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COMPANY INFORMATION	
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63 2 816 6501

91 27

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Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Shaiful B. Zainuddin			

CONTACT PERSON's ADDRESS	
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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.

Pilipinas Shell Petroleum Corporation

Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
31 December 2015

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Statement of Management's Responsibility for Financial Statements
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Schedule of Reference

Financial Assets
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Shareholders
(Other than Related Parties)
Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements
Intangible Assets - Other Assets
Long-Term Debt
Indebtedness to Related Parties
Guarantees of Securities of Other Issuers
Share Capital

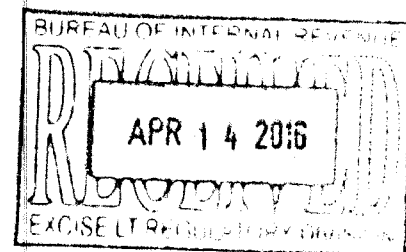
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Additional Components of Financial Statements

Annex 68-C: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule of Effective Standards and Interpretations as at 31 December 2015





Pilipinas Shell Petroleum Corporation

Shell House

156 Valero St., Salcedo Village

1227 Makati City, Philippines

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Telex 63247 Shell PN

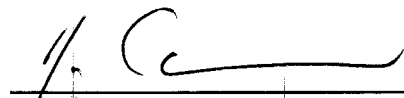
Website <http://www.shell.com>

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

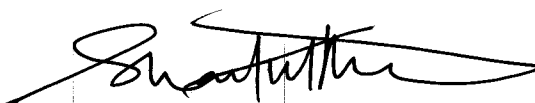
The management of Pilipinas Shell Petroleum Corporation is responsible for the preparation and fair presentation of the financial statements as at 31 December 2015 and 2014 and for each of the three years in the period ended 31 December 2015, in accordance with the prescribed financial reporting framework indicated, including the additional components attached therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

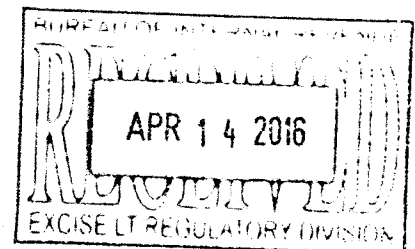
Isla Lipana & Co. (a PwC member firm), the independent auditors, appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



Edgar O. Chua
Chairman of the Board and President



Shaiful B. Zainuddin
Vice President for Finance and Treasurer



Signed this **22th day of March 2016**


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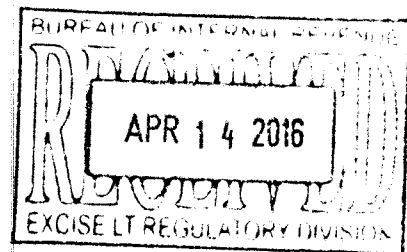
SUBSCRIBED AND SWORN to before me, this ____ day of _____ at **MAKATI CITY** affiant exhibiting to me her Community Tax Certificate and/or Competent Evidence of Identification:

Name	Community Tax Certificate		Competent Evidence of Identification	
	Number	Date/Place Issued	Type/Number	Date/Place Issued
EDGAR O. CHUA	03655063	Jan 12, 2016/ Bacoor, Cavite	Passport EC1610571	July 11, 2014/ DFA Manila
SHAIFUL B. ZAINUDDIN			Passport A24602876	5 July 2011/High Commission of Malaysia, Singapore

NOTARY PUBLIC

Doc. No. 224;
Page No. 46;
Book No. XV;
Series of 2016.


