business combination	**3,664,685**	75,111,933
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(32,969,509)**	(12,276,998)
Experience adjustments	**51,934,933**	(5,001,689)
Changes in demographic assumptions	**3,091,223**	(355,175)
Benefits paid from:		
Plan assets	**(4,036,824)**	(7,100,000)
Book reserves	**-**	(5,453,559)
Settlement loss	**-**	3,582,092
Interest expense	**7,325,300**	6,399,249
Balance at end of year	**P 169,428,265**	P 123,569,725

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

	2018	2017
Balance at beginning of year	**P 122,023,565**	P 86,148,347
Contributions to the plan	**54,718,273**	41,209,772
Benefits paid from plan assets	**(4,036,824)**	(7,100,000)
Interest income	**8,473,945**	5,164,769
Loss on plan assets (excluding amounts included in net interest)	**(10,610,217)**	(3,399,323)
Balance at end of year	**P 170,568,742**	P 122,023,565

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

	2018	2017
Cash and cash equivalents	**P 14,929,101**	P 17,064,860
Quoted equity securities:		
Holding	**1,036,800**	6,115,830
Property	**7,374,000**	3,199,153
Construction	**2,658,740**	2,966,310
Telecommunications	**2,044,800**	2,226,695
Manufacturing (Preferred)	**1,799,780**	1,831,803
	14,914,120	16,339,791
Government bonds	**55,700,985**	43,642,587
Unit investment trust funds (UITF)	**68,001,187**	27,611,035
Unit Corporate Bonds	**17,023,349**	16,227,865
Others	**-**	1,137,427
	P 170,568,742	P 122,023,565

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	**2018**	2017	2016
Reported in profit or loss:				
Current service cost	24.1	**P 16,848,732**	P 9,327,496	P 8,792,489
Settlement loss		**-**	3,582,092	-
Net interest expense (income)	23.1, 23.2	**(1,148,645)**	576,720	1,678,468
		P 15,700,087	P 13,486,308	P 10,470,957
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Experience adjustments		**P 51,934,933**	(P 5,001,689)	(P 10,503,288)
Financial assumptions		**(32,969,509)**	(12,276,998)	(3,020,965)
Demographic assumptions		**3,091,223**	(355,175)	-
Effect of asset ceiling		**1,727,069**	174,463	-
Return (loss) on plan assets (excluding amounts included in net interest expense)		**10,610,217**	3,399,323	(1,836,547)
		P 34,393,933	(P 14,060,076)	(P 15,360,800)

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:

	2018	2017	2016
Discount rates	**7.53% to 7.97%**	5.70% to 5.82%	5.38%
Expected rate of salary increases	**2.00% to 6.00%**	5.00% to 6.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.7 and 20.9 for the Parent Company and PLPI, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risk

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(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:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 13,482,291)**	**P 15,252,253**
Salary increase rate	**+/- 1.00%**	**15,529,199**	**(13,461,468)**

	2017		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 13,204,709)	P 15,537,569
Salary increase rate	+/- 1.00%	14,128,498	(12,313,513)

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, 2018 and 2017 is allocated to market gains and losses and accrued receivables.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2018, the plan is overfunded by P1.1 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P10.0 million to the plan during the next reporting period.

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

	2018	2017
Within one year	**P 23,403,502**	P 5,296,457
More than one year to five years	**71,661,736**	23,841,856
More than five years to ten years	**149,066,180**	81,961,568
	P 244,131,418	P 111,099,881

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

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

The Parent Company and PLPI were registered with the Board of Investments (BOI) for certain terminal and facilities that entitled the entities certain tax and non-tax incentives. Terminal and facitlities registered with the BOI are as follows:

Note	Location of Project	Entity Registered	Date of Registration	Income Tax Holiday (ITH) Period	Expiry
25.1	Bacolod City	PPPI	May 10, 2012	5 Years	May 9, 2017
25.2	Cagayan De Oro City	PPPI	May 10, 2012	5 Years	May 9, 2017
25.3	Naga City, Cebu	PLPI	March 7, 2013	5 years	March 6, 2018
25.4	Tayud, Consolacion	PPPI	Nov 24, 2017	5 Years	Nov 24, 2022
25.5	Calapan,Oriental Mindoro	PPPI	Sep 9, 2017	5 Years	Sep 9, 2022
25.6	Villanueva, Misamis Oriental	PPPI	Oct 12, 2017	5 Years	Oct 12, 2022
25.7	Calaca, Batangas Expansion	PPPI	Dec 22, 2017	5 Years	Dec 22, 2022

25.1 BOI Registration for New Investment – Bacolod Storage Terminal

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 Republic Act 8479, *Downstream Oil Industry Deregulation Act* (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.

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

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

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired on May 10, 2017.

25.3 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in no case earlier than the date of registration. The ITH for this terminal and storage facility expired on March 6, 2018.

25.4 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.5 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from October 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.6 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from November 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.7 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from January 2018 or date of registration whichever is earlier but in no case earlier than the date of registration.

As of December 31, 2018 and 2017, the Parent Company and PLPI have complied with the terms and conditions under their ITH registrations.

26. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income is presented below.

	2018	2017 [As restated see Note 2.1(*b*)]	2016
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 723,376,187**	P 558,801,190	P 195,720,139
Final tax at 20.00% and 7.50%	**9,174,318**	3,157,079	1,928,511
Minimum corporate income tax (MCIT) at 2.00%	**12,308,333**	1,657,937	3,214,611
	744,858,838	563,616,206	200,863,261
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(138,270,517)**	(155,548,968)	(31,060,370)
	P 606,588,321	P 408,067,238	P 169,802,891
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 355,635,633**	P 4,218,023	P 4,608,240

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:

	2018	2017 [As restated see Note 2.1(*b*)]	2016
Tax on pretax profit at 30.00% and 17.00%	**P 893,992,261**	P 804,031,571	P 378,683,336
Adjustment for income subjected to lower income tax rates	**(1,671,503)**	(186,606,000)	(982,323)
Tax effects of:			
Adjustment for income and expenses under ITH	**(353,339,769)**	(190,713,945)	(212,788,085)
Unrecognized DTA	**72,038,868**	-	-
Non-deductible expenses	**17,551,587**	62,995,167	69,479,619
Recognition of previously unrecognized DTA on impairment losses	**(16,415,482)**	-	(69,375,158)
Non-taxable income	**(7,656,113)**	(2,732,284)	(3,205,464)
Reversal of MCIT	**2,696,116**	3,157,282	3,051,968
Share benefit expense on on exercised stock options	**(2,533,289)**	(2,528,710)	-
Reversal of net operating loss carry over (NOLCO)	**1,881,501**	2,761,014	179,839
Reversal of deferred tax liability (DTL) on 2016 unrealized forex gain, realized in 2017	**44,144**	(83,181,314)	-
Derecognition of previously recognized deferred tax assets (DTA)	**-**	884,457	4,759,159
Tax expense reported in consolidated statements of comprehensive income [As restated – see Note 2.1 (*b*)(*vii*)]	**P 606,588,321**	P 408,067,238	P 169,802,89

The net deferred tax assets and liabilities as of December 31, 2018 and 2017 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2018	2017	**2018**	**2018**	2017	2016	**2018**	2017	2016
Deferred tax assets:									
Impairment losses on trade and other receivables	**P 150,061,918**	P 135,499,033	**P -**	**P 14,562,885**	(P 3,955,666)	P 93,522,541	**P -**	P -	P -
Provision for losses on lost cylinders	**78,914,501**	71,627,356	**-**	**7,287,145**	-	-	**-**	-	-
Unamortized past service cost	**33,066,105**	7,730,775	**-**	**25,335,330**	1,600,550	-	**-**	-	-
Accrued rent expense	**13,465,656**	-	**-**	**13,465,656**	(2,593,275)	1,776,960	**-**	-	-
Impairment losses – effect of PFRS 9	**32,882,335**	-	**-**	**-**	-	-	-	-	-
MCIT	**6,967,764**	6,620,729	**-**	**347,035**	(1,037,884)	(1,248,706)	**-**	-	-
NOLCO	**1,570,632**	15,291,370	-	**(13,720,738)**	4,116,765	4,808,625	**-**	-	-
Post-employment benefit obligation	**587,075**	3,110,141	**(1,216,855)**	**(11,624,391)**	(6,006,157)	(618,401)	**10,318,180**	(4,218,023)	(4,608,240)
Unrealized foreign currency loss – net	**-**	1,849,446	**-**	**(1,849,446)**	1,110,382	-	**-**	-	-
Others	**-**	761,427	**-**	**(761,428)**	(1,041,871)	-	**-**	-	-
	307,197,806	242,490,277	**(1,216,855)**	**33,042,048**	(7,807,156)	98,241,019	**10,318,180**	(4,218,023)	(4,608,240)
Deferred tax liabilities:									
Fair value gains on investment property	**(408,299,316)**	(220,817,016)	**-**	**(187,482,300)**	(220,817,016)	-	-	-	-
Gain on revaluation of land	**(365,953,813)**	-	**-**	-	-	-	**(365,953,813)**	-	-
Accrued rent income	**(13,987,805)**	(10,704,083)	**(137,881)**	**(3,145,841)**	(10,106,110)	-	**-**	-	-
Unrealized foreign currency gains – net	**(3,248,580)**	-	**-**	**(3,248,580)**	83,181,314	(67,180,649)	**-**	-	-
	(791,489,514)	(231,521,099)	**(137,881)**	**(193,876,721)**	(147,741,812)	-	**(365,953,813)**	-	-
Net deferred tax asset (liability), [As restated - see Note 2.1(*b*)]	**(P 484,291,708)**	P 10,969,178	**(P 1,354,736)**						
Net deferred tax income (expense)				**(P 138,270,517)**	(P 155,548,968)	P 31,060,370	**(P 355,635,633)**	(P 4,218,023)	(P 4,608,240)

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
2018	P 1,946,439	P 583,932	2021
2017	3,289,001	986,700	2020
	P 5,235,440	P 1,570,632	

The Group is subject to the MCIT, which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's RCIT was higher than MCIT in 2018 and 2016 while in 2017, MCIT was higher than RCIT. MCIT was higher than RCIT for all the years presented for PPMI and SPTT, respectively.

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

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2018	P -	P 3,033,658	P 3,033,658	P 3,033,658	2021
2017	-	1,667,430	1,667,430	1,667,430	2020
2016	-	2,266,676	2,266,676	2,266,676	2019
	P -	P 6,967,764	P 6,967,764	P 6,967,764	

In 2018, 2017 and 2016, the Group claimed itemized deductions in computing for its income tax due.

27. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions with its related parties as of December 31, 2018, 2017 and 2016 is presented in the next page.

Category*	Related Party Notes	Amount of Transactions 2018	2017	2016	Outstanding Balance 2018	2017
Other related parties under common ownership						
Sale of subsidiaries*	1.5,7,27.9	**P -**	P -	P 3,000,000,000	**P 500,000,000**	P 500,000,000
Sale of goods*	7,27.1	**4,732,957,659**	2,038,584,803	120,662,536	**1,851,288,462**	955,539,554
Sale of services	7,27.10	**322,703,055**	-	-	**346,703,054**	-
Purchase of goods	21,27.2	**1,035,334,676**	-	-	**56,511,741**	-
Purchase of services*	19,27.2	**352,010,893**	115,202,871	72,601,698	**2,467,366**	20,995,548
Purchase of land	19,27.11	**92,880,000**	-	-	**19,876,320**	-
Advances to suppliers*	7,27.2	**115,305,467**	-	(438,294,800)	**115,305,467**	-
Management fees*	7,27.7	**-**	(2,139,028)	24,255,000	**86,598,808**	86,598,808
Rentals	19,27.3	**104,531,407**	41,194,056	74,840,032	**5,774,879**	2,740,627
Advances for option to purchase properties	7,27.12	**2,577,036,191**	-	-	**2,577,036,191**	-
Due from related parties	27.4	**421,266,746**	(988,966,628)	-	**939,271,644**	518,004,898
Donations	22,27.13	**30,610,000**	-	-	**-**	-
Udenna Corporation						
Advances to suppliers	7,27.2	**742,356,217**	13,456,176	438,294,800	**1,167,194,841**	424,838,624
Rentals	19,27.3	**7,106,449**	1,101,775	9,616,314	**-**	710,545
Sale of services	7,27.10	**100,000,000**	-	-	**112,000,000**	-
Sale of goods	7,27.1	**392,022**	-	-	**126,897**	-
Key management personnel						
Salaries and Employee benefits	22,27.7	**258,103,179**	80,182,994	66,518,009	**-**	-

**As a result of the deconsolidation of CISC and CSC (see Note 1.5), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

27.1 Sale of Goods

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

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. As a result of adoption of PFRS 9, allowance for impairment losses for trade receivables from related parties that is charged to opening retained earnings amounted to P17.2 million (see Notes 4.3 and 7). No additional impairment loss was recognized in 2018 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). Certain advances were also made for the purchase of properties and is presented as Advances to Supplier under other non-current assets in the 2018 consolidated statement of financial position. The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

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 2018, 2017 and 2016 amounted to P7.1 million, P1.1 million and P9.6 million, respectively. The outstanding rental payable amounting to nil and P0.7 million in 2018 and 2017, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

(b) UDEVCO – of which total rent expense in the years 2018, 2017 and 2016 amounted to P7.2 million, P6.3 million and P48.3 million, respectively. Prepaid rent amounted to P1.3 million both in 2018 and 2017 (see Note 10). Rental deposit for the lease amounted to P6.5 million as of both December 31, 2018 and 2017, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

(c) Valueleases, Inc. (VLI) – of which total rent expense in the years 2018, 2017 and 2016 amounted to P72.4 million, P34.9 million and P25.7 million, respectively. Prepaid rent amounted to P17.8 million in 2018 and 2017 (see Note 10). Refundable rental deposits amounted to P19.0 million and P15.0 million as of December 31, 2018 and 2017, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

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

27.4 Due from Related Parties

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

As of December 31, 2018 and 2017, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to CISC amounted to P6.2 million in 2018, nil in 2017 and P5.0 million in 2016. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2018	2017
CISC		**P 933,096,022**	P 496,819,699
PAPI		**5,241,248**	-
Galaxi Petroleum Fuels, Inc.		**876,256**	-
Udenna Corporation		**540,810**	-
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**58,118**	20,236,382
CSC		**-**	948,817
		939,812,454	518,004,898
Allowance for impairment	4.3(*b*)	**(1,908,282)**	-
		P 937,904,172	P 518,004,898

The movement of Due from Related Parties as of December 31 is as follows:

	Notes	2018	2017
Balance at beginning of year		**P 518,004,898**	P 1,506,997,926
Additions		**524,778,830**	669,526,678
Reclassification	7	**(77,018,291)**	(500,000,000)
Collections		**(25,952,983)**	(1,158,519,706)
Allowance for impairment	4.3*(b)*	**(1,908,282)**	-
Balance at end of year		**P 937,904,172**	P 518,004,898

As a result of adoption of PFRS 9, allowance for impairment losses on due from related parties that is charged to opening retained earnings amounted to P1.9 million [see Note 4.3 (*b*)].

27.5 Loan Collaterals

The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 9).

27.6 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7) and are unsecured, non-interest bearing, payable on demand and normally settled in cash.

As a result of adoption of PFRS 9, allowance for impairment losses on the receivables from CISC that is charged to opening retained earnings is included as part of amounted to the total P1.8 million allowance for impairment on trade and other receivables (see Note 4.3).

27.7 Key Management Compensations

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

	2018	2017	2016
Salaries and wages	**P 215,217,266**	P 59,621,546	P 53,164,063
13th month pay and bonuses	**17,622,482**	5,488,660	7,384,629
Honoraria and allowances	**13,192,196**	6,242,372	5,566,274
Post-employment benefits	**8,494,913**	3,623,132	403,043
Share-based payment	**3,576,322**	5,207,284	-
	P 258,103,179	P 80,182,994	P 66,518,009

27.8 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, 2018 and 2017 is shown in Note 24.3. As of December 31, 2018 and 2017, the retirement plan has no investment in shares of stocks of the Parent Company and other listed related parties.

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

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.3.

27.9 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to CLHC, and in CISC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P550.0 million is still receivable in 2018 and 2017, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2018 and 2017 consolidated statement of financial position (see Note 7).

27.10 Sale of Service

In 2018, the Group entered into a service agreement with UDEVCO, CISC, Le Penseur Inc. (LPI) and Udenna Corporation to temporarily operate and manage the related parties' operations. Total service income recognized in 2018 to P37.5 million from LPI and P100.0 million each from UDEVCO, CISC and UC. The outstanding balance from services rendered to related parties amounted to P37.5 million from LPI and P112.0 million each from UDEVCO, CISC and UC.

The service income aforementioned are presented as part of Fuel Service and Other Revenues in the consolidated statements of comprehensive income and the related outstanding receivables are presented as part of Non-Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position (Note 7). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

27.11 Purchase of Land

The Group acquired land from CISC amounting to P92.9 million, with outstanding balance of P19.9 million presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (Note 19). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

27.12 Advances for Option to Purchase Properties

In 2018, the Group entered into reservation agreements with a one year option period with Global Gateway Development Corporation (GGDC) and Udenna Tower Corporation (UTOWCO) for option to purchase leasehold rights and properties, respectively. The consideration paid for GGDC and UTOWCO amounted to P2,322.7 million and P254.2 million, respectively. The payments made are creditable to the payment of the purchase price of the leasehold rights and properties in the event that a Contract of Sublease covering the purchase of the sublease rights of the properties is executed or returned or refunded to the Group in the event that the referenced Contract of Sublease is not executed within the option period. The related advances are presented as part of Advances to Suppliers under Trade and Other Receivables in the 2018 consolidated statement of financial position (Note 7).

27.13 Others

The Group granted P30.6 million and nil donations to Udenna Foundation, Inc. in 2018 and 2017, respectively. These are presented as part of Donations and Contributions 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		
	2018	2017	2016	**2018**	2017	2016
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issue						
Balance at beginning of year	**30,000,000**	30,000,000	30,000,000	**30,000,000**	P 30,000,000	P 30,000,000
Issuance during the year	**2,000,000**	-	-	**2,000,000**	-	-
Balance at end of year	**32,000,000**	30,000,000	30,000,000	**32,000,000**	30,000,000	30,000,000
Treasury shares						
Balance at beginning of year	**(5,000,000)**	(5,000,000)	(5,000,000)	**(5,000,000)**	(5,000,000)	(5,000,000)
Redemption	**(5,000,000)**	-	-	**(5,000,000)**	-	-
Balance at end of year	**(10,000,000)**	(5,000,000)	(5,000,000)	**(10,000,000)**	(5,000,000)	(5,000,000)
Issued and outstanding	**22,000,000**	25,000,000	25,000,000	**P 22,000,000**	P 25,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning of year	**1,431,538,232**	1,428,777,232	1,428,777,232	**P1,431,538,232**	P1,428,777,232	P1,428,777,232
Issuance during the year	**2,766,000**	2,761,000	-	**2,766,000**	2,761,000	-
Balance at end of year	**1,434,304,232**	1,431,538,232	1,428,777,232	**1,434,304,232**	1,431,538,232	1,428,777,232
Treasury shares	**(31,000,000)**	-	(54,393,300)	**(344,300,000)**	-	(330,679,783)
Issued and outstanding	**1,403,304,232**	1,431,538,232	1,374,383,932	**P1,090,004,232**	P1,431,538,232	P1,098,097,449
				P1,112,004,232	P1,456,538,232	P1,123,097,449

(a) On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

(b) In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

(c) In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 28.4).

(d) In 2018, the Parent Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

(e) The preferred shares shall have the following features:

- Non-convertible into common shares;

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

- 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,

- 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;

- 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.

- Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall 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.

- 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.

(f) 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.

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

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

Dividend rates:	PNX3A	7.43% per annum
	PNX3B	8.11% per annum
Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	
Debt-to-equity ratio:	The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.	

(h) On December 3, 2018, the Parent Company entered into a Subscription Agreement for a perpetual preferred shares with RCBC Capital Corporation, which was taken from the unissued portion of the authorized capital stock of the Parent Company. The preferred shares with the same features under Note 28.1*(e)* were issued on December 5, 2018. The issuance was by way of private placement of P2,000.0 million, consisting of 2,000.0 million preferred shares at an offered price of P1,000.0 per share. Initial dividend rate is at 8.25% per annum.

28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

The market prices of the shares as of December 31 are as follows:

	2018	2017	2016
PNX (Common)	**P 10.74**	P 12.88	P 5.63
PNX 3A (Preferred)	**100.00**	103.70	105.00
PNX 3B (Preferred)	**102.00**	108.80	115.00

28.3 Track Registration of Shares

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

	2018	2017	2016
Common	**66**	60	66
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	5
d) PNX 3B	**4**	4	4

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

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		2,550,000,000				P1,436,248,632

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,436,248,632**
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		**2,550,000,000**			**P1,406,233,932**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,406,233,932**
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Amounts carried forward)		**2,550,000,000**			**P1,456,538,232**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000				P1,456,538,232
Issuance	Common		1		5/23/2018	73,000
Issuance	Common		1		6/30/2018	2,128,000
Redeemed treasury shares	Common		1		9/12/2018	(25,000,000)
Issuance	Common		1		9/30/2018	447,000
Redeemed treasury shares	Common		1		11/21/2018	(3,500,000)
Redeemed treasury shares	Common		1		11/21/2018	(2,500,000)
Issuance	Preferred		1	Par value	12/5/2018	2,000,000
			1,000	Issue price		
Issuance	Common		1		12/31/2018	118,000
Redeemed treasury shares	Treasury Shares		1		12/20/2018	(5,000,000)
Total		2,550,000,000				P1,425,304,232

28.4 Additional Paid-in Capital

In 2018, the Parent Company issued 2.0 million of its preferred shares at P1,000.0 per share. Premiums received in excess of the par value amounting to P1,998.0 million were recorded as part of Additional Paid-in Capital account in the 2018 consolidated statement of financial position.
In addition, the Parent Company also redeemed 5,000.0 million shares at P100.0 per share for a total consideration paid of P500.0 million. The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P495.0 million.

In 2018 and 2017, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P21.4 million and P12.9 million, respectively (see Notes 28.1 and 28.7). The fair value of stock options exercised in 2018 and 2017, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.4 million, which is computed at P3.05 per stock option.

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.1).

In 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 toP1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

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

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

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

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

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

28.5 Revaluation Reserves

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

	Property, Plant and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2018	P -	(P 2,306,049)	(P 2,306,049)
Revaluation increment	1,219,846,043	-	1,219,846,043
Remeasurements of defined post-employment obligation	-	(34,393,933)	(34,393,933)
Tax income (expense)	(365,953,813)	10,318,180	(355,635,633)
Balance as of December 31, 2018	**P 853,892,230**	**(P 26,381,802)**	**(P 827,510,428)**
Balance as of January 1, 2017	P -	(P 12,148,102)	(P 12,148,102)
Remeasurements of defined post-employment obligation	-	14,060,076	14,060,076
Tax expense	-	(4,218,023)	(4,218,023)
Balance as of December 31, 2017	P -	(P 2,306,049)	(P 2,306,049)

28.6 Retained Earnings

On January 26, 2018, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 15 centavos per share totalling to P214.7 million, record date of April 2, 2018. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2018. No stock dividends were declared and distributed in 2018.

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

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

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

28.7 ESOP

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Group's shares over a period of time consistent with the option life.

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P7.2 million and P11.6 million share-based executive compensation is recognized in 2018 and 2017, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2017 and 2016 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

28.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

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

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

	2018	2017 (As restated - see Note 2.1[b])
Total liabilities	**P 48,686,605,873**	P 32,849,056,409
Total equity	**15,973,672,857**	11,683,537,505
Debt-to-equity ratio	**3.0 : 1.0**	2.8 : 1.0

The increase of the total assets and liabilities in 2018 is 1) due to the business combinations, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired, 2) increase in interest-bearing loans and borrowings utilized for the acquisition. The increase in equity is the net effect business combination, revaluation of land under Property, Plant and Equipment and appraisal of its investment properties and the net profit in 2018 less the cash dividend declared and paid during the period for common shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, (see Note 17).

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

29. EARNINGS PER SHARE

EPS were computed as follows:

	2018	2017 [As Restated - see Note 2.1(*b*)]	2016
a) Net profit pertaining to common shares	**P 2,455,907,552**	P 1,521,422,847	P 902,592,062
b) Net profit attributable to common shares and potential common shares	**2,455,907,552**	1,521,422,847	902,592,062
c) Weighted average number of outstanding common shares	**1,424,576,265**	1,372,487,454	1,410,964,421
d) Weighted average number of outstanding common and potential common shares	**1,426,593,300**	1,377,270,489	1,414,736,438
Basic EPS (a/c)	**P 1.72**	P 0.97	P 0.64
Diluted EPS (b/d)	**P 1.72**	P 0.96	P 0.64

The potential dilutive common shares totalling 2,017,035, 4,783,035 and 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2018, 2017 and 2016.

30. SEGMENT REPORTING

30.1 Business Segments

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

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

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

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

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

30.2 Segment Assets and Liabilities

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

30.3 Intersegment Transactions

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

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2018 and 2017 and certain asset and liability information regarding industry segments as of December 31, 2018, 2017 and 2016 (in thousands).

	Sale of Goods Trading			Fuel Service and Other Revenues Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2018	2017 [As Restated - see Note 2.1(b)]	2016 [As restated see Note 2' 2.1(b)]	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017 [As Restated see Note 2.1(b)]	2016 [As Restated see Note 2 2.1(b)]
TOTAL REVENUES															
Sales to external customers	**P 88,239,192**	P 44,072,366	P 29,342,741	**P 369,768**	P 469,557	P 480,057	**P -**	P -	P 628,160	**P 1,808**	P 1,059	P -	**P 88,610,768**	P 44,542,982	P 30,450,958
Intersegment sales	**20,139,519**	4,180,373	681,402	**209,985**	-	53,126	**-**	-	893,299	**16,721**	22,338	-	**20,366,225**	4,202,711	1,627,827
Total revenues	**108,378,711**	48,252,739	30,024,143	**579,753**	469,557	533,183	**-**	-	1,521,459	**18,529**	23,397	-	**108,976,993**	48,745,693	32,078,785
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	**102,895,593**	45,419,830	26,843,970	**958,174**	437,631	403,563	**-**	-	1,829,221	**36,424**	46,302	-	**103,890,191**	45,903,763	29,076,754
Depreciation and amortization	**1,047,964**	841,340	576,126	**8,130**	9,040	45,912	**-**	-	380,050	**700**	700	-	**1,056,749**	851,080	1,002,088
	103,943,512	46,261,170	27,420,096	**966,304**	446,671	449,475	**-**	-	2,209,271	**37,124**	47,002	-	**104,946,940**	46,754,843	30,078,842
SEGMENT OPERATING PROFIT (LOSS)	**P 4,435,199**	P 1,991,569	P 2,604,047	**(P 386,551)**	P 22,886	P 83,708	**P -**	P -	(P 687,812)	**(P 18,595)**	(P 23,605)	P -	**P 4,030,053**	P 1,990,850	P 1,999,943
ASSETS AND LIABILITIES															
Segment assets	**P 70,099,484**	P 47,427,360		**P 564,287**	P 493,812		**P -**	P -		**P 415,081**	P 411,922		**P 71,078,852**	P 48,333,094	
Segment liabilities	**51,410,451**	33,468,783		**421,481**	363,152		**-**	-		**318,206**	324,150		**52,150,138**	34,156,085	

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).

	2018	2017 [As Restated - see Note 2.1(b)]	2016 [As Restated - see Note 2.1(b)]
Revenues			
Total segment revenues	**P 108,976,993**	P 48,745,693	P 32,078,785
Elimination of intersegment revenues	**(20,366,225)**	(4,202,711)	(1,627,827)
Revenues as reported in profit or loss	**P 88,610,768**	P 44,542,982	P 30,450,958
Profit or loss			
Segment operating profit	**P 4,030,053**	P 1,990,850	P 1,999,943
Fair value on investment property	**624,941**	-	-
Equity share in net income (loss) in joint venture	**7,342**	-	(50,069)
Excess of fair value of net assets acquired over acquisition costs	**-**	650,182	-
Other unallocated income	**87,267**	36,853	11,006
Operating profit as reported in profit or loss	**4,749,603**	2,677,885	1,960,880
Finance costs	**(1,449,248)**	(804,708)	(906,290)
Finance income	**73,375**	56,313	207,688
Profit before tax as reported in profit or loss	**P 3,373,730**	P 1,929,490	P 1,262,278
Assets			
Segment assets	**P 71,078,852**	P 48,333,094	
Deferred tax assets – net	**307,198**	242,490	
Elimination of intercompany accounts	**(6,566,058)**	(4,402,990)	
Total assets reported in the consolidated statements of financial position	**P 64,819,992**	P 44,172,594	
Liabilities			
Segment liabilities	**P 52,150,138**	P 34,156,085	
Deferred tax liabilities – net	**791,489**	231,521	
Elimination of intercompany accounts	**(4,095,308)**	(1,898,550)	
Total liabilities as reported in the consolidated statements of financial position	**P 48,846,319**	P 32,489,056	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2018, the Group has commitments of more than P6,000.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 600 operating retail service stations as of December 31, 2018. An additional of eight retail service stations are under various stages of completion as of December 31, 2018.

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.

In addition, in view of PLPI's development and innovation to provide legal, safer and cheaper alternative to the LPG refilled butane canisters, PLPI has entered in 2018 a purchase contract of around P100.0 million capital commitments to purchase Refillable Welded Stainless Steel (RWSS) LPG cylinders. Further, starting 2017, PLPI has about P1.0 billion commitments for purchase of LPG cylinders to augment its current operations and re-establish its market in the Luzon areas.

31.2 Unused LCs

As of December 31, 2018 and December 31, 2017, the Parent Company has unused LCs amounting to P17,111.3 million and P8,652.3 million, respectively.

31.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2018	2017
Within one year	**P 502,525,573**	P 371,674,361
After one year but not more than five years	**1,714,046,926**	1,187,252,691
More than five years	**2,376,914,724**	1,554,982,467
	P 4,593,487,223	P 3,113,909,519

Total rent expense for the years 2018, 2017 and 2016 amounted to P865.9 million, P654.1 million, and P638.6 million, respectively (see Note 22).

31.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2018	2017
Within one year	**P 97,563,919**	P 87,237,539
After one year but not more than five years	**135,545,769**	138,482,193
More than five years	**3,545,631**	23,917,284
	P 236,655,319	P 249,637,016

Rent income in 2018, 2017 and 2016 amounting to P113.9 million, P91.6 million and P97.3 million, respectively, is presented as part of Rent Income in the consolidated statements of comprehensive income.

31.5 PFM's Franchise

PFM as Franchisee

PFM has area franchise agreement with FamilyMart Co. Ltd., whereby the latter will grant exclusive rights to the PFM for operating the FamilyMart stores in the Philippines as an Area Franchisor using the FamilyMart System for a period of ten years and six months, renewable at the option of the PFM. The agreement provides for an initial franchise fee of US$1.0 million and royalty fees amounting to 1.00% of gross sales, exclusive of VAT, of all FamilyMart stores computed at the end of every month. On January 2, 2013, the PFM paid the initial franchise fee amounting to P41.1 million.

On December 11, 2017, as part of the acquisition of PFM by the Parent Company, the franchise agreement was renewed for ten years starting on the date of renewal at no additional cost to the PFM. As of December 31, 2018, the carrying value of the franchise fee amounted to P18.5 million and is presented as part of Intangible Assets in the 2018 consolidated statement of financial position (see Note 12).

Royalty expense recognized by the PFM in 2018 P12.79 million, and is presented under Selling and Administrative Expenses in the 2018 consolidated statement of comprehensive income (see Note 22). There are no outstanding payable in 2018 relating to the royalty.

PFM as Franchisor

In December 2014, PFM started entering into franchise agreements whereby, as an Area Franchisor, the PFM grants exclusive rights to qualified persons and entities (Franchisees) to own and operate FamilyMart store/s at locations in the Philippines approved by it. The agreement is for a term of five years unless earlier terminated by either party and provides for a one-time franchise fee plus monthly royalties to the PFM equivalent to a percentage of gross profit. Cash receipts of the franchised stores from merchandise sales are initially deposited to the PFM. Deductions are made from this fund for the cost of merchandise sales, share of the PFM on the store's monthly gross profit and other costs. The remaining balance is subsequently remitted to the franchisees.

One-time franchise fees, which pertain to the initial investment of the franchisees are also presented as part of Non-trade Payables under Trade and Other Payables in the 2018 consolidated statement of financial position until the PFM has performed initial services as franchisor as agreed under the agreement. As of December 31, 2018, there are no outstanding liabilities. Revenues from franchise fees amounted to P56.0 million is presented as part of Fuel service and other revenues in the 2018 consolidated statement of comprehensive income with the corresponding outstanding receivable from the franchisees amounting to P14.7 million, presented as part of Non-trade Receivables under Trade and Other Receivables in the 2018 consolidated financial statements.

31.6 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

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

(b) 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.

(c) On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the SC, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court (SC), Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(d) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(e) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(f) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

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

(h) The Parent Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

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

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2018 and 2017, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

32. EVENT AFTER THE BALANCE SHEET DATE

Joint Venture of the Parent Company

The Parent Company's BOD has approved on January 31, 2019 for the Group to enter into joint cooperation or venture with China National Offshore Oil Corporation (CNOOC) Gas and Power Group for the operation and establishment of various liquefied natural gas (LNG)-related trades and services under the LNG Integrated Hub Project in the Philippines. In addition, the BOD has approved to form and organize a new and wholly-owned subsidiary or company and to invest corporate funds with initial investment of P250.0 million for the LNG project, subject to the approval of the stockholders during the annual stockholders' meeting of the Parent Company.