RUBEN G. CURA
NOTARY PUBLIC FOR & IN MAKATI CITY
156 VALERO ST., SALCEDO VILLAGE, MAKATI CITY
ROLL NO. 53981
IBP NO. 05934-PPLM CHAPTER-LIFETIME
UNTIL DEC. 31, 2016/APPOINTMENT NO. M-445
PTR NO. MKT5330396 MAKATI CITY 08 JANUARY 2016
MCLE COMPLIANCE IV-0002310 / 03 AUGUST 2011





Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Pilipinas Shell Petroleum Corporation
Shell House, 156 Valero Street
Salcedo Village, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Pilipinas Shell Petroleum Corporation, which comprise the balance sheets as at 31 December 2015 and 2014, and the statements of income, statements of total comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditor's Responsibility

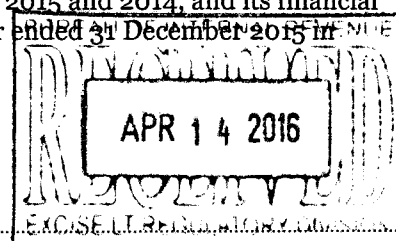
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pilipinas Shell Petroleum Corporation as at 31 December 2015 and 2014, and its financial performance and its cash flows for each of the three years in the year ended 31 December 2015 in accordance with Philippine Financial Reporting Standards.



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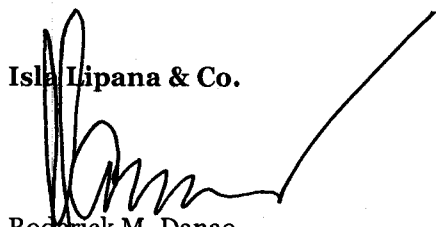
Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Pilipinas Shell Petroleum Corporation
Page 2

Report on Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.


Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on 6 January 2016, Makati City

SEC A.N. (individual) as general auditors 1202-A, Category A; effective until 30 April 2016

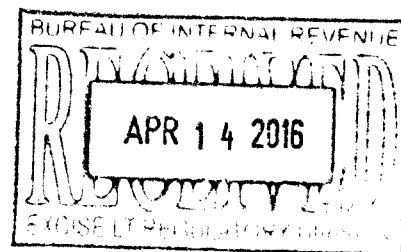
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until 15 July 2018

TIN 152-015-078

BIR A.N. 08-000745-42-2015, issued on 20 January 2015; effective until 19 January 2018

BOA/PRC Reg. No. 0142, effective until 31 December 2016

Makati City
22 March 2016





Isla Lipana & Co.


Statements Required by Rule 68, Section 3B(v),
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Pilipinas Shell Petroleum Corporation
Shell House, 156 Valero Street
Salcedo Village, Makati City

We have audited the financial statements of Pilipinas Shell Petroleum Corporation as at and for the year ended 31 December 2015, on which we have rendered the attached report dated 22 March 2016. In connection with our audit, we have obtained a certification from the Company's corporate secretary on the number of shareholders and their corresponding shareholdings, performed reasonableness tests of the share capital balance as at 31 December 2015 in relation to the certification issued by the corporate secretary, and conducted certain tests necessary to validate their entries and balances.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of work performed by us, the Company has three hundred thirty three (336) shareholders owning one hundred (100) or more shares as at 31 December 2015.

Isla Lipana & Co.


Roderick M. Danao
Partner

CHA Cert. No. 88453

P.T.R. No. 0011280, issued on 6 January 2016, Makati City

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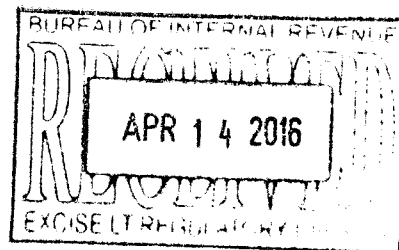
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TIN 152-015-078

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Makati City
22 March 2016



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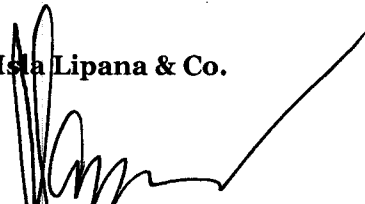
Isla Lipana & Co.

Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Pilipinas Shell Petroleum Corporation
Shell House, 156 Valero Street
Salcedo Village, Makati City

We have audited the financial statements of Pilipinas Shell Petroleum Corporation as at and for the year ended 31 December 2015, on which we have rendered the attached report dated 22 March 2016. The supplementary information shown in the Schedule of Effective Standards and Interpretations as at 31 December 2015 and Annex 68-C Reconciliation of Retained Earnings Available for Dividend Declaration, as additional components required by Part I Section 4 of Rule 68 of the Securities Regulation Code (SRC), and Schedules A, B, C, D, E, F, G and H, as required by Part II, Section 6 of Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.