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Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2018, on which we have rendered our report dated February 22, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 7333698, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2019

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Scoundness Indicators
December 31, 2018

	Amount 2018	Amount 2017 (As Restated)	Ratio 2018	Ratio 2017 (As Restated)
A) LIQUIDITY RATIOS				
1 Current Ratio:				
Current Assets	37,259,777,423	24,905,751,632	1.1	1.2
Current Liabilities	33,843,707,218	20,385,169,145		
2 Quick Ratio:				
Current Assets - Investories	26,124,283,137	12,489,514,559	0.8	0.6
Current Liabities	33,843,707,218	20,385,169,145		
3 Cash Ratio:				
Cash and Cash Equivalents	7,888,708,807	1,831,557,883	0.2	0.1
Current Liabilities	33,843,707,218	20,385,169,145		
B) SOLVENCY RATIOS				
1 Solvency Ratio:				
After Tax Net Profit + Depreciation	3,823,891,027	2,372,503,429	0.1	0.1
Long term liabilities + Short term Liabilities	48,686,605,873	32,482,582,362		
2 Debt to Equity Ratio:				
Total Liabilities	48,686,605,873	32,482,582,362	3.0	2.8
Equity	15,973,672,857	11,683,537,505		
3 Debt Service Coverage Ratio				
Net Operating Income	5,776,049,188	3,543,006,920	2.3	2.9
Net Interest Expense + Long-term repayments	2,473,903,173	1,230,719,493		
C) ASSET TO EQUITY RATIO				
Total Assets	64,660,278,730	44,166,099,867	4.0	3.8
Equity	15,973,672,857	11,683,537,505		
D) INTEREST RATE COVERAGE RATIO				
Earnings Before Interest and Taxes	4,718,299,870	2,691,926,338	3.4	3.4
Interest Expense	1,376,994,786	780,917,196		
E) PROFITABILITY RATIOS				
1 Gross Profit Margin:				
Sales - Cost of Goods Sold	8,833,757,843	5,803,847,723	0.1	0.1
Sales	87,672,722,663	44,148,952,252		
2 Return on Assets:				
Net Income	2,767,141,709	1,521,422,847	0.0	0.0
Total Assets	64,660,278,730	44,166,099,867		
3 Return on Equity:				
Net Income	2,767,141,709	1,521,422,847	0.2	0.1
Equity	15,973,672,857	11,683,537,505		

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
December 31, 2018

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

Schedule A - Financial Assets

December 31, 2018

Description	*Carrying Value*	*Fair Value*
Loans and receivables:		
Cash and cash equivalents	P 7,889,708,807	P 7,889,708,807
Trade and other receivables - net	11,363,226,589	11,363,226,589
Due from related parties	937,904,172	937,904,172
Construction bond	5,504,822	5,504,822
Restricted deposits	52,719,265	52,719,265
Refundable rental deposits	289,572,937	289,572,937
	P 20,538,636,592	**P 20,538,636,592**

Notes:

1) Trade and other receivables excludes advances to suppliers and advances to subject to liquidation.

2) There are no other financial assets applicable to the group, except for loans and receivables.

3) Construction bond is included as part of Others under Prepayments and Other Current Assets.

4) Net of allowance for impairment losses of P634,396,128.

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

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Reclassification	Ending Balance: Current	Ending Balance: Non-current	Balance at end of period
Calaca Industrial Seaport Corporation	P 496,819,699	P 436,276,323	P -	P -	P 933,096,022	P -	P 933,096,022
P-H-O-E-N-I-X Philippines Foundation, Inc.	20,236,382	5,286,770	(25,465,034)	-	58,118	-	58,118
Chelsea Shipping Corporation	948,817	76,069,474	-	(77,018,291)	-	-	-
Phoenix Asphalt Philippines, Inc.	-	5,729,197	(487,949)	-	5,241,248	-	5,241,248
Galaxi Petroleum Fuels, Inc.	-	876,256	-	-	876,256	-	876,256
Udenna Corporation	-	540,810	-	-	540,810	-	540,810
	P 518,004,898	P 446,508,846	P 20,236,382	P -	P 944,277,362	P -	P 935,812,454

Notes:

1) There are no amounts written-off. However, allowance for impairment of P1,908,282 was recognized. Balance at end of period net of allowance for impairment losses amounted to P937,904,172.

2) All are related parties under common ownership except for Udenna Corporation, which is the Ultimate Parent Company.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
December 31, 2018

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.							
Advances to subsidiaries/parent	P-H-O-E-N-I-X Global Mercantile, Inc.	P 1,277,008	P 69,254,863	P 41,685,008	P 28,846,863	P -	P 28,846,863
	PFL Petroleum Management, Inc.	53,166,484	385,121,212	2,605,991	435,701,685	-	435,701,685
	Subic Petroleum Trading and Transport Phils., Inc.	597,870,572	3,963,314,179	3,314,397,878	1,246,786,873	-	1,246,786,873
	PNX Petroleum Singapore PTE Ltd.	47,996,717	22,252,243	45,806,062	24,442,898	-	24,442,898
	DUTA, Inc.	287,349,103	-	-	287,349,103	-	287,349,103
	Phoenix LPG Philippines, Inc.	-	95,152,138	40,000,000	55,152,138		55,152,138
	Action.Able, Inc.	-	198,892,712	-	198,892,712	-	198,892,712
	Philippine FamilyMart CVS, Inc.	-	1,341,252,950	646,554,020	692,498,930	-	692,498,930
		P 987,659,884	P 6,075,240,296	P 4,090,048,958	P 2,949,671,202	P -	P 2,949,671,202
P-H-O-E-N-I-X Petroleum Philippines, Inc.							
Trade and Other Receivables	P-H-O-E-N-I-X Global Mercantile, Inc.	P 7,343,030	P 9,259,603	P 10,786,707	P 6,015,926	P -	P 6,015,926
	PFL Petroleum Management, Inc.	51,616,391	37,037,855	73,754,598	14,299,648	-	14,299,648
	Phoenix LPG Philippines, Inc.	93,398,411	206,770,614	138,751,396	161,417,629	-	161,417,629
	Phil Petroleum Singapore PTE Ltd.	-	97,261,125	-	97,201,125	-	97,201,125
	Philippine FamilyMart CVS, Inc.	-	58,122	-	58,122	-	58,122
		P 151,957,832	P 350,387,319	P 223,292,701	P 279,052,450	P -	P 279,052,450
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P 119,824	P -	P 119,824	P -	P -	P -
		P 119,824	P -	P 119,824	P -	P -	P -
Phoenix LPG Philippines, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 16,104,048	P -	P 16,104,048		P 16,104,048
Advances to subsidiaries/parent	DUTA, Inc.	36,753,805	8,129,826	-	44,883,631	-	44,883,631
	Kaparangan, Inc.	13,945,435	-	13,945,435	-	-	-
		P 50,699,240	P 24,233,874	P 13,945,435	P 60,987,679	P -	P 60,987,679
Phoenix LPG Philippines, Inc.							
Trade and Other Receivables	PNX Petroleum Singapore PTE Ltd.	P -	P 677,320,305	P 538,472,811	P 138,847,494	P -	P 138,847,494
		P -	P 677,320,305	P 538,472,811	P 138,847,494	P -	P 138,847,494
DUTA, Inc.	Phoenix LPG Philippines, Inc. *(Lease Receivable)*	P 12,677,635	P 16,481,251	P 15,455,543	P 13,703,343	P -	P 13,703,343
		P 12,677,635	P 16,481,251	P 15,455,543	P 13,703,343	-	P 13,703,343
PFL Petroleum Management, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P -	P 3,214,286	P 2,141,759	P 1,072,527	P -	P 1,072,527
		P -	P 3,214,286	P 2,141,759	P 1,072,527	P -	P 1,072,527
PNX Petroleum Singapore PTE Ltd.							
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 19,536,187,648	P 17,689,121,299	P 1,847,066,349	P -	P 1,847,066,349
		P -	P 19,536,187,648	P 17,689,121,299	P 1,847,066,349	P -	P 1,847,066,349

Terms and conditions:
All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2018

Description	Beginning balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Deductions: Other changes additions (deductions)	Ending balance
Other Non-Current assets						
Goodwill	P 3,990,666,606	P 429,176,225	P -	P -	P -	P 4,419,842,831
Basketball franchise	176,861,660	-	-	-	-	176,861,660
Computer software licenses	94,287,230	26,563,038	(48,494,288)	-	21,673,225	94,029,205
Franchise	-	21,353,025	-		980,644	22,333,669
Software cost	2,520,197	30,477,133	(6,539,393)	7,052,909	73,939	33,584,855
Others	1,262,393	71,700	(108,288)	-	-	1,225,825
TOTAL	P 4,265,598,086	P 507,641,121	(P 55,141,969)	P -	P 22,687,808	P 4,747,847,825

Explanations:
1. Addition to goodwill was due to the acquisitions of Philippine FamilyMart CVS, Inc. (PFM) and Action Able Inc. and Think Able Limited.
2. Due to the acquition of PFM, the Group has additional intangible asset in the form of Franchise as a result of business combination.
3. Charged to cost and expenses under Computer Software Licenses was due to amortizations of intangible Assets.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Terms
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	6,000,000,000	880,000,000	4,482,186,832	Interest rate of 4.677%, seven-year term, maturing on August 7, 2024
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 7.5884%, five year term, maturing on August 18, 2021
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.7185%, maturing on November 10, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.7185%, maturing on November 10, 2022
Land Bank of the Philippines	5,000,000,000	50,000,000	4,960,000,000	Interest rate of 4.85%, seven-year term, maturing on July 4, 2025
Land Bank of the Philippines	1,000,000,000	333,333,333	333,333,333	Interest rate of 7.00%, three-year term, maturing on November 3, 2020
Multinational Investment Bancorporation	2,385,732,922	200,000	-	Interest rates from 3.75%, maturing on April 30,2019
Philippine National Bank	1,000,000,000	250,000,000	600,000,000	Interest rate of 5.30%, maturing on April 3, 2020
Philippine National Bank	500,000,000	100,000,000	125,000,000	Interest rate of 6.2105%, five-year term, maturing on January 2, 2021
Robinsons Bank Corporation	500,000,000	100,000,000	100,000,000	Interest rate of 5.50%, five-year term, maturing on October 9, 2020
Total installment, notes and loans payable	19,385,732,922	1,400,533,333	13,590,520,165	
TOTAL	P 19,385,732,922	P 1,400,533,333	P 13,590,520,165	

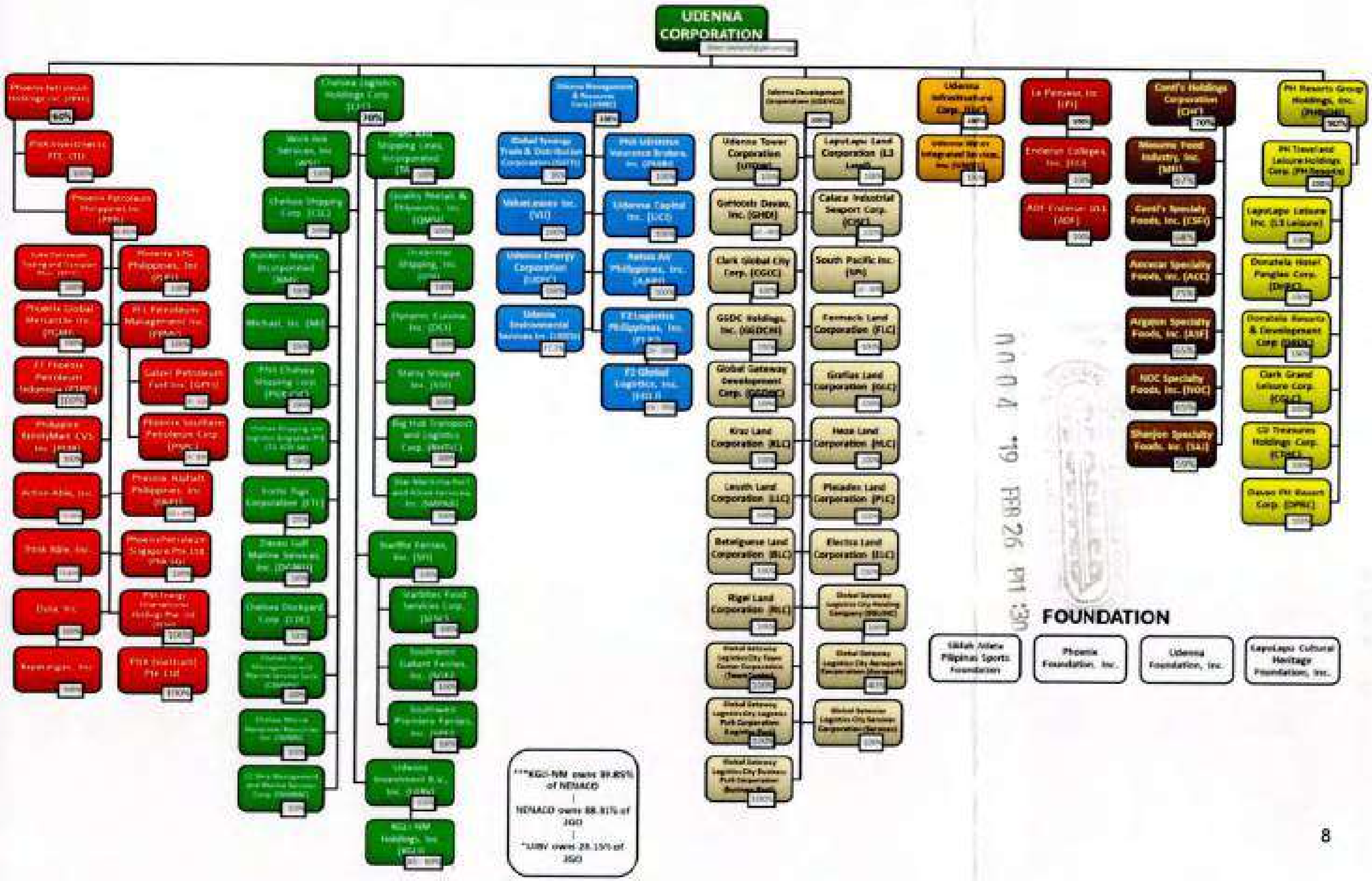
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Directors, officers and employees	Others
Preferred shares - P1 par value Non-voting, non-participating non convertible into common shares Issued and outstanding - 20,000,000	50,000,000	20,000,000	-	-	-	20,000,000
Common shares - P1 par value Issued and outstanding	2,500,000,000	1,403,304,232	-	223,221,490	123,851,027	1,056,231,715

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2018

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			P	3,093,771,222
Net Profit based on the audited Statement of Comprehensive Income	P	1,777,824,901		
Less: Non-actual/unrealized income net of tax				
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents		1,636,662		
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument		1,933,147		
Add: Non-actual losses				
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument		2,223,674		
Equity in net loss of joint venture net of tax		314,860		
Subtotal	(	1,031,274)		
Net income actually earned during the period		1,776,793,627		1,776,793,627
Add/Less:				
Dividend declarations during the period:				
Common shares cash dividends	(	214,730,735)		
Preferred shares cash dividends	(	194,910,000)	(	409,640,735)
Treasury shares			(	344,300,000)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING			P	4,116,624,114

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. & SUBSIDIARIES
SCHEDULE J- MAPPING OF THE ORGANIZATIONAL STRUCTURE
December 31, 2018



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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 7 2 8 3

Company Name

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

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

STELLA HIZON REYES ROAD,
BO. PAMPANGA, DAVAO CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(082) 235-8888	

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MR. JOSEPH JOHN L. ONG	jojo.ong@phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road, Bo. Pampanga, Davao City

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

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

P&A
Grant Thornton
An instinct for growth™

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Report of Independent Auditors

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

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

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

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

(b) Impairment of Trade and Other Receivables

Description of the Matter

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

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

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

How the Matter was Addressed in the Audit

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

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

(c) Business Combination

Description of the Matter

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

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

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

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

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

(d) Existence and Valuation of Inventories

Description of the Matter

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

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

- observing inventory counts and performing test of quantities;
- performing test of purchases and test on the moving average cost calculation; and,
- testing the net realizable values of sample inventory items to recent selling prices.

(e) Provision for Losses on Lost LPG Cylinders

Description of the Matter

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

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

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

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

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

(f) Goodwill

Description of the Matter

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

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

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- Obtaining managements impairment assessment over the goodwill; and,
- Evaluating the management's cashflow forecasts and the processes by which they are developed, including mathematical accuracy of the underlying calculations.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

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

February 15, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017
d) Schedule showing financial soundness indicators

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

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

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

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

Domingo T. Uy
Chairman

Dennis A. Uy
President

Joseph John L. Ong
Chief Financial Officer

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

SUBSCRIBED AND SWORN to before me on FEB 1 5 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

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

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

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

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-0055-2018
PTR No. [illegible]; 01-04-18; D.C.
IBP No. [illegible]; 01-08-18; D.C.
Roll of Attorneys No. 47898
Km. 7, Lanang, Davao City

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

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

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

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

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

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

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

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

Supplemental Information on Non-cash Investing and Financing Activities:

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

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

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

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

See Notes to Consolidated Financial Statements.

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

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.14% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

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

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

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

The Parent Company has a total of 530 operating retail service stations, and a total of eight service stations under construction as of December 31, 2017.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

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

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

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

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

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

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

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

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

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

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

(h) Incorporated on March 7, 1996 and is engaged in real estate development and is also registered with the Housing and Land Use Regulatory Board under Executive Order No. 648 and was granted to sell parcels of land on CISC's project, the Phoenix Petroleum Industrial Park (the Park). CISC is formerly known as Phoenix Petroterminals & Industrial Park Corp. and was sold to Udenna Development (Udevco) Corporation (UDEVCO) on November 24, 2016.

(i) Incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines. CSC was sold to Chelsea Logistics Holdings, Corp. (CLHC) on November 24, 2016.

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

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

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

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

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

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

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

1.3 Other Corporate Information

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

SPTT	–	Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales
PNX SG	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City

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

1.4 Business Combinations

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

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

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

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

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

1.5 Disposal of Investment of Shares of CSC and CISC

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

1.6 Approval of Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

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

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

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

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

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

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

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

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

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

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

(c) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Basis of Consolidation

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

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

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

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 14). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Inventories

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

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

2.6 Prepayments and Other Current Assets

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

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

2.7 Property, Plant and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred (see Note 2.13).

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

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

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

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

Hauling and heavy equipment held under finance lease agreements (see Note 2.14) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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

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

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

2.8 Investment Properties

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

These properties are held for lease under operating lease agreements, which comprise land and land improvements, and are carried at cost less amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

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

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

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

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

2.9 Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

2.10 Financial Liabilities

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

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.18). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

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

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as Unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent and Storage Income in the consolidated statement of comprehensive income.

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

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.14 and 31.5).

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

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

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

2.11 Provisions and Contingencies

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

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

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

2.12 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

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

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

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

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

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

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

2.13 Revenue and Expense Recognition

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

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

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

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

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

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

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

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

Cost and expenses are recognized in the profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

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

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

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

(b) *Group as Lessor*

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

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

2.15 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

Except for PNX SG, which uses the Singapore Dollars as its functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates which approximate those prevailing on transaction dates.

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

(b) Translation of Financial Statements of a Foreign Subsidiary

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

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

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

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

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

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

2.16 Impairment of Non-financial Assets

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

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

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

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

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

2.17 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) *Post-employment Defined Contribution Plans*

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

(c) *Termination Benefits*

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

(d) *Profit-sharing and Bonus Plans*

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

(e) *Compensated Absences*

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

2.18 Borrowing Costs

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

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

2.19 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities, the carrying amount of such properties is presumed to be recovered entirely through sale, unless the presumption is rebutted, that is when the land held for sale and development costs are held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.20 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.21 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD and management committee responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 30, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.
In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.23 Equity

Preferred and common stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's tankers and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves in 2016 pertain to the difference between the Parent Company's consideration received and the disposed net assets of CSC and CISC (see Note 1.5). Other reserves in 2015 pertain to the difference between the Parent Company's cost of investment and the acquired net assets of CSC accounted for under the pooling-of-interest method (see Notes 2.3 and 2.12).

Accumulated translation adjustment pertains to translation adjustments resulting from the translation of foreign-currency denominated financial statements of a certain foreign subsidiary into the Group's functional and presentation currency [see Note 2.15*(b)*].

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.24 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to common shareholders by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

2.25 Share-based Payments

The Parent Company grants share options to qualified employees of the Parent Company eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The share-based remuneration, if any, is recognized as an expense in profit or loss and the corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Certain hauling and heavy equipment are acquired and accounted for under finance lease.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 31.

(c) Determination of Qualifying Assets on Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its intention when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities, tankers and land held for sale and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

(d) Distinction between Investment Properties and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(e) Revenue Recognition for Charter Fee Arrangements

In determining the appropriate method to use in recognizing the Group's revenue from TC, CVC and BB, management considers the following criteria: (1) whether the fulfilment of the arrangement is dependent on the use of a specific vessel; and, (2) whether the arrangement conveys a right to use the vessel. Management determined that if both criteria are met, the revenue should be recognized using the straight-line method over the term of the contract (see Note 2.13). Otherwise, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Impairment of Trade and Other Receivables and Due from Related Parties

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and the related party, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from related parties is shown in Note 27.4. The Group has determined that no impairment loss on Due from Related Parties should be recognized in 2017, 2016 and 2015.

(b) Determination of Net Realizable Value of Inventories

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories, as presented in Note 8, is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

(c) Estimation of Useful Lives of Property, Plant and Equipment, Intangible Assets and Investment Properties

The Group estimates the useful lives of property, plant and equipment, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment and intangible assets are analyzed in Notes 11 and 12, respectively. The carrying amount of investment properties is disclosed in Note 15. Based on management's assessment as of December 31, 2017 and 2016, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement of Tankers

The Group's tankers, which is previously presented as part of the Property, Plant and Equipment account, are carried at revalued amount at the end of the reporting period. In determining the fair values of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies.

For tankers with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of the Group's tankers. The tankers are among the assets deconsolidated in 2016.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2017 and 2016 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2017 and 2016 is disclosed in Note 26.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 24.3.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2017, 2016 and 2015.

(h) Fair Value Measurements of Business Combinations

On initial recognition in a business combination using the purchase method of accounting, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates and obtains assistance from third party valuation specialists on the acquired investment properties (see Note 1.4). Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(i) Provision for Losses on Lost LPG Cylinders

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

Management has assessed that no provision for losses on lost LPG cylinders is required to be recognized in 2017.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

4.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (U.S.$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, in 2016, the Group has several U.S. dollar loans from certain banks, which were used to finance its capital expenditures (see Note 17). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate follow:

	2017		2016
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar
Financial assets	**P 1,260,407,888**	**P 317,739**	P 5,678,959,607
Financial liabilities	**(1,566,782,434)**	**-**	(350,848,259)
Net exposure	**(P 306,374,546)**	**P 317,739**	P 5,328,111,348

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99.00% confidence level.

	2017		2016
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar
Reasonably possible change in rate	**10.77%**	**16.88%**	12.93%
Effect in profit before tax	**(P 32,996,539)**	**P 53,635**	P 688,924,797
Effect in equity after tax	**(23,097,577)**	**37,544**	482,247,358

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2017 and 2016, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 6 and 17). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.47% and +/-0.54% in 2017 and 2016, respectively, for Philippine Peso and +/-0.50% and nil in 2017 and 2016, respectively, for Singapore dollar. Short-term money placements and time deposits are tested on a reasonably possible change of +/-0.90% in 2017. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.30% and +/-0.32% for Philippine peso and nil and +/-0.25% for U.S. dollar in 2017 and 2016, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P94.5 million and +/-P45.0 million for the year ended December 31, 2017 and 2016, respectively, and equity after tax by +/-P66.2 million and +/-P31.5 million for the year ended December 31, 2017 and 2016, respectively.

(c) Other Price Risk

The Group's market price risk arises from its purchases of fuels. It manages its risk arising from changes in market prices by monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts to manage the fluctuation of the fuel price.

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2017**	2016
Cash and cash equivalents	6	**P 1,831,542,441**	P 2,338,780,526
Trade and other receivables – net*	7	**6,843,698,948**	8,039,947,280
Due from related parties	27.4	**518,004,898**	1,506,997,926
Restricted deposits	9	**51,281,559**	50,925,404
Refundable rental deposits	16	**182,480,300**	140,817,250
		P 9,427,008,146	P12,077,468,386

**excluding certain advances to suppliers and advances subject to liquidation*

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corp. up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Due from Related Parties

In respect of trade and other receivables and due from related parties, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee, which approves credit lines given to its customers. The Group's Credit Risk Management Unit (formerly Credit and Collection Department), which regularly reports to the Credit Committee, continuously monitors customers' performance and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade and other receivables are past due at the end of the reporting date. The age of financial assets past due but not impaired is presented below.

	2017	2016
Not more than one month	**P 577,035,340**	P 2,337,949,143
More than one month but not more than two months	**681,732,537**	57,804,099
More than two months but not more than six months	**1,475,835,606**	83,468,815
More than six months but not more than one year	**579,628,183**	902,428,898
More than one year	**455,810,155**	5,249,731,017
	P 3,770,041,821	P 8,631,381,972

In respect of due from a related party, the Group has assessed that these advances are collectible and the credit risk exposure is considered to be low.

4.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2017, the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans and borrowings	P 17,093,687,980	P 770,678,974	P 9,934,502,651	P 2,318,636,250
Trade and other payables (excluding tax-related payables)	3,730,046,488	-	-	-
Security deposits	-	-	245,488,541	-
Customers' cylinder deposits	-	-	-	196,380,513
Cash bond	-	-	-	33,492,002
	P 20,823,734,468	**P 770,678,974**	**P 10,179,991,192**	**P 2,548,508,765**

This compares to the maturity of the Group's financial liabilities as of December 31, 2016 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 10,386,388,575	P 2,826,900,125	P 2,528,962,920
Trade and other payables (excluding tax-related payables)	3,152,398,546	-	-
Security deposits	-	-	219,790,571
	P 13,538,787,121	P 2,826,900,125	P 2,748,753,491

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

5. CATEGORIES, FAIR VALUE MEASUREMENTS AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are presented below.

		2017				2016			
	Notes	**Carrying Values**		**Fair Values**		Carrying Values		Fair Values	
Financial Assets									
Loans and receivables:									
Cash and cash equivalents	6	**P**	**1,831,542,441**	**P**	**1,831,542,441**	P	2,338,780,526	P	2,338,780,526
Trade and other receivables-net*	7		**6,843,698,948**		**6,843,698,948**		8,039,947,280		8,039,947,280
Due from related parties	27.4		**518,004,898**		**518,004,898**		1,506,997,926		1,506,997,926
Restricted deposits	9		**51,281,559**		**51,281,559**		50,925,404		50,925,404
Refundable rental deposits	16		**182,480,300**		**182,480,300**		140,817,250		140,817,250
		P	**9,427,008,146**	**P**	**9,427,008,146**	P	12,077,468,386	P	12,077,468,386
Financial Liabilities									
Financial liabilities at amortized cost:									
Interest-bearing loans and borrowings	17	**P**	**28,171,433,998**	**P**	**28,171,433,998**	P	13,184,423,843	P	13,184,423,843
Trade and other payables**	19		**3,730,046,488**		**3,730,046,488**		3,152,398,546		3,152,398,546
Security deposits	20		**245,488,541**		**245,488,541**		219,790,571		219,790,571
Customers' cylinder deposits	20		**196,380,513**		**196,380,513**		-		-
Cash bond deposits	20		**33,492,002**		**33,492,002**		-		-
		P	**32,376,841,542**	**P**	**32,376,841,542**	P	16,556,612,960	P	16,556,612,960

* *Excluding certain advances to suppliers and advances subject to liquidation*
** *Excluding tax-related payables*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3 Financial Instruments Measurement at Fair Value

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2017 and 2016.

5.4 *Fair Value Hierarchy of Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	2017 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P1,831,542,441	P -	P -	P 1,831,542,441
Trade and other receivables - net	7	-	-	6,843,698,948	6,843,698,948
Due from related parties	27.4	-	-	518,004,898	518,004,898
Restricted deposits	9	51,281,559	-	-	51,281,559
Refundable rental deposits	16	-	-	182,480,300	182,480,300
		P1,882,824,000	**P -**	**P 7,544,184,146**	**P 9,427,008,146**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P28,171,433,998	P 28,171,433,998
Trade and other payables	19	-	-	3,730,046,488	3,730,046,488
Security deposits	20	-	-	245,488,541	245,488,541
Customers' cylinder deposits	20	-	-	196,380,513	196,380,513
Cash bond deposits	20			33,492,002	33,492,002
		P -	**P -**	**P32,376,841,542**	**P 32,376,841,542**

	Notes	2016 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P2,338,780,526	P -	P -	P 2,338,780,526
Trade and other receivables - net	7	-	-	8,039,947,280	8,039,947,280
Due from related parties	27.4	-	-	1,506,997,926	1,506,997,926
Restricted deposits	9	50,925,404	-	-	50,925,404
Refundable rental deposits	16	-	-	140,817,250	140,817,250
		P2,389,705,930	P -	P 9,687,762,456	P 12,077,468,386
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P 13,184,423,843	P 13,184,423,843
Trade and other payables	19	-	-	3,152,398,546	3,152,398,546
Security deposits	20	-	-	219,790,571	219,790,571
		P -	P -	P 16,556,612,960	P16,556,612,960

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates their fair values.

5.5 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2017					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 6,843,698,948	P -	P 6,843,698,948	P -	(P 278,980,543)	P 6,564,718,405
Restricted deposits	51,281,559	-	51,281,559	(51,281,559)	-	-
Total	**P 6,894,980,507**	**P -**	**P 6,894,980,507**	**(P 51,281,559)**	**(P 278,980,543)**	**P 6,564,718,405**

	December 31, 2016					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 8,098,928,922	(P 58,981,642)	P 8,039,947,280	P -	(P 219,790,571)	P 7,820,156,709
Restricted deposits	50,925,404	-	50,925,404	(50,925,404)	-	-
Total	P 8,149,854,326	(P 58,981,642)	P 8,090,872,684	(P 50,925,404)	(P 219,790,571)	P 7,820,156,709

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2017					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 28,171,433,998	P -	P 28,171,433,998	(P 51,281,559)	P -	P 28,120,152,440
Security deposits	245,488,541	-	245,488,541	-	(245,488,541)	-
Cash bond deposits	33,492,002	-	33,492,002	-	(33,492,002)	-
Total	**P 28,450,414,541**	**P -**	**P 28,450,414,541**	**(P 51,281,559)**	**(P 278,980,543)**	**P 28,120,152,440**

	December 31, 2016					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,184,423,843	P -	P 13,184,423,843	(P 50,925,404)	P -	P 13,133,498,439
Trade and other payables	3,182,159,260	(29,760,714)	3,152,398,546	-	-	3,152,398,546
Security deposits	219,790,571	-	219,790,571	-	(219,790,571)	-
Total	P 16,586,373,674	(P 29,760,714)	P 16,556,612,960	(P 50,925,404)	(P 219,790,571)	P 16,285,896,985

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements presented above, each agreement between the Group and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2017	2016
Cash in banks	**P 1,549,265,669**	P 2,330,247,063
Cash on hand	**412,846**	8,458,713
Revolving fund	**11,527,561**	74,750
Short-term placements	**270,336,365**	-
	P 1,831,542,441	P 2,338,780,526

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P15.7 million, P3.9 million and P2.8 million in 2017, 2016 and 2015, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2017 and 2016 exclude restricted time deposits totalling to P51.3 million and P50.9 million, respectively, which are shown as Restricted Deposits account (see Note 9) and restricted time deposits under Other Non-current Assets (see Note 16) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2017	2016
Trade receivables:			
Third parties		**P 5,241,341,414**	P 2,513,174,190
Related parties	27.1	**955,539,554**	157,624,601
		6,196,880,968	2,670,798,791
Advances to suppliers:			
Third parties		**219,626,441**	5,571,866,972
Related parties	27.2	**424,838,624**	438,294,800
		644,465,065	6,010,161,772
Non-trade receivables			
Third parties		**517,507,971**	325,483,131
Related parties	27.4, 27.7	**586,598,808**	88,737,836
		1,104,106,779	414,220,967
Advances subject to liquidation		**21,034,364**	29,633,211
Other receivables		**20,864,877**	3,240,165
		7,987,352,053	9,128,054,906
Allowance for impairment		**(478,153,676)**	(339,048,847)
		P 7,509,198,377	P 8,789,006,059

Trade and other receivables generally do not bear any interest. All receivables are subject to credit risk exposure (see Note 4.2).

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2017, the balance of receivables under DPA amounted to P28.3 million and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2017 statement of financial position. There are no non-current trade receivables as of the said cut-off.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions:

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtain any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2017 and 2016.

Impairment losses amounting to P50.3 million, P113.0 million and P79.2 million in 2017, 2016 and 2015, respectively, are presented as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.1). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	Notes	**2017**	2016
Balance at beginning of year		**P 339,048,847**	P 358,488,027
Business combination	1.4	**138,498,702**	-
Impairment loss for the year	23.1	**46,167,713**	112,986,854
Written-off during the year		**(44,844,753)**	(17,669,476)
Recovery of bad debts		**(716,833)**	(74,741)
Disposals due to deconsolidation		**-**	(114,681,817)
Balance at end of year		**P 478,153,676**	P 339,048,847

In 2017, the Group directly written off past due accounts amounting to P4.1 million, which is also presented as part of Impairment losses on trade and other receivables under Finance Costs (see Note 23.1).

8. INVENTORIES

The breakdown of inventories are as follows:

	2017	2016
At cost:		
Fuels	**P 12,571,587,151**	P 2,662,777,903
LPG	**124,305,656**	-
Others	**2,185,536**	72,864
	12,698,078,343	2,662,850,767
At net realizable value –		
Lubricants	**271,868,702**	335,929,379
	P12,969,947,045	P 2,998,780,146

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P5,139.1 million and P2,223.9 million as of December 31, 2017 and 2016, respectively, have been released to the Group in trust for by the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 17.1).

There were no inventory write-down in 2017 and 2016. Certain lubricants are stated at net realizable value as acquired from the business combination in 2017 (see Note 1.4). Presented below is the breakdown of lubricants to derive at the net realizable value in 2017.

Cost	P 274,673,603
Allowance for inventory write-down	(6,020,986)
Recoveries	3,216,085
	P 271,868,702

An analysis of the cost of inventories included in the cost of fuels and lubricants sold in each year is presented in Note 21.1.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P51.3 million and P50.9 million as of December 31, 2017 and 2016, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 0.88% per annum for December 31, 2017 and 2016. Interest income earned from restricted deposits amounted to P0.1 million, P0.7 million, P0.6 million in 2017, 2016 and 2015, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2017 and 2016 is shown below.