Roderick M. Danao
Partner

CPA Cert. No. 88453

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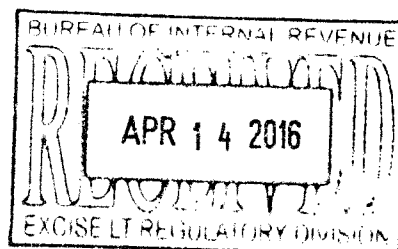
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Makati City
22 March 2016



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Pilipinas Shell Petroleum Corporation

Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
31 December 2015

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Share Capital

Schedule of Reference

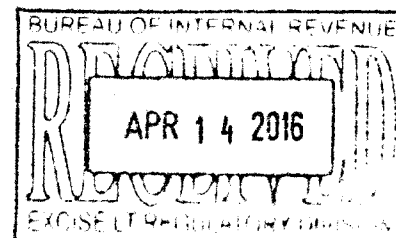
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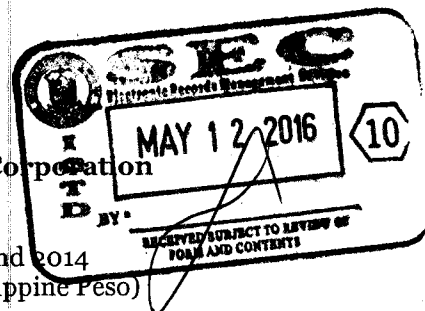
Additional Components of Financial Statements

Annex 68-C: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule of Effective Standards and Interpretations as at 31 December 2015



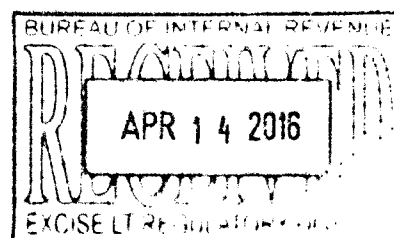
Pilipinas Shell Petroleum Corporation

Balance Sheets
As at 31 December 2015 and 2014
(All amounts in thousand Philippine Peso)



	Notes	2015	2014
Current assets			
Cash	3	3,576,802	4,721,647
Receivables, net	4	10,387,023	14,004,594
Inventories, net	5	11,348,533	16,336,347
Prepayments and other current assets	6	11,328,225	12,160,188
Total current assets		36,640,583	47,222,776
Non-current assets			
Long-term receivables, rentals and investments, net	7	885,263	1,389,755
Property and equipment, net	8	22,309,078	18,630,729
Deferred income tax assets, net	9	3,712,251	5,293,928
Other assets, net	10	2,671,827	965,518
Total non-current assets		29,578,419	26,279,930
Total assets		66,219,002	73,502,706
Current liabilities			
Accounts payable and accrued expenses	11	16,159,486	19,892,922
Dividends payable	22	9,668	9,668
Short-term borrowings	12	2,717,000	21,550,000
Current portion of loans payable	13	-	11,000,000
Total current liabilities		18,886,154	52,452,590
Non-current liabilities			
Loans payable, net of current portion	13	16,000,000	12,000,000
Provisions and other liabilities	14	5,237,718	5,219,474
Total non-current liabilities		21,237,718	17,219,474
Total liabilities		40,123,872	69,672,064
Equity			
Share capital	15	1,653,558	758,885
Share premium	15	24,395,991	7,437,829
Treasury shares	15	(507,106)	(507,106)
Retained earnings (deficit)	16	181,508	(4,184,802)
Other reserves	10, 23	371,179	325,836
Total equity		26,095,130	3,830,642
Total liabilities and equity		66,219,002	73,502,706

The notes on pages 1 to 59 are integral part of these financial statements.