	Note	**2017**	2016
Creditable withholding tax		**P 122,773,907**	P 245,287,284
Prepayments	27.3	**299,066,139**	225,823,002
Supplies		**159,214,128**	124,853,313
Others		**381,709**	-
		P 581,435,883	P 595,963,599

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2017 and 2016 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
December 31, 2017												
Cost	P 7,938,264,335	P 280,550,323	P 4,307,161,317	P 1,725,126,080	P 174,830,660	P 723,956,478	P 60,325,908	P -	P -	P 2,431,765,273	P 761,915,936	P 18,403,896,310
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,228,961)	(1,547,282,631)	(776,460,696)	(106,213,403)	(491,547,359)	(55,832,003)	-	-	-	-	(5,003,208,965)
Net carrying amount	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
December 31, 2016												
Cost	P 4,634,286,358	P 294,381,659	P 3,115,535,438	P -	P 105,444,580	P 652,099,361	P 38,154,152	P -	P -	P 1,696,586,766	P 1,081,354,000	P 11,617,842,314
Accumulated depreciation and amortization	(1,135,333,357)	(89,335,859)	(857,037,528)	-	(84,301,661)	(411,366,616)	(38,154,152)	-	-	-	-	(2,615,529,173)
Net carrying amount	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
January 1, 2016												
Cost	P 4,163,838,819	P 148,718,098	P 2,379,895,263	P -	P 92,824,177	P 599,610,911	P 46,944,514	P 5,085,134,597	P 335,436,389	P 1,138,498,896	P 1,727,856,115	P 15,718,757,779
Accumulated depreciation And amortization	(945,023,733)	(55,127,432)	(575,008,715)	(-)	(74,896,989)	(348,317,991)	(33,254,229)	(715,593,100)	(128,532,272)	-	-	(2,875,754,461)
Net carrying amount	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P -	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of property, plant and equipment is shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2017 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
Business combination - cost (see Note 1.4)	1,475,209,901	-	494,487,528	1,665,092,760	20,693,043	-	18,814,376	-	-	-	4,753,049	3,679,050,657
Business combination - accumulated depreciation and provision for loss on lost cylinders (see Note 1.4)	(507,141,325)	-	(333,104,296)	(757,139,740)	(16,551,492)	-	(18,125,459)	-	-	-	-	(1,632,062,312)
Additions	915,256	6,799,404	5,402,980	74,504,679	57,390,498	103,659,961	4,227,327	-	-	735,178,507	2,207,257,158	3,195,335,770
Transfers	1,827,852,820	(19,666,168)	723,567,010	(521,536)	-	-	-	-	-	-	(2,531,232,126)	-
Cost of asset disposed	-	(964,572)	(31,831,639)	(13,949,823)	(8,697,461)	(31,802,844)	(869,947)	-	-	-	(216,145)	(88,332,431)
Accumulated depreciation of asset disposed	-	964,572	23,068,476	4,610,559	8,567,528	26,568,472	855,448	-	-	-	-	64,635,055
Depreciation and amortization charges for the year	(211,169,230)	(83,857,674)	(380,209,283)	(23,931,515)	(13,927,778)	(106,749,215)	(407,840)	-	-	-	-	(820,252,535)
Balance at December 31, 2017 net of accumulated depreciation and amortization	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
Balance at January 1, 2016 net of accumulated depreciation and amortization	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P -	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318
Disposals due to deconsolidation	(662,970,883)	-	-	-	(3,851,001)	(105,795,073)	(8,790,362)	(4,067,209,810)	(134,043,964)	-	(69,203,987)	(5,051,865,080)
Additions	-	-	-	-	17,559,953	182,364,854	-	-	-	558,087,870	1,459,609,643	2,217,622,320
Transfers	1,136,052,311	146,861,297	737,570,774	-	-	-	-	-	-	-	(2,036,907,771)	(16,423,389)
Cost of asset disposed	-	(1,197,736)	(1,385,484)	-	(1,088,549)	(24,080,144)	-	-	-	-	-	(27,751,913)
Accumulated depreciation of asset disposed	-	1,197,736	382,420	-	1,063,055	22,674,343	-	-	-	-	-	25,317,554
Depreciation and amortization charges for the year	(190,309,624)	(35,406,163)	(282,411,233)	-	(10,467,727)	(85,722,968)	(4,899,923)	(302,331,687)	(72,860,153)	-	-	(984,409,478)
Reclassifications/adjustments	(2,633,889)	-	(545,115)	-	-	(1,187)	-	-	-	-	-	(3,180,191)
Balance at December 31, 2016 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 17.6), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 8.50% both in 2017 and 2016.

11.2 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to nil and P3.1 million as of December 31, 2017 and 2016, respectively (see Note 17.4).

11.3 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P24.9 million and P43.1 million in 2017 and 2016, respectively. As of December 2017 and 2016, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P1,044.8 million and P463.7 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2017**	2016	2015
Cost of sales and services	21.1, 21.2	**P 23,964,493**	P 402,281,752	P 246,379,404
Selling and administrative expenses		**796,288,042**	582,127,726	439,696,459
	22	**P 820,252,535**	P 984,409,478	P 686,075,863

In 2016, computer software licenses amounting to P16.4 million, which were previously recorded as part of property, plant and equipment, were transferred to intangible assets (see Note 12).

12. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2017 and 2016 are shown below and in the next page.

	Basketball Franchise	**Computer Software Licenses**	**Software Development Costs**	**Others**	**Total**
December 31, 2017					
Cost	P 176,861,660	P 195,704,242	P 9,638,891	P 1,262,393	P 383,467,186
Accumulated Amortization	-	(101,417,010)	(7,118,724)	-	(108,535,734)
Net carrying amount	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
December 31, 2016					
Cost	P 176,861,660	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated Amortization	-	(72,935,492)	(5,472,272)	-	(78,407,764)
Net carrying amount	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
January 1, 2016					
Cost	P -	P 127,553,120	P 5,560,142	P -	P 133,113,262
Accumulated amortization	-	(58,015,880)	(2,712,921)	-	(60,728,801)
Net carrying amount	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2017 and 2016 are shown below.

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
Balance at January 1, 2017, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
Additions		29,329,662	363,571	328,699	30,021,932
Amortization expense for the year	-	(28,481,518)	(1,646,452)	-	(30,127,970)
Balance at December 31, 2017, net of accumulated amortization	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**
Balance at January 1, 2016, net of accumulated amortization	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461
Additions	176,861,660	22,398,071	3,715,178	933,694	203,908,603
Transfers from property, plant and equipment	-	16,423,389	-	-	16,423,389
Amortization expense for the year	-	(14,919,612)	(2,759,351)	-	(17,678,963)
Balance at December 1, 2016, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490

The amount of amortization is presented as part of selling and administrative expenses in the consolidated statements of comprehensive income (see Note 22).

In 2016, computer software licenses amounting to P16.4 million were transferred from various property, plant and equipment (see Note 11).

13. INVESTMENT IN A JOINT VENTURE

In 2015, CISC entered into a joint venture agreement with 168 Gas Corp. and Seaport Offshore Inc. to establish a joint venture Group that shall operate a terminal and storage facility in the Park for LPG and LPG-related products. The joint venture Group, SPI was incorporated and registered with the SEC on March 27, 2014.

Under the joint venture agreement, SPI has an authorized and outstanding capital stock of P175.0 million with par value of P1.00 per share, which was subsequently increased to P700.0 million. As of December 31, 2015, CISC owns 175.0 million shares, 50.00% of the outstanding capital stock, but does not have significant influence on the entity. Total investment in a joint venture as of December 31, 2015 amounted to P175.0 million, of which, P67.8 million was advanced in 2014. The equity share in the net loss of SPI amounting to P50.1 million and P16.3 million in 2016 and 2015, respectively, is presented under Other Charges (Income) in the consolidated statements of comprehensive income.

Under the agreement, the joint venture has no restrictions as to transfer of funds in the form of cash dividends, or to repay loans or advances made by SPI. This account was derecognized as a result of deconsolidation of CISC in 2016 (see Note 1.5).

14. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to business synergy for economies of scale and scope. The movements of this account as of December 31 are as follows:

	Note	**2017**	2016
Balance at beginning of year – net of allowance on impairment loss		**P 10,221,849**	P 84,516,663
Additions due to business combinations	1.4	**3,980,444,757**	-
Disposals due to deconsolidation		**-**	(74,294,814)
Balance at end of year		**P3,990,666,606**	P 10,221,849

In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized. There are no impairment losses recognized in 2017 and 2016. Based on management's assessment, the carrying amounts of the Goodwill as of both years are fully recoverable.

15. INVESTMENT PROPERTIES

The Group's investment properties were acquired through business combinations (see Note 1.4) and consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment properties amounted to P1.1 million in 2017 and is presented as part of Rent and Storage Income in the 2017 consolidated statement of comprehensive income. Real estate tax on investment properties amounting to P0.2 million was recognized as a related expense in 2017 and is presented as part of Taxes and Licenses under Selling and Administrative Expenses in the 2017 consolidated statement of comprehensive income (see Note 22).

The carrying amount of the investment properties totalled to P1,114.8 million in 2017 as a result of the acquisition of Duta Group. As a result of the increase in the appraisal values, the Group recognized in 2017 a gain on reversal of impairment amounting to P40.3 million, which was previously recognized before the business combination (see Note 1.4). Such is presented as part of Others under the Other Charges (Income) in the 2017 consolidated statement of comprehensive income.

Had the Group's investment properties been carried using the cost model, the carrying amount would have been P338.4 million as of December 31, 2017. The Group's investment properties were last revalued on October 2, 2017.

16. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 are shown below.

	Notes	**2017**	2016
Refundable rental deposits	27.3	**P 182,480,300**	P 140,817,250
Deferred minimum lease payments		**39,079,505**	37,913,977
Other prepayments		**-**	7,000,000
Others		**1,907,263**	6,352,989
		P 223,467,068	P 192,084,216

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P2.7 million in 2017, P2.6 million in 2016 and P2.1 million in 2015 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P2.7 million, P2.4 million and P2.4 million in 2017, 2016 and 2015, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are broken down as follow:

	2017	2016
Current:		
Liabilities under LC and TR	**P 5,139,141,223**	P 2,163,936,859
Term loans	**11,657,732,922**	7,989,944,730
Liabilities under short-term commercial papers	**-**	1,107,711,982
Obligations under finance lease	**-**	1,265,272
	16,796,874,145	11,262,858,843
Non-current –		
Term loans	**11,374,559,853**	1,921,565,000
	P 28,171,433,998	P 13,184,423,843

17.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 3.97% and 4.04% per annum in 2017 and 2016, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 9 and 27.5).

17.2 Term Loans

The breakdown of the outstanding balances of the term loans per creditor as at December 31 are as follows:

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2017	Outstanding Balance 2016
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	7 years	4.02%	**P 5,799,559,853**	P -
ii. Notes Facility Agreement	*(b), (c)*	1.5 months to 5 years	3.75% - 4.94%	**4,600,000,000**	1,500,000,000
				10,399,559,853	1,500,000,000
Philippine National Bank (PNB)					
i. Notes Payable	*(c)*	2 months to 3 years	3.75% - 4.80%	**2,150,000,000**	1,000,000,000
ii. Term Loan Agreement	*(d)*	5 years	6.21%	**325,000,000**	425,000,000
				2,475,000,000	1,425,000,000
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(c)*	3 to 7 months	3.00% - 4.50%	**2,385,732,922**	-
ii. Medium-term loan	*(e)*	2 to 3 months	4.00%	**-**	1,800,000,000
				2,385,732,922	1,800,000,000
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(f)*	5 years	4.00%	**1,000,000,000**	**-**
ii. Notes Payable	*(c)*	2 to 3 months	3.75% - 4.04%	**900,000,000**	**-**
				1,900,000,000	-
Development Bank of the Philippines (DBP) – Notes Payable	*(c)*	2 to 3 months	2.71% - 3.53%	**1,200,000,000**	600,000,000
Rizal Commercial Banking Corporation	*(c)*	2 to 3 months	3.75%	**1,000,000,000**	-
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(b), (c)*	2 to 6 months	3.75% - 4.04%	**625,000,000**	400,000,000
ii. Term Loan Agreement	*(g)*	5 to 7 years	5.50 - 8.06%	**347,000,000**	447,500,000
				972,000,000	847,500,000
Philippine Veterans Bank (PVB)	*(c)*	1 month	3.50%	**600,000,000**	500,000,000
Bank of Commerce	*(c)*	3 months	3.50%	**500,000,000**	-
United Coconut Planters Bank	*(c)*	3 months	4.50%	**500,000,000**	200,000,000
Asia United Bank (AUB)	*(c)*	3 months	3.75%	**400,000,000**	-
Pentacapital Investment Corporation	*(c)*	3 months	5%	**400,000,000**	**-**
Union Bank of the Philippines (UBP)	*(c)*	2 months	3.50%-4.00%	**300,000,000**	-
China Banking Corporation (CBC) and Pentacapital	*(h)*	3 months to 7 years	3.25% - 7.75%	**-**	1,445,318,730
Philippine Business Bank (PBB)	*(c)*	3 months to 1 year	4.00%	**-**	1,000,000,000
Maybank International, Ltd.	*(b), (i)*	5 years	6.81% - 7.74%	**-**	348,691,000
Philippine Bank of Communication (PBCOMM)	*(c)*	3 months to 1year	4.25% - 4.50%	**-**	200,000,000
Maybank Philippines, Inc.	*(f)*	3 months to 5 years	3.50%-5.50%	**-**	45,000,000
				P 23,032,292,775	P 9,911,509,730

(a) TLA with BDO

On August 18, 2016, the Parent Company signed with BDO a five-year term loan amounting to P1,000.0 million to be used for capital expenditures and general corporate purposes. The loan was approved on a clean basis and is subject to a floating interest rate based on one year PDSTR-2 plus margin with a floor of 4.00%. Interest rate is repriceable and payable quarterly in arrears. The principal, meanwhile, is payable upon maturity.

Further, the Parent Company obtained a clean short-term loan from BDO on November 21, 2016 amounting to P500.0 million. The said loan was fully settled in 2017.

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month PDST-R2 rate and 150 basis points divided by 0.99, or 4% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month PDST-R2 and 150 basis points divided by 0.95, or 4% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1, and debt coverage ratio of at least 1.5.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(b) Notes Facility Agreement

In 2011, the Parent Company availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO, Maybank International, Ltd. and RBC. The long-term loan amounting to P700.0 million with interest rate of 7.40% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.70% is payable on August 23, 2018.

On August 16, 2017, the Parent Company paid P0.5 million of the principal of the RBC loan. As of December 31, 2017, the balance of the RBC loan amounted to P47.0 million.

(c) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 3.00% to 4.50% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.5).

The total outstanding balance of the various promissory notes as of December 31, 2017 and 2016 are P14,560.7 million and P2,900.0 million, respectively.

(d) TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2017 and 2016, the outstanding principal balance amounted to P325.0 million and P425.0 million, respectively.

(e) Medium-Term Loan with MIB

On October 7, 2015, the Parent Company signed with MIB, in behalf of BDO Private Bank, a clean medium-term loan amounting to P500.0 million with a tenor of 548 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 4.25% and has matured on April 7, 2017.

In various dates in 2016, the Parent Company signed with MIB, in behalf of BDO Private Bank and Metropolitan Bank & Trust Corp., a clean short-term loan totaling to P1,800.0 million. The loan proceeds were used for working capital requirements. Such is subject to a fixed annual interest rate of 4.00% and has matured and was paid on various dates until April 7, 2017.

(f) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2017, the outstanding principal balance amounted to P1,000.0 million.

(g) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2017 and 2016, the outstanding balance amounted to P347.0 million and P447.5 million, respectively.

(h) Notes Facility Agreement with CBC and Pentacapital

On November 8, 2012, the Parent Company entered into a notes facility agreement with CBC and Pentacapital totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.80%, which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Group for the roll-out of the retails stations, for debt financing, for capital expenditures and for other general corporate purposes.

The Parent Company has paid the amount of P1,445.3 million on November 10, 2017. There is no outstanding balance of the note facility as of December 31, 2017.

By virtue of the notes facility agreement, the Parent Company affirms that it shall maintain the listing of its common shares with PSE and shall not declare or pay any dividends to stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes facility agreement are current and updated.

Minimum financial ratios to maintain are as follows: (i) debt-to-equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio (DSCR) not to be less than 1.5:1.

The discounted balance of the principal of the note as of December 31, 2017 and 2016 amounted to nil and P1,445.3 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenant requirements.

(i) TLA with Maybank International, Ltd.

On November 20, 2012, the Parent Company entered into a TLA amounting to US$24.0 million with Maybank International, Ltd. to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1), which is due in five years and US$10.0 million (tranche 2) with a term of three years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.20% per annum, or cost of funds plus a margin of 2.00% per annum, whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International, Ltd. reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

Moreover, Maybank International, Ltd. has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term facility either via follow-on offering of the Parent Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to nil and P264.1 million, translated into Philippine Peso using the closing rate as of December 31, 2016.

On April 29, 2015, the Parent Company entered into another TLA amounting to US$10.0 million with Maybank International Labuan Branch to fund various capital expenditures. As of December 31, 2017 and 2016, the loan stood at nil and US$7.0 million or P348.6 million, respectively, using the closing rate as of reporting period. This loan was fully settled on January 31, 2017.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(j) TLA with Maybank Philippines

On July 18, 2012, the Parent Company signed with Maybank Philippines a five-year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.00% and is payable in twenty equal quarterly installments.

In connection with the TLA, all existing and future advances to the Parent Company by its stockholders or related parties are subordinated to the loan. The Parent Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

The outstanding balance of the loan as of December 31, 2017 and 2016 amounted to nil and P45.0 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

17.3 Liabilities under Short-term Commercial Papers

The outstanding balance of the STCP as of December 31, 2016 is P1,108.2 million. The same was fully settled by the Group on January 4, 2017. The Parent Company used the net proceeds to partly finance the regular importation of finished petroleum products through various banks.

There are no outstanding liabilities under STCP as of December 31, 2017.

17.4 Obligations under Finance Lease

The finance lease liability has an effective interest rate of 5.10%, which is equal to the rate implicit in the lease contract (see Note 31.5). Lease payments are made on a monthly basis.

As of December 31, 2017 and 2016, the balance of finance lease liability is nil and P1.3 million, respectively.