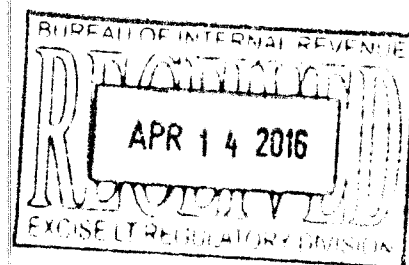
Pilipinas Shell Petroleum Corporation

Statements of Income

For each of the three years in the year ended 31 December 2015
(All amounts in thousand Philippine Peso, except per share data)

	Notes	2015	2014	2013
Gross sales		168,853,847	238,238,474	211,333,279
Sales discounts and rebates		(11,876,151)	(14,153,649)	(12,484,415)
Net sales		156,977,696	224,084,825	198,848,864
Cost of sales	18, 22	(139,709,619)	(225,394,173)	(187,218,810)
Gross profit (loss)		17,268,077	(1,309,348)	11,630,054
Selling expenses	19	(8,155,874)	(7,736,002)	(6,624,184)
General and administrative expenses	19	(2,406,394)	(2,049,212)	(2,376,083)
Other operating income, net	20	212,239	147,165	209,334
Income (Loss) from operations		6,918,048	(10,947,397)	2,839,121
Finance income	21	69,130	239,492	31,793
Finance expense	21	(1,781,265)	(1,659,988)	(2,431,519)
Other non-operating income (expense), net		17,092	(17,650)	(1,170,396)
Income (Loss) before income tax		5,223,005	(12,385,543)	(731,001)
Benefit from (Provision for) income tax	9	(1,669,809)	3,896,963	(181,107)
Profit (Loss) for the year		3,553,196	(8,488,580)	(912,108)
Earnings (Loss) per share - basic and diluted	17	3.48	(12.28)	(1.32)

The notes on pages 1 to 59 are integral part of these financial statements.

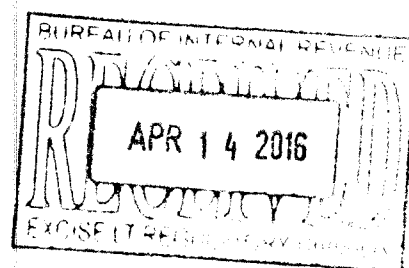


Pilipinas Shell Petroleum Corporation

Statements of Total Comprehensive Income
For each of the three years in the year ended 31 December 2015
(All amounts in thousand Philippine Peso)

	Notes	2015	2014	2013
Profit (Loss) for the year		3,553,196	(8,488,580)	(912,108)
Other comprehensive income (loss):				
Items that may not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits, net of tax	23	813,114	(220,595)	191,101
Items that may be subsequently reclassified to profit or loss				
Increase (Decrease) in fair value of available-for-sale financial assets	10	28,491	(13,488)	(70,268)
Total comprehensive income (loss) for the year		4,394,801	(8,722,663)	(791,275)

The notes on pages 1 to 59 are integral part of these financial statements.

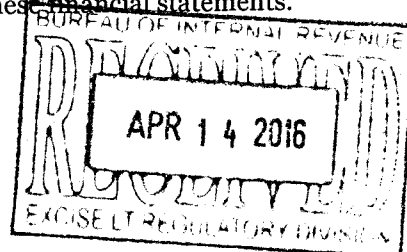


Pilipinas Shell Petroleum Corporation

Statements of Changes in Equity For each of the three years in the year ended 31 December 2015 (All amounts in thousand Philippine Peso)