17.5 Credit Line

The Parent Company has an available credit line under LC/TR of P8,902.3 million and P11,797.0 million and as of December 31, 2017 and 2016, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

17.6 Interest Expense

Interest expense for 2017, 2016 and 2015 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P780.9 million, P863.4 million and P786.9 million (see Note 23.1), respectively, net of the capitalized borrowing cost of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 17)	Term Loans (see Note 17)	Liabilities under STCP (see Note 17)	Obligations under finance lease (see Note 17)	Other Non-current Liabilities (see Note 20)	Total
Balance as of January 1, 2017	P 2,163,936,859	P 9,911,509,730	P 1,107,711,982	P 1,265,272	P 258,584,286	P 13,443,008,129
Cash flows from financing activities						
Additional borrowings	-	35,895,647,657	1,121,000,000	-	-	37,016,647,657
Repayment of borrowings and TR	(18,099,859,838)	(22,776,136,983)	(2,228,711,982)	-	-	(43,104,708,803)
Non-cash financing activities						
Availment of LC and TR	21,075,064,202	-	-	-	-	21,075,064,202
Business combination	-	-	-	-	182,614,490	182,614,490
Increase in non-current liability	-	-	-	-	63,749,068	63,749,068
Interest expense from security deposits	-	-	-	-	6,341,824	6,341,824
Return on plan assets (excluding amounts included in net interest expense	-	-	-	-	3,399,323	3,399,323
Actuarial gain arising from changes in:						
Financial assumptions	-	-	-	-	(12,276,998)	(12,276,998)
Experience Adjustments	-	-	-	-	(5,001,689)	(5,001,689)
Demographic Adjustments	-	-	-	-	(355,175)	(355,175)
Interest amortization on finance lease obligation	-	-	-	(1,265,272)	-	(1,265,272)
Amortization of unrecorded discount	-	1,272,371	-	-	-	1,272,371
Interest expense from post-employment defined benefit obligation	-	-	-	-	576,720	576,720
Changes in the effect asset ceiling	-	-	-	-	174,463	174,463
Balance as of December 31, 2017	**P 5,139,141,223**	**P 23,032,292,775**	**P -**	**P -**	**P 497,806,312**	**P 28,669,240,310**

19. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2017	2016
Trade payables:			
Third parties		**P 3,092,973,317**	P 2,324,782,388
Related parties	27.2, 27.3	**20,995,548**	460,662,159
		3,113,968,865	2,785,444,547
Accrued expenses	27.3	**439,067,334**	256,953,308
Advances from customers		**108,796,437**	49,732,927
Retention payable		**78,959,503**	99,701,792
Non-trade payables		**13,344,313**	1,982,691
Others		**78,532,168**	38,837,351
		P 3,832,668,620	P 3,232,652,616

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remain unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to charter hire cost, repairs and maintenance, interest expense arising from loans and professional fees.

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group.

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2017	2016
Security deposits		**P 245,488,541**	P 219,790,571
Customers' cylinder deposits		**196,380,513**	-
Cash bond		**33,492,002**	-
Unearned rent		**20,724,633**	18,003,921
Post-employment defined benefit obligation	24.3	**1,720,623**	20,789,794
		P 497,806,312	P 258,584,286

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P6.3 million, P11.7 million and P4.8 million in 2017, 2016 and 2015, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P6.4 million, P8.1 million and P5.9 million as of December 31, 2017, 2016 and 2015, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI (see Note 1.4). In 2017, there were no refunds made to the dealers. The composition of this account in 2017 are as follows:

Deposits for cylinders	P 248,173,086
Less: Amortization of cylinder deposits	(51,792,573)
Deposits for cylinders	**P 196,380,513**

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

21. COST OF SALES AND SERVICES

This account is composed of the following as of December 31:

	Notes	**2017**	2016	2015
Cost of fuels and lubricants sold	21.1	**P 36,814,878,142**	P 23,914,378,824	P 23,980,285,783
Cost of LPG	21.1	**1,093,919,764**	-	-
Cost of services	21.2	**-**	1,209,570,405	1,125,034,323
Cost of real estate sold	22	**-**	-	163,531,057
	22	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163

21.1 Cost of Fuels, LPG and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Notes	2017	2016	2015
Inventories at beginning of year		**P 2,998,780,146**	P 2,638,614,688	P 2,870,829,069
Net purchases during the year		**47,778,391,525**	24,274,544,282	23,748,071,402
Business combination	1.4	**63,146,150**	-	-
Overhead costs	11.3	**38,427,130**	-	-
Goods available for sale		**50,878,744,951**	26,913,158,970	26,618,900,471
Inventories at end of year	8	**(12,969,947,045)**	(2,998,780,146)	(2,638,614,688)
		P 37,908,797,906	P 23,914,378,824	P 23,980,285,783

21.2 Cost of Services

There are no cost of services as of December 31, 2017. The details of cost of services as of December 31, 2016 and 2015 follows:

	Notes	2016	2015
Charter hire fees		P 219,480,628	P 343,889,275
Depreciation and amortization	11.3, 12	402,281,752	340,311,738
Salaries and employee benefits		223,104,624	110,723,141
Bunkering		128,272,479	95,822,033
Port expenses		69,045,193	59,642,363
Repairs and maintenance		47,398,625	62,261,852
Insurance		41,880,302	38,754,243
Taxes and licenses		18,061,125	17,855,083
Outside services		6,060,643	16,253,168
Service fees		5,228,607	27,706,457
Security services		2,650,929	3,147,040
Fuel, gas and lubricants		148,605	232,507
Professional fees		-	-
Others		45,956,893	8,435,423
		P 1,209,570,405	P 1,125,034,323

22. COSTS AND EXPENSES BY NATURE

The details of the Group's costs and expenses by nature are shown below.

	Notes	**2017**	2016	2015
Cost of inventories sold		**P 37,870,370,774**	P 23,914,378,824	P 23,980,915,783
Depreciation and amortization	11, 12	**850,380,505**	1,002,088,441	821,733,247
Freight and trucking charges		**667,780,304**	594,195,277	584,007,627
Rent	16, 27.3, 31.3	**654,110,277**	638,617,179	526,618,286
Taxes and licenses	15	**581,832,247**	336,339,378	184,277,952
Salaries and employee benefits	24.1	**438,875,069**	549,545,236	407,249,233
Advertising and promotions		**267,197,963**	85,071,762	84,319,851
Rebates		**258,688,946**	125,710,056	125,006,776
Service fees		**134,022,166**	88,540,285	124,781,797
Repairs and maintenance		**90,491,317**	118,676,191	125,914,426
Security fees		**82,623,951**	69,578,620	72,585,144
Utilities		**73,874,917**	60,577,393	61,064,494
Travel and transportation		**58,361,503**	50,971,497	39,522,659
Professional fees		**53,176,668**	107,609,032	39,967,826
Fuel, oil and lubricants		**50,194,019**	27,084,236	25,663,464
Insurance		**40,957,246**	71,213,196	83,349,159
Office supplies		**16,634,489**	12,914,083	10,843,835
Sales incentives		**13,481,660**	17,120,040	5,371,974
Representation		**9,814,799**	16,204,648	9,873,984
Deficiency taxes		**5,295,972**	81,276,439	6,335,281
Outside services		**2,881,506**	7,753,440	17,358,889
Charter hire fees	31.6	**-**	152,635,025	342,164,745
Bunkering		**-**	126,954,879	45,456,098
Port expenses		**-**	40,173,775	44,900,055
Cost of real estate sold	21	**-**	-	163,531,057
Miscellaneous	27.11	**99,493,930**	168,509,342	60,944,232
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

The expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	**2017**	2016	2015
Cost of sales and services	21	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163
Selling and administrative expenses		**4,411,742,322**	3,339,789,045	2,724,906,711
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	2017	2016	2015
Interest expense on bank loans and other borrowings	17.6	**P 780,917,196**	P 863,399,371	P 786,929,274
Impairment losses on trade and other receivables	7	**50,335,399**	112,986,854	79,208,744
Bank charges		**16,779,298**	18,828,373	11,184,239
Interest expense from security deposits	20	**6,341,824**	11,680,584	4,849,042
Interest expense from post-employment defined benefit obligation – net	24.3	**576,720**	1,678,468	3,665,593
Foreign currency exchange losses – net		**92,823**	-	37,827,699
Interest expense on advances from locators		**-**	-	33,555,541
Day-one loss on installment contract receivable		**-**	-	10,197,054
Others		**-**	10,703,374	1,265,121
		P 855,043,260	P 1,019,277,024	P 968,682,307

23.2 Finance Income

	Notes	**2017**	2016	2015
Foreign currency exchange gains – net		**P 38,148,337**	P 200,196,556	P -
Interest income from cash in banks	6	**15,662,627**	3,874,299	2,826,295
Interest income on amortization of rental deposits	16	**2,711,436**	2,566,528	2,138,101
Interest income from restricted deposits	9	**106,880**	669,278	576,599
Interest income from overdue trade receivables		**-**	380,957	-
Interest income from amortization of instalment contract receivable		**-**	-	2,012,838
		P 56,629,280	P 207,687,618	P 7,553,833

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2017**	2016	2015
Short-term benefits:				
Salaries and wages		**P 323,104,897**	P 434,209,853	P 341,168,526
Employee welfare and other benefits		**63,959,232**	76,840,351	25,657,077
13th month pay and bonuses		**30,893,578**	23,944,763	29,114,952
Employee share options	24.2	**11,589,866**	5,757,780	-
Post-employment defined benefit	24.3	**9,327,496**	8,792,489	11,308,678
	22	**P 438,875,069**	P 549,545,236	P 407,219,233

24.2 Employee Share Option Plan (ESOP)

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the 2017 and 2016 consolidated statements of comprehensive income amounted to P11.6 million and P5.8 million, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the 2017 and 2016 consolidated statements of financial position.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 20) in the consolidated statements of financial position, are determined as follow:

	2017	2016
Present value of obligation	**P 123,569,725**	P 59,336,376
Fair value of plan assets	**(121,849,102)**	(38,546,582)
	P 1,720,623	P 20,789,794

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2017	2016
Balance at beginning of year	**P 59,336,376**	P 74,572,352
Business combination	**75,111,933**	-
Current service cost	**9,327,496**	8,792,489
Remeasurements:		
Actuarial gains arising from:		
Changes in financial assumptions	**(12,276,998)**	(3,020,965)
Experience adjustments	**(5,001,689)**	(10,503,287)
Changes in demographic assumptions	**(355,175)**	-
Benefits paid from:		
Plan assets	**(7,100,000)**	(1,425,865)
Book reserves	**(5,453,559)**	-
Settlement loss	**3,582,092**	-
Interest expense	**6,399,249**	3,053,348
Effect of deconsolidation	**-**	(12,131,696)
Balance at end of year	**P 123,569,725**	P 59,336,376

The movements in the fair value of plan assets are presented below.

	2017	2016
Balance at beginning of year	**P 86,148,347**	P 26,752,146
Contributions to the plan	**41,209,772**	15,863,865
Benefits paid from plan assets	**(7,100,000)**	(1,425,865)
Interest income	**5,164,769**	1,374,880
Return (loss)on plan assets (excluding amounts included in net interest)	**(3,399,323)**	1,836,547
Effect of the asset ceiling	**(174,463)**	-
Effect of deconsolidation	**-**	(5,854,991)
Balance at end of year	**P 121,849,102**	P 38,546,582

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2017	2016
Cash and cash equivalents	**P 17,335,228**	P 3,271,309
Quoted equity securities:		
Holding	**6,115,830**	4,994,451
Property	**3,199,153**	3,108,791
Construction	**2,966,310**	2,984,892
Telecommunications	**2,226,695**	2,298,766
Manufacturing (Preferred)	**1,831,803**	1,875,068
	16,339,791	15,261,968
Government bonds	**44,335,183**	-
Unit investment trust funds (UITF)	**27,611,035**	10,606,898
Unit Corporate Bonds	**16,227,865**	8,925,579
Unit STCP	**-**	480,828
	P 121,849,102	P 38,546,582

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy). Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	**2017**	2016	2015
Reported in profit or loss:				
Current service cost	24.1	**P 9,327,496**	P 8,792,489	P 11,308,678
Settlement loss		**3,582,092**	-	-
Net interest expense	23.1	**576,720**	1,678,468	3,665,593
		P 13,486,308	P 10,470,957	P 14,974,271
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Experience adjustments		**(P 5,001,689)**	(P 10,503,288)	P 25,371,878
Financial assumptions		**(12,276,998)**	(3,020,965)	(37,016,344)
Demographic assumptions		**(355,175)**	-	-
Effect of asset ceiling		**174,463**	-	-
Return on plan assets (excluding amounts included in net interest expense)		**3,399,323**	(1,836,547)	(6,472,239)
		(P 14,060,076)	(P 15,360,800)	(P 18,116,705)

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) (see Note 23.1).

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2017	2016	2015
Discount rates	**5.70% to 5.82%**	5.38%	4.89% to 5.20%
Expected rate of salary increases	**5.00% to 6.00%**	5.00%	5.00% to 8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.7 and 20.9 for the Parent Company and PLPI, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, quoted equity securities and UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

	2017		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 13,204,709)**	**P 15,537,569**
Salary increase rate	**+/- 1.00%**	**14,128,498**	**(12,313,513)**

	2016		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 5,517,594)	P 6,416,720
Salary increase rate	+/- 1.00%	6,190,908	(5,439,575)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2017 and 2016 is allocated to market gains and losses and accrued receivables.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2017, the plan is underfunded by P1.5 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P10.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

	2017	2016
Within one year	**P 5,296,457**	P 2,128,954
More than one year to five years	**23,841,856**	23,512,544
More than five years to ten years	**81,961,568**	57,097,009
	P 111,099,881	P 82,738,507

The weighted average duration of the defined benefit obligation at the end of the reporting period is ten years.

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

25.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50.00% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

The ITH incentive for Calaca, Batangas Terminal expired last February 26, 2015.

25.2 BOI Registration as New Industry Participant – Zamboanga Depot

The Parent Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 25.1. The ITH will expire five years from November 25, 2010.

The ITH incentive for Zamboanga Depot expired last November 25, 2015.

25.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited previously. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

The ITH incentive for Davao Expansion expired last May 14, 2015.

25.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Companywas registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH incentive for Bacolod Storage Terminal expired last May 10, 2017.

25.5 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Cagayan de Oro City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired last May 10, 2017.

25.6 BOI Registration for MT Chelsea Thelma and MT Chelsea Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Chelsea Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Chelsea Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Chelsea Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

25.7 BOI Registration for MT Chelsea Denise II and MT Chelsea Donatela

On March 12, 2015 and September 3, 2013, the CSC had registered its activity for MT Chelsea Denise II and MT Chelsea Donatela, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as a new operator of domestic/inter-island shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Chelsea Donatela, the related tax incentives started in January 2014. Meanwhile, the tax incentive for MT Chelsea Denise II started in November 2015. ITH incentives shall be limited only to the revenues generated by the registered project.

25.8 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in case earlier than the date of registration.

25.9 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.10 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two (2) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from October 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.11 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six (6) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from November 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.12 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven (7) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from January 2018 or date of registration whichever is earlier but in case earlier than the date of registration.

26. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

	2017	2016	2015
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 262,725,051**	P 195,720,139	P 172,469,409
Final tax at 20.00% and 7.50%	**3,157,079**	1,928,511	712,198
Minimum corporate income tax (MCIT) at 2.00%	**1,657,937**	3,214,611	6,093,000
	267,540,067	200,863,261	179,274,607
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(65,268,048)**	(31,060,370)	6,568,943
	P 202,272,019	P 169,802,891	P 185,843,550
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 4,218,023**	P 4,608,240	P 13,304,602

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is as follows:

	2017	2016	2015
Tax on pretax profit at 30.00% and 17%	**P 598,236,352**	P 378,683,336	P 327,513,679
Adjustment for income subjected to lower income tax rates	**(186,606,000)**	(982,323)	(356,902)
Tax effects of:			
Adjustment for income and expenses under ITH	**(190,713,945)**	(212,788,085)	(158,876,440)
Reversal of deferred tax liability (DTL) on 2016 unrealized forex gain, realized in 2017	**(83,181,314)**	-	-
Non-deductible expenses	**62,995,167**	69,479,619	14,333,891
Reversal of MCIT	**3,157,282**	3,051,968	88,177
Reversal of net operating loss carry over (NOLCO)	**2,761,014**	179,839	4,320,436
Non-taxable income	**(2,732,284)**	(3,205,464)	(1,245,283)
Share benefit expense on on exercised stock options	**(2,528,710)**	-	-
Derecognition of previously recognized deferred tax assets (DTA)	**884,457**	4,759,159	65,992
Recognition of previously unrecognized DTA on impairment losses	**-**	(69,375,158)	-
Tax expense reported in consolidated profit or loss	**P 202,272,019**	P 169,802,891	P 185,843,550

The net deferred tax assets and liabilities as of December 31, 2017 and 2016 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2017	2016	**2017**	**2017**	2016	2015	**2017**	2016	2015
Deferred tax assets:									
Impairment losses on trade and other receivables	**P 135,499,033**	P 101,709,658	**P 37,745,041**	**(P 3,955,666)**	P 93,522,541	P 713,140	**P -**	P -	P -
Provision for losses on lost cylinders	**71,627,356**	-	**71,627,356**	**-**	-	-	**-**	-	-
NOLCO	**15,291,370**	11,174,605	**-**	**4,116,765**	4,808,625	(25,034,417)	**-**	-	-
Unamortized past service cost	**7,730,775**	-	**6,130,225**	**1,600,550**	-	(25,855)	**-**	-	-
MCIT	**6,620,729**	7,658,613	**-**	**(1,037,884)**	(1,248,706)	5,791,267	**-**	-	-
Post-employment benefit obligation	**3,110,141**	6,236,938	**7,097,383**	**(6,006,157)**	(618,401)	9,514,862	**(4,218,023)**	(4,608,240)	(5,435,012)
Unrealized foreign currency loss – net	**1,849,446**	-	**739,064**	**1,110,382**	-	-	**-**	-	-
Accrued rent expense	**-**	2,593,275	**-**	**(2,593,275)**	1,776,960	(65,992)	**-**	-	-
Others	**841,470**	-	**1,883,341**	**(1,041,871)**	-	(5,410,097)	**-**	-	-
	242,570,320	129,373,089	**125,222,410**	**(7,807,156)**	98,241,019	(14,517,092)	**(4,218,023)**	(4,608,240)	(5,435,012)
Deferred tax liabilities:									
Accrued rent income	**(10,704,083)**	**-**	**(597,973)**	**(10,106,110)**	-	-	-	-	-
Unrealized foreign currency gains – net	**-**	(83,181,314)	**-**	**83,181,314**	(67,180,649)	68,738	**-**	-	-
Revaluation reserves of tankers	**-**	-	**-**	**-**	-	7,559,066	**-**	-	-
Capitalized borrowing cost	**-**	-	**-**	**-**	-	320,345	**-**	-	-
	(10,704,083)	(83,181,314)	**(597,973)**	**73,075,204**	(67,180,649)	7,948,149	**-**	-	-
Net deferred tax asset	**P 231,866,237**	P 46,191,775	**P 124,624,437**						
Net deferred tax income (expense)				**P 65,268,048**	P 31,060,370	(P 6,568,943)	**(P 4,218,023)**	(P 4,608,240)	(P 5,435,012)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2017	P 25,917,269	P 7,775,181	2020
2016	23,172,463	6,951,739	2019
2015	1,881,501	564,450	2018
	P 50,971,233	P 15,291,370	

The Group is subject to the MCIT, which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's RCIT was higher than MCIT in 2016 while in the current year, MCIT was higher than RCIT for the years 2017 and 2015, respectively. MCIT was higher than RCIT for all the years presented for PPMI and SPTT, respectively.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2017	P -	P 1,657,937	P 1,657,937	P 1,657,937	2020
2016	-	2,266,676	2,266,676	2,266,676	2019
2015	-	2,696,116	2,696,116	2,696,116	2018
	P	P 6,620,729	P 6,620,729	P 6,620,729	

In 2017, 2016 and 2015, the Group claimed itemized deductions in computing for its income tax due.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate Parent Company, PPHI, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent Company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2017, 2016 and 2015 is presented in the next page.