Notes	Share capital	Share premium	Treasury stock	Retained earnings	Other reserves		Total equity
					Share-based reserve	Fair value reserve	
	15	15	15	16	23	10	
Balances at 1 January 2013	758,885	7,437,829	(507,106)	5,721,192	108,016	334,437	13,853,253
Comprehensive income							
Loss for the year	-	-	-	(912,108)	-	-	(912,108)
Other comprehensive income (loss)							
Decrease in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(70,268)	(70,268)
Remeasurement gain on retirement benefits (net of tax amounting to P81,901)	-	-	-	191,101	-	-	191,101
Total comprehensive income	-	-	-	(721,007)	-	(70,268)	(791,275)
Transactions with owners							
Cash dividends	-	-	-	(475,812)	-	-	(475,812)
Share-based compensation	-	-	-	-	(25,471)	-	(25,471)
Total transactions with owners	-	-	-	(475,812)	(25,471)	-	(501,283)
Balances at 31 December 2013	758,885	7,437,829	(507,106)	4,524,373	82,545	264,169	12,560,695
Comprehensive income							
Loss for the year	-	-	-	(8,488,580)	-	-	(8,488,580)
Other comprehensive loss							
Decrease in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(13,488)	(13,488)
Remeasurement loss on retirement benefits (net of tax amounting to P94,541)	-	-	-	(220,595)	-	-	(220,595)
Total comprehensive income	-	-	-	(8,709,175)	-	(13,488)	(8,722,663)
Transactions with owners							
Share-based compensation	-	-	-	-	(7,390)	-	(7,390)
Total transactions with owners	-	-	-	-	(7,390)	-	(7,390)
Balances at 31 December 2014	758,885	7,437,829	(507,106)	(4,184,802)	75,155	250,681	3,830,642
Comprehensive income							
Income for the year	-	-	-	3,553,196	-	-	3,553,196
Other comprehensive income							
Increase in fair value reserve of available-for-sale financial assets	-	-	-	-	-	28,491	28,491
Remeasurement gain on retirement benefits (net of tax amounting to P348,477)	-	-	-	813,114	-	-	813,114
Total comprehensive income	-	-	-	4,366,310	-	28,491	4,394,801
Transactions with owners							
Share-based compensation	-	-	-	-	16,852	-	16,852
Additional issuance of shares	894,673	16,958,162	-	-	-	-	17,852,835
Total transactions with owners	894,673	16,958,162	-	-	16,852	-	17,869,687
Balances at 31 December 2015	1,653,558	24,395,991	(507,106)	181,508	92,007	279,172	26,095,130

The notes on pages 1 to 59 are integral part of these financial statements.

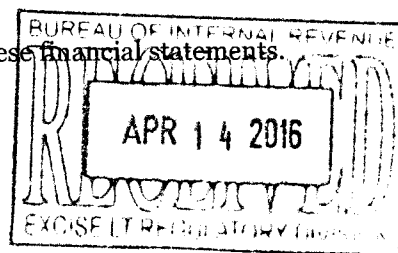


Pilipinas Shell Petroleum Corporation

Statements of Cash Flows For each of the three years in the period ended 31 December 2015 (All amounts in thousand Philippine Peso)

	Notes	2015	2014	2013
Cash flows from operating activities				
Income (Loss) before income tax		5,223,005	(12,385,543)	(731,001)
Adjustments:				
Depreciation and amortization	8, 10	1,637,939	2,299,297	1,883,106
Interest and finance charges	21	1,035,682	1,250,786	1,175,902
Pension expense	23	379,478	167,440	175,454
Accretion expense	21	196,347	221,690	113,647
Share-based compensation	23	109,266	73,832	79,046
Unrealized mark-to-market loss, net	20	61,431	59,525	11,343
Loss on disposal of property and equipment	20	52,466	16,582	78,782
Provision for legal case, net	14, 20	37,476	56,214	56,214
Interest income	21	(26,264)	(19,688)	(31,793)
Unrealized foreign exchange loss (gain), net	21	(42,866)	179,292	76,454
Provision for (reversal of) impairment of receivables	19	(82,690)	114,022	(459)
Write-off of accounts receivable	4, 19	33,950	12,338	29,565
Cost of claim settlement	24	-	-	1,283,395
Provision (Reversal) for inventory losses, net	5	(1,796,160)	2,825,684	29,749
Operating income (loss) before working capital changes		6,819,060	(5,128,529)	4,229,404
Decrease (increase) in current assets other than cash		11,092,648	7,688,394	(4,146,673)
Increase (decrease) in liabilities other than provisions, dividends payable, short-term borrowings and loans payable		(3,630,789)	5,213,330	(4,748,362)
Cash generated from (used in) operations		14,280,919	7,773,195	(4,665,631)
Pension contributions paid	22, 23	(122,396)	(412,907)	(442,263)
Net cash from (used in) operating activities		14,158,523	7,360,288	(5,107,894)
Cash flows from investing activities				
Decrease (increase) in other assets		(1,196,619)	431,341	(297,565)
Interest received		26,264	19,688	(371)
Decrease in long-term receivables, rentals and investments, net		531,939	19,664	32,550
Proceeds from sale of property and equipment		28,610	4,336	175,058
Additions/Reversal/Charges from provisions for ARO, remediation and demolition costs	14	(379,687)	(95,478)	31,929
Additions to program and software, property, plant and equipment	8	(5,255,032)	(6,025,114)	(1,860,020)
Settlement of claims by local company	24	-	-	(1,283,395)
Net cash used in investing activities		(6,244,525)	(5,645,563)	(3,201,814)
Cash flows from financing activities				
Net proceeds from (settlements of) short-term borrowings	12	(29,833,000)	(13,987,000)	9,220,800
Proceeds from long-term loans payable	13	4,000,000	12,000,000	-
Proceeds from issuance of shares	15	17,852,835	-	-
Cash dividends paid	16	-	(422)	(474,865)
Interest and finance charges paid		(1,104,167)	(1,170,326)	(1,189,679)
Net cash from (used in) financing activities		(9,084,332)	(3,157,748)	7,556,256
Net decrease in cash for the year		(1,170,334)	(1,443,023)	(753,452)
Cash at the beginning of the year		4,721,647	6,161,150	6,924,552
Effect of exchange rate changes on cash		25,489	3,520	(9,950)
Cash at the end of the year		3,576,802	4,721,647	6,161,150