Related Party Category*	Notes	Amount of Transactions 2017	2016	2015	Outstanding Balance 2017	2016
Other related parties under common ownership						
Sale of subsidiaries	1.5, 7,27.10	**P -**	P 3,000,000,000	P -	**P 500,000,000**	P 550,000,000
Sale of goods*	7, 27.1	**2,038,584,803**	120,662,536	22,168,571	**955,539,554**	157,624,601
Purchases of services*	19, 27.2	**115,202,871**	72,601,698	4,566,971	**20,995,548**	457,557,815
Advances to suppliers*	27.2	**-**	(438,294,800)	(24,800)	**-**	-
Management fees	7, 27.7	**(2,139,028)**	24,255,000	-	**86,598,808**	88,737,836
Rentals	19, 27.3	**41,194,056**	74,840,032	73,702,144	**2,740,627**	3,104,344
Due from related parties*	27.4	**(988,966,628)**	-	1,887,086	**518,004,898**	1,506,977,926
Donations	27.11	**-**	-	**100,000**	**-**	-
Udenna Corporation						
Advances to suppliers	7, 27.2	**13,456,176**	438,294,800	378,294,800	**424,838,624**	438,294,800
Rentals	19, 27.3	**1,101,775**	9,616,314	7,654,678	**710,545**	621,000
Joint Venture - SPI						
Sale of real estate	7, 27.7	**-**	-	402,192,000	**-**	-
Port revenues	7, 27.7	**-**	-	1,473,920	**-**	-
Key management personnel						
Salaries and employee benefits	27.8	**80,182,994**	66,518,009	63,672,431	-	-

**As a result of the deconsolidation of CISC and CSC (see Note 1.5), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

27.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2017, 2016 and 2015 based on management's assessment.

27.2 Purchases of Goods and Services

The Group purchased goods and services from related parties on the basis of price lists in force with non-related parties. Total purchase of goods and services from related parties is presented as part of Cost of Sales in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. The outstanding balances are presented as part of advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of December 31, 2017 and 2016.

27.3 Rentals

The Group has the following lease agreements with the following related parties under common ownership:

a. Udenna Corporation – of which total rent expense incurred in the years 2017, 2016 and 2015 amounted to P1.1 million, P9.6 million and P7.7 million, respectively. The outstanding rental payable amounting to P0.7 million and P0.6 million in 2017 and 2016, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

b. UDEVCO – of which total rent expense in the years 2017, 2016 and 2015 amounted to P6.3 million, P48.3 million and P57.4 million, respectively. Prepaid rent amounted to P1.3 million in 2017 and nil in 2016 (see Note 10). Rental deposit for the lease amounted to P6.5 million and P7.7 million as of December 31, 2017 and 2016, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

c. Valueleases, Inc. (VLI) – of which total rent expense in the years 2017, 2016 and 2015 amounted to P34.9 million, P25.7 million and P16.3 million, respectively. Prepaid rent amounted to P17.8 million in 2017 and nil in 2016 (see Note 10). Refundable rental deposits amounted to P15.0 million and P11.6 million as of December 31, 2017 and 2016, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.4 Due from Related Parties

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2017 and 2016, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to CISC amounted to nil in 2017, P5.0 million in 2016 and nil in 2015. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2017	2016
CISC		**P 496,819,699**	P 942,812,571
CLHC	27.10	-	500,000,000
UDEVCO	27.10	-	50,000,000
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**20,236,382**	13,256,329
CSC		**948,817**	929,026
		P 518,004,898	P 1,506,997,926

The movement of due from related parties as of December 31 is as follows:

	Notes	2017	2016
Balance at beginning of year		**P 1,506,997,926**	P 12,260,843
Collections		**(1,158,519,706)**	(25,000)
Reclassification	7, 27.10	**(500,000,000)**	-
Additions	27.10	**669,526,678**	1,494,762,083
Balance at end of year		**P 518,004,898**	P 1,506,997,926

No impairment loss is recognized in 2017, 2016 and 2015 related to the advances to related parties.

27.5 Loan Collateral

(a) Certain properties and a surety of a stockholder secured certain bank loans, notes payable and liabilities under LCs and TRs (see Notes 17.1, 17.2 and 17.5). The disposition of CSC resulted to the deconsolidation of the related liabilities.

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks see Note 9). Certain receivables and tankers owned by the Group and were also used as security on particular loans (see Note 7).

27.6 Transactions with SPI

In 2015, the Group sold real estate to SPI amounting to P402.2 million and is presented as part of the Sale of Real Estate account in the 2015 consolidated statement of comprehensive income. The related outstanding receivable amounting to P309.9 million is presented as part of Installment Contract Receivable under Trade and Other Receivables in the 2015 consolidated statement of financial position. Port revenues were also generated from SPI amounting to P1.5 million and is presented as part of Port Revenues account in the 2015 consolidated statement of comprehensive income.

The outstanding receivables from SPI are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015 based on management's assessment. This account was derecognized as a result of the deconsolidation (see Note 1.5).

27.7 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

The management has determined that there are no impairment losses required to be recognized as of December 31, 2017 and 2016.

27.8 Key Management Compensations

The compensation of key management personnel are broken down as follows:

	2017	2016	2015
Salaries and wages	**P 59,621,546**	P 53,164,063	P 51,522,286
Honoraria and allowances	**6,242,372**	5,566,274	5,362,224
13th month pay and bonuses	**5,488,660**	7,384,629	6,479,132
Share-based payment	**5,207,284**	-	-
Post-employment benefits	**3,623,132**	403,043	308,789
	P 80,182,994	P 66,518,009	P 63,672,431

27.9 Retirement Plan

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2017 and 2016 is shown in Note 24.3. As of December 31, 2017 and 2016, the retirement plan has no investment in shares of stocks of the Parent Company.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.3.

27.10 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to CLC, and in CISC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P550.0 million is still receivable in 2017 and 2016, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2017 consolidated statement of financial position and Due from related parties account in 2016 in the 2016 consolidated statements of financial position (see Notes 7 and 27.4).

27.11 Others

The Group granted P0.1 million donations to Udenna Foundation, Inc. in 2015. These are presented as part of miscellaneous under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 22).

28. EQUITY

28.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2017	2016	2015	**2017**	2016	2015
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**30,000,000**	30,000,000	10,000,000	**P 30,000,000**	P 30,000,000	P 10,000,000
Issuance during the year	**-**	-	20,000,000	**-**	-	20,000,000
Balance at end of year	**30,000,000**	30,000,000	30,000,000	**30,000,000**	30,000,000	30,000,000
Treasury shares	**(5,000,000)**	(5,000,000)	(5,000,000)	**(5,000,000)**	(5,000,000)	(5,000,000)
Issued and outstanding	**25,000,000**	25,000,000	25,000,000	**P 25,000,000**	P 25,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P 2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,428,777,232**	1,428,777,232	1,428,777,232	**P 1,428,777,232**	P1,428,777,232	P 1,428,777,232
Issuance during the year	**2,761,000**	-	-	**2,761,000**	-	-
Balance at end of year	**1,431,538,232**	1,428,777,232	1,428,777,232	**1,431,538,232**	1,428,777,232	1,428,777,232
Treasury shares	**-**	(54,393,300)	-	**-**	(330,679,783)	-
Issued and outstanding	**1,431,538,232**	1,374,383,932	1,428,777,232	**P 1,431,538,232**	P1,098,097,449	P 1,428,777,232
				P 1,456,538,232	P1,123,097,449	P 1,453,777,232

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 28.4).

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the preferred shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall bepaid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

(a)	Dividend rates:	PNX3A	7.43% per annum
		PNX3B	8.11% per annum
(b)	Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	
(c)	Debt-to-equity ratio:	The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.	

28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

The market prices of the shares as of December 31 are as follows:

		2017		2016		2015
PNX (Common)	**P**	**12.88**	P	5.63	P	3.85
PNX 3A (Preferred)		**103.70**		105.00		103.50
PNX 3B (Preferred)		**108.80**		115.00		106.50

28.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2017	2016	2015
Common	**60**	66	66
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	2
d) PNX 3B	**4**	4	2

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D; presented below is a summary of the Parent Company's track record of registration of securities.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		**2,550,000,000**				**P1,436,248,632**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,436,248,632**
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		**2,550,000,000**			**P1,406,233,932**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000			P1,406,233,932
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Total		2,550,000,000			P1,456,538,232

28.4 Additional Paid-in Capital

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.1).

In addition, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P12.9 million (see Note 28.1 and 28.7). The fair value of stock options exercised during the year which was previously recorded as part of Retained Earnings in 2016 was reclassified to Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.6). The total amount reclassified from Retained Earnings amounted to P8.4 million which is computed at P3.05 per stock option.

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

In 2013, the Parent Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

28.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Property, Plant and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2017	P -	(P 12,148,102)	(P 12,148,102)
Remeasurements of defined post-employment obligation	-	14,060,076	14,060,076
Tax expense	-	(4,218,023)	(4,218,023)
Balance as of December 31, 2017	**P -**	**(P 2,306,049)**	**(P 2,306,049)**
Balance as of January 1, 2016	P 582,398,558	(P 23,103,292)	P 559,295,266
Remeasurements of defined post-employment obligation	-	15,360,800	15,360,800
Transfers to retained earnings as an effect of the deconsolidation	(557,555,573)	202,630	(557,352,943)
Depreciation transfer to retained earnings – revalued tankers	(24,842,985)	-	(24,842,985)
Tax expense	-	(4,608,240)	(4,608,240)
Balance as of December 31, 2016	P -	(P 12,148,102)	(P 12,148,102)

28.6 Retained Earnings

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On March 4, 2015, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million, record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2nd tranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On January 29, 2014, the BOD approved the declaration and payment of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to 2nd tranche preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

28.7 ESOP

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P11.6 million and P5.8 million share-based executive compensation is recognized in 2017 and 2016, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2017 and 2016 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account (see Note 28.6).

28.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2017	2016
Total liabilities	**P 32,519,210,369**	P 16,775,944,188
Total equity	**11,951,690,104**	9,762,093,733
Debt-to-equity ratio	**2.7 : 1.0**	1.72 : 1.0

The increase of the total assets and liabilities in 2017 is due to the business combinations, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired, as well as increase in interest-bearing loans and borrowings utilized for the acquisition. The increase in equity is the net effect business combination and the net profit in 2017 less the cash dividend declared and paid during the period for common shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

EPS were computed as follows:

	2017	2016	2015
a) Net profit pertaining to common shares	**P1,596,939,154**	P 902,592,062	P 861,146,033
b) Net profit attributable to common shares and potential common shares	**1,791,849,154**	902,592,062	861,146,033
c) Weighted average number of outstanding common shares	**1,372,487,454**	1,410,964,421	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	**1,377,270,489**	1,414,736,438	1,428,777,232
Basic EPS (a/c)	**P 1.16**	P 0.64	P 0.60
Diluted EPS (b/d)	**P 1.16**	P 0.64	P 0.60

The potential dilutive common shares totalling 4,783,035 and 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2017 and 2016. There are no potential dilutive shares in 2015.

30. SEGMENT REPORTING

30.1 Business Segments

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

30.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

30.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2017 and 2016 and certain asset and liability information regarding industry segments as of December 31, 2017, 2016 and 2015 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
TOTAL REVENUES															
Sales to external customers	**P 43,955,424**	P 29,468,451	P 28,723,892	**P 469,557**	P 480,057	P 180,273	**P -**	P 628,160	P 556,576	**P 1,059**	P -	P 593,098	**P 44,426,040**	P 30,576,668	P 30,053,839
Intersegment sales	**4,180,373**	681,402	2,457,071	**-**	53,126	-	**-**	893,299	954,180	**22,338**	-	27,747	**4,202,711**	1,627,827	3,438,998
Total revenues	**48,135,797**	30,149,853	31,180,963	**469,557**	533,183	180,273	**-**	1,521,459	1,510,756	**23,397**	-	620,845	**48,628,751**	32,204,495	33,492,837
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	**45,211,276**	27,803,118	29,289,175	**437,631**	350,437	169,360	**-**	935,922	907,624	**23,964**	-	259,345	**45,672,871**	29,089,477	30,625,504
Depreciation and amortization	**841,340**	576,126	364,440	**9,040**	45,912	113,146	**-**	380,050	317,677	**-**	-	26,470	**850,380**	1,002,088	821,733
	46,052,616	28,379,244	29,653,615	**446,671**	396,349	282,506	**-**	1,315,972	1,225,301	**23,964**	-	285,815	**46,523,251**	30,091,565	31,447,237
SEGMENT OPERATING PROFIT (LOSS)	**P 2,083,181**	P 1,770,609	P 1,527,348	**P 22,886**	P 136,834	(P 102,233)	**P -**	P 205,487	P 285,455	**(P 567)**	P -	P 335,030	**P 2,105,500**	P 2,112,930	P 2,045,600
ASSETS AND LIABILITIES															
Segment assets	**P 47,968,156**	P 26,341,954		**P 493,812**	P 315,121		**P -**	P -		**P 411,922**	P -		**P 48,873,890**	P 26,657,074	
Segment liabilities	**33,730,458**	16,702,349		**363,152**	195,875		**-**	-		**324,150**	-		**34,417,760**	16,898,224	

30.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statement (in thousands).

	2017	2016	2015
Revenues			
Total segment revenues	**P 48,628,751**	P 32,204,495	P 33,492,837
Elimination of intersegment revenues	**(4,202,711)**	(1,627,827)	(3,438,998)
Revenues as reported in profit or loss	**P 44,426,040**	P 30,576,668	P 30,053,839
Profit or loss			
Segment operating profit	**P 2,105,500**	P 2,112,930	P 2,045,600
Other unallocated income	**687,035**	11,006	16,311
Other unallocated expense	**-**	(50,069)	(9,070)
Operating profit as reported in profit or loss	**2,792,535**	2,073,867	2,052,841
Finance costs	**(855,043)**	(1,019,277)	(968,682)
Finance income	**56,629**	207,688	7,554
Profit before tax as reported in profit or loss	**P 1,994,121**	P 1,262,278	P 1,091,713
Assets			
Segment assets	**P 48,642,024**	P 26,610,882	
Deferred tax asset – net	**231,866**	46,192	
Elimination of intercompany accounts	**(4,402,990)**	(119,036)	
Total assets reported in the consolidated statements of financial position	**P 44,470,900**	P 26,538,038	
Liabilities			
Segment liabilities	**P 34,417,760**	P 16,898,224	
Elimination of intercompany accounts	**(1,898,550)**	(122,280)	
Total liabilities as reported in the consolidated statements of financial position	**P 32,519,210**	P 16,775,944	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2017, the Group has commitments of more than P2,000.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 530 operating retail service stations as of December 31, 2017. An additional of eight retail service stations are under various stages of completion as of December 31, 2017.

The Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

31.2 Unused LCs

As of December 31, 2017 and December 31, 2016, the Parent Company has unused LCs amounting to P8,652.3 million and P10,660.0 million, respectively.

31.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2017	2016
Within one year	**P 371,674,361**	P 477,468,634
After one year but not more than five years	**1,187,252,691**	1,760,293,260
More than five years	**1,554,982,467**	1,679,047,783
	P 3,113,909,519	P 3,916,809,677

Total rent expense for the years 2017, 2016 and 2015 amounted to P654.1 million, P638.6 million and P526.6 million, respectively (see Note 22).

31.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2017	2016
Within one year	**P 87,237,539**	P 87,312,939
After one year but not more than five years	**138,482,193**	192,179,372
More than five years	**23,917,284**	27,359,104
	P 249,637,016	P 306,851,415

Rent income in 2017, 2016 and 2015 amounting to P 91.6 million, P97.3 million and P94.5 million, respectively, is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

31.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2017		2016	
	Future MLP	**PV of NMLP**	Future MLP	PV of NMLP
Within one year	**P -**	**P -**	P 1,291,875	P 1,265,272
After one year but not more than five years	**-**	**-**	-	-
			1,291,875	1,265,272
Amounts representing finance charges	**-**	**-**	(26,603)	-
Present value of MLP	**P -**	**P -**	P 1,265,272	P 1,265,272

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 17.4).

31.6 Charter Agreements

In 2015, the Group has existing commitments to charterers under TC, CVC, and BB agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's tankers in good working condition and compliant with all the shipping regulations as required by the Maritime Industry Authority.

31.7 Purchase of LPG cylinders

During the year, PLPI placed an order with a third party to acquire additional LPG cylinders, to augment its current operations and re-establish its market in the Luzon areas. Contractual commitments resulting from such orders amounting to around P1.0 billion and it is payable in 2018. PLPI does not have any other material purchase commitments as at December 31, 2017.

31.8 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

(a) In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the SC, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court (SC), Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(b) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(c) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(d) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

(e) Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the BOD except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Parent Company's closure and take-over of six Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

(f) The Parent Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2017 and 2016, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

32. EVENTS AFTER THE BALANCE SHEET DATE

32.1 Acquisition of a New Subsidiary

On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in Philippine FamilyMart CVS, Inc. (PFM) from its shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation. PFM is engaged in operating convenience stores under the trademark "Family Mart".

A new exclusive Area Franchise Agreement of the Family Mart branch of convenience store in the Philippines was granted to Philippine FamilyMart CVS, Inc. under the management of the Parent Company. The transaction was approved by the Philippine Competition Commission (PCC) sometime in January 2018.

32.2 Joint Venture Agreement

On January 16, 2018, the Parent Company has entered into a JV agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and Mr. Carlito B. Castrillo to set-up and incorporate a JV company – PhilAsphalt (Dev't) Corporation (PhilAsphalt). The JV company will be registered for the purpose of operating, marketing and distribution of bitumen and bitumen-related products in the Philippines. The authorized share capital of PhilAsphalt will be P275.0 million divided into 275.0 million shares with par value of P1 per share. Both the Parent Company and TIPCO Asphalt's percentage of shareholding will be 40% each and 20.00% for Mr. Castrillo.

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Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2017, on which we have rendered our report dated February 15, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III** Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, Makati City
SEC Group A Accreditation
Partner – No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 15, 2018

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
DECEMBER 31, 2017

Description	*Carrying Value*		*Fair Value*	
Loans and receivables:				
Cash and cash equivalents	P	1,831,542,441	P	1,831,542,441
Trade and other receivables - net[1]		6,843,698,948		6,843,698,948
Due from related parties		518,004,898		518,004,898
Restricted deposits		51,281,559		51,281,559
Refundable rental deposits		182,480,300		182,480,300
	P	**9,427,008,146**	**P**	**9,427,008,146**

Notes:

1) Trade and other receivables excludes certain advances from suppliers and advances subject to liquidation.
2) There are no other financial assets applicable to the group, except for loans and receivables.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

DECEMBER 31, 2017

Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Reclassification*	*Ending Balance* Current	*Ending Balance* Non-current	*Balance at end of period*
Calaca Industrial Seaport Corporation	P 942,812,571	P 662,319,699	P 1,108,312,571	P -	P 496,819,699	P -	P 496,819,699
P-H-O-E-N-I-X Philippines Foundation, Inc.	13,256,329	7,187,188	207,135	-	20,236,382	-	20,236,382
Chelsea Shipping Corporation	929,026	19,791	-	-	948,817	-	948,817
Chelsea Logistics Holdings Corp.	500,000,000	-	-	500,000,000	-	-	-
Eterna Development (ELEVATE) Corporation	50,000,000	-	50,000,000	-	-	-	-
	P 1,506,997,926	**P 669,526,678**	**P 1,158,519,706**	**P 500,000,000**	**P 518,004,898**	**P -**	**P 518,004,898**

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Accounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
DECEMBER 31, 2017

Creditor	Name and designation of debtor	Balance at beginning of period	Business Combination	Additions	Amounts Collected	Set off and Adjustments	Current	Non-Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc. *Advances to subsidiaries (parent)*	P-H-O-E-N-I-X Global Mercantile, Inc.	P 1,155,198	P -	P 92,088	P -	P -	P 1,277,886	P -	P 1,277,886
	PFL Petroleum Management, Inc.	32,598,464	-	255,000	-	-	33,188,984	-	33,186,464
	Subic Petroleum Trading and Transport	(7,749,082)	-	1,769,918,270	1,164,298,035	-	597,870,572	-	597,870,572
	Phoenix Singapore PTE Ltd.	-	-	47,996,736	-	-	47,996,736	-	47,996,716
	DUTA, Inc.	-	267,349,105	-	-	-	267,349,105	-	267,349,105
		P 44,464,398	**P 267,349,105**	**P 1,835,234,366**	**P 1,264,298,035**	**P -**	**P 967,675,863**	**P -**	**P 967,675,863**
P-H-O-E-N-I-X Petroleum Philippines, Inc. *Trade and Other Receivables*	P-H-O-E-N-I-X Global Mercantile, Inc.	P -	P -	P 7,721,615	P 177,565	P -	P 7,543,050	P -	P 7,543,050
	PFL Petroleum Management, Inc.	38,608,134	-	18,769,088	6,291,831	-	51,018,391	-	51,055,191
	Phoenix LPG Philippines, Inc.	-	-	117,661,944	14,443,033	-	93,398,011	-	93,398,411
		P 38,608,134	**P -**	**P 134,262,567**	**P 20,912,869**	**P -**	**P 151,957,832**	**P -**	**P 151,997,832**
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. (Trade Receivable)	P -	P -	P 119,824	P -	P -	P 119,824	P -	P 119,824
		P -	**P -**	**P 119,824**	**P -**	**P -**	**P 119,824**	**P -**	**P 119,824**
Phoenix LPG Philippines, Inc. *Advances to subsidiaries (parent)*	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 8,227,094	P 7,057	P -	P 8,237,151	P -	P -	P -
	DUTA, Inc.	-	47,313,125	371,212	10,876,335	146,195	36,753,805	-	36,753,805
	Lapulapu, Inc.	-	14,520,556	422,128	422,128	215,523	13,990,456	-	13,990,455
		P -	**P 70,060,365**	**P 800,397**	**P 11,298,463**	**P 8,598,869**	**P 50,699,260**	**P -**	**P 50,699,260**
DUTA, Inc.	Phoenix LPG Philippines, Inc. (Loan Receivable)	P -	P -	P 12,477,634	P -	P -	P 12,477,634	P -	P 12,477,634
		P -	**P -**	**P 12,477,634**	**P -**	**P -**	**P 12,477,634**	**P -**	**P 12,477,634**

Terms and conditions:
All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2017

Description	*Beginning balance*	*Additions at cost*	*Deductions*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Other Non-Current assets						
Goodwill	P 10,221,849	P 3,980,444,757	P -	P -	P -	P 3,990,666,606
Basketball franchise	176,861,660	-	-	-	-	176,861,660
Computer software licenses	93,439,088	29,329,660	28,481,518	-	-	94,287,230
Software cost	3,803,048	363,571	1,646,452	-	-	2,520,167
Others	933,694	328,699	-	-	-	1,262,393
TOTAL	**P 285,259,339**	**P 4,080,466,687**	**P 30,127,970**	**P -**	**P -**	**P 4,265,598,056**

Explanation:
Addition to goodwill was due to the acquisition of PLPI; and.
Charged to cost and expenses under Computer Software Licenses was due to amortizations of Intangible Assets.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2017

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*	*Terms*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	P 1,000,000,000	P -	P 1,000,000,000	Interest rate of 4.4179%, five year term, maturing on, August 18, 2021
Robinsons Bank Corporation	300,000,000	100,000,000	200,000,000	Interest rate of 3.79%, five year term, maturing on October 5, 2020
Philippine National Bank	300,000,000	100,000,000	225,000,000	term, maturing on January 2, 2021
BDO Unibank, Inc.	6,000,000,000	-	3,779,559,853	Interest rate of 4.8040%, seven year term, maturing on August 7, 2024
Land Bank of the Philippines	1,000,000,000	-	1,000,000,000	Interest rate of 4.00%, three year term, maturing on November 3, 2020
Asia United Bank	400,000,000	400,000,000	-	Interest rate of 3.75%, maturing on January 23, 2018
Bank of Commerce	300,000,000	300,000,000	-	Interest rate of 3.80%, maturing on March 27, 2018
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.21%, maturing on November 16, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 3.81%, maturing on November 16, 2022
BDO Unibank, Inc.	500,000,000	500,000,000	-	Interest rate of 3.75%, maturing on March 15, 2018
BDO Unibank, Inc.	1,100,000,000	1,100,000,000	-	Interest rate of 4.00%, maturing on April 13, 2018
Development Bank of the Philippines	1,000,000,000	1,000,000,000	-	Interest rate of 2.71%, maturing on March 20, 2018
Development Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.33%, maturing on February 13, 2018
Land Bank of the Philippines	500,000,000	500,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	300,000,000	300,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.50%, maturing on March 2, 2018
Philippine National Bank	1,000,000,000	-	850,000,000	Interest rate of 4.80%, maturing on April 3, 2020
Philippine National Bank	1,000,000,000	1,000,000,000	-	Interest rate of 3.75%, maturing on January 2, 2018
Philippine National Bank	200,000,000	200,000,000		Interest rate of 4.20%, maturing on February 28, 2018
Philippine Veterans Bank	600,000,000	600,000,000		Interest rate of 3.60%, maturing on January 12, 2018
Rizal Commercial Banking Corporation	400,000,000	400,000,000		Interest rate of 3.75%, maturing on January 27, 2018
Rizal Commercial Banking Corporation	600,000,000	600,000,000		Interest rate of 3.75%, maturing on March 18, 2018
Robinsons Bank Corporation	200,000,000	200,000,000		Interest rate of 3.75%, maturing on January 19, 2018
Robinsons Bank Corporation	100,000,000	100,000,000		Interest rate of 3.75%, maturing on January 22, 2018
Robinsons Bank Corporation	325,000,000	325,000,000		Interest rate of 3.75%, maturing on January 26, 2018
United Coconut Planters Bank	500,000,000	500,000,000		Interest rate of 4.50%, maturing on March 21, 2018
Union Bank of the Philippines	100,000,000	100,000,000		Interest rate of 4.00%, maturing on February 13, 2018
Union Bank of the Philippines	300,000,000	300,000,000		Interest rate of 3.80%, maturing on January 19, 2018
Multinational Investment Bancorporation	2,395,732,922	2,105,732,922	260,000,000	Interest rates from 3.00% to 4.50%, maturing on various dates
Perla Capital Investment Corporation	400,000,000	400,000,000	-	Interest rate of 3.00%, maturing on March 21, 2018
Robinsons Bank Corporation	50,000,000	47,000,000	-	Interest rate of 7.50%, seven year term, maturing on August 23, 2018
Total Installment, notes and loans payable	23,600,732,922	11,657,732,922	11,374,559,853	
TOTAL	**P 23,600,732,922**	**P 11,657,732,922**	**P 11,374,559,853**	

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Schedule H - Capital Stock
December 31, 2017

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Preferred shares - P1 par value Non-voting, non-participating, non-convertible into common shares Issued and outstanding - 25,000,000	50,000,000	25,000,000	-	-	-	25,000,000
Common shares - P1 par value Issued and outstanding - 1,374,383,952	2,500,000,000	1,431,538,232	-	83,475,787	6,001,110	1,342,061,335

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2017

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			P 2,398,853,957
Net Profit based on the audited Statement of Comprehensive Income	P	1,023,117,873	
Less: Non-actual/unrealized income net of tax			
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument		8,794,918	
Add: Non-actual losses			
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents		2,674,083	
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument		9,038,610	
Subtotal		11,712,693	
Net income actually earned during the period		1,026,035,648	1,026,035,648
Add/Less:			
Dividend declarations during the period:			
Common shares cash dividends	(	136,208,383)	
Preferred shares cash dividends	(	194,910,000)	(331,118,383)
Treasury shares			-
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING			P 3,093,771,222

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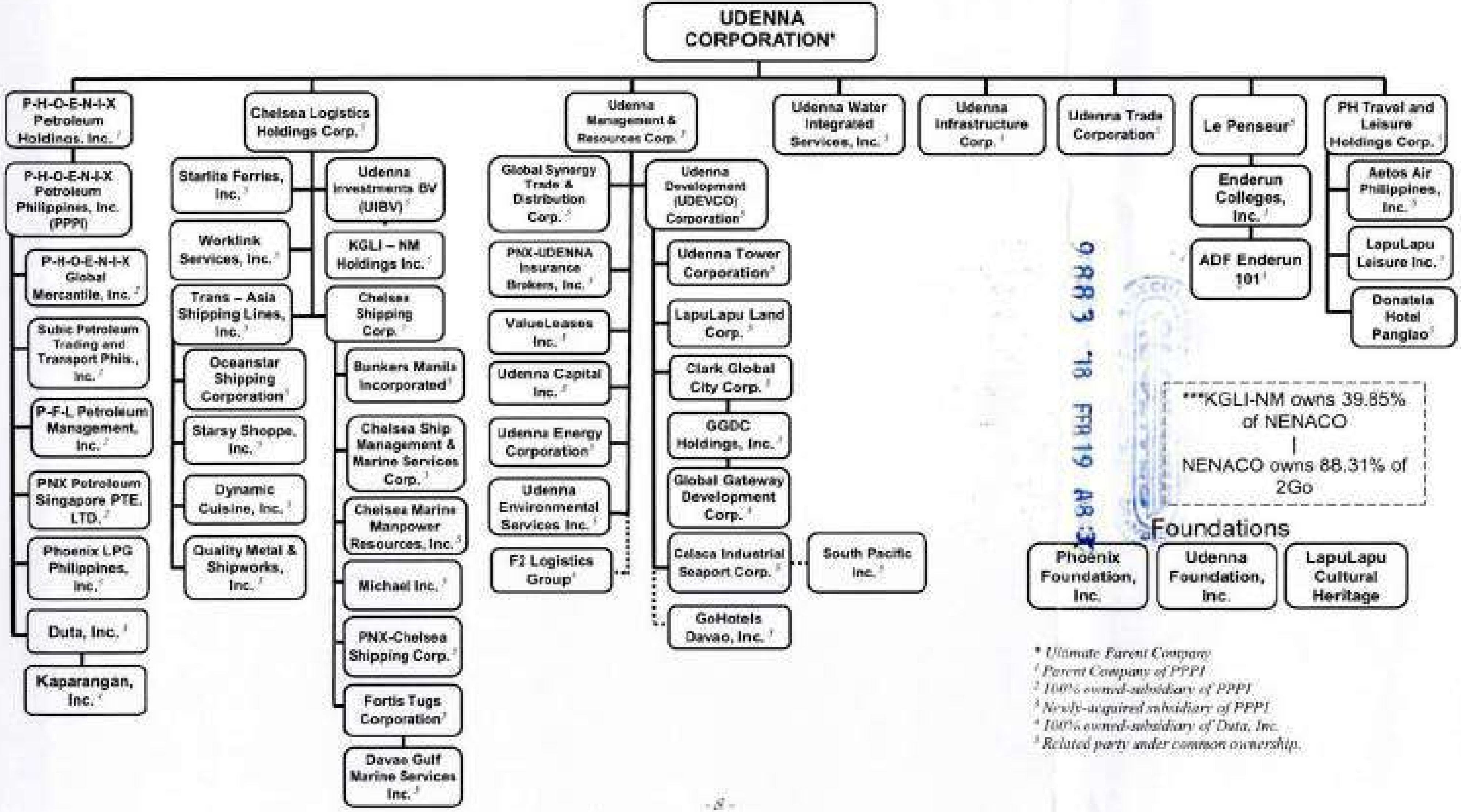
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE
DECEMBER 31, 2017



* *Ultimate Parent Company*
[1] *Parent Company of PPPI*
[2] *100% owned-subsidiary of PPPI*
[3] *Newly-acquired subsidiary of PPPI*
[4] *100% owned-subsidiary of Duta, Inc.*
[5] *Related party under common ownership.*

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts* *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss *(effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property* *(effective January 1, 2018)*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration *(effective January 1, 2018)*			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** for the year ended **December 31, 2017**.

In discharging this responsibility, I hereby declare that I, **Jonarest Z. Sibog,** am the **Controller**, of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** and was hired to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan and Arraullo who/which is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

15 February 2018, Davao City Philippines.

JONAREST Z. SIBOG CPA,MBA
Affiant

SUBSCRIBED AND SWORN TO before me on FEB 1 5 2018 in Davao City, Philippines. Affiant has confirmed her identity by presenting her competent evidence of identity which is her PRC License with No. 0131121, issued on March 31, 2016 in Davao City, Philippines containing her photo and signature and that she further attests that the same is true and correct.

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Book No. 99
Series of 2018

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expiration on December 31, 2018
Serial No. 2017-0033-2018
PTR No. [illegible]; [illegible]-18; D.C.
IBP No. [illegible]; [illegible]-18; D.C.
Roll of Attorneys No. 47886
Km. 7, Lanang, Davao City