The notes on pages 1 to 59 are integral part of these financial statements.



Pilipinas Shell Petroleum Corporation

Notes to Financial Statements

As at 31 December 2015 and 2014 and for each of the three years in the period ended 31 December 2015

(All amounts in table are shown in thousand Philippine Peso except per share data and unless otherwise stated)

Note 1 - General information

Pilipinas Shell Petroleum Corporation (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on 9 January 1959 primarily to engage in the refining and marketing of petroleum products. On 5 December 2008, the SEC approved the extension of the corporate term of the Company for another fifty (50) years from 9 January 2009 to 8 January 2059.

The Company's immediate parent company having 68% ownership interest in 2015 (2014 - 67%) is Shell Overseas Investments BV (SOIBV), a corporation registered under the laws of Netherlands. Remaining shareholdings of 32% in 2015 (2014 - 33%) are owned by Filipino and other foreign shareholders. The ultimate parent of the Company is Royal Dutch Shell plc. (RDS), incorporated in the United Kingdom.

The Company is considered a public company under Securities Regulation Code (SRC) Rule 68, as amended on 20 October 2011, which among others, is any corporation with assets of at least P50 million and has two hundred (200) or more shareholders, each of which holds at least one hundred (100) shares of a class of its equity securities. As at 31 December 2015, the Company has 362 shareholders (2014 and 2013 - 359), 336 of whom hold at least 100 shares of the Company's common shares (2014 - 333 and 2013 - 337).

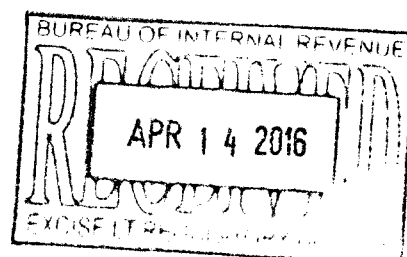
The Company's registered office, which is also its principal place of business, is located at Shell House, 156 Valero Street, Salcedo Village, Makati City and has an oil refinery in Tabangao, Batangas and various oil depots and installations all over the Philippines. The Company has 754 regular employees as at 31 December 2015 (2014 - 765 and 2013 - 741).

The financial statements have been authorized for issue by the Company's Board of Directors on 22 March 2016 upon endorsement by the Board Audit Committee on 10 March 2016.

Note 2 - Operating segments

The Company is organized into the following operating segments:

- (a) Retail - pertains to the business of directly servicing end consumers (private and commercial motorists) via retail service stations managed by individual dealers involving the sale of petroleum fuels, lubricants and convenience store items.
- (b) Commercial - pertains to business with commercial accounts in various sectors e.g. industrial, power, manufacturing, wholesale, transport, construction, agriculture, mining, hotel and other sectors or customers.



- (c) Manufacturing and Supply - covers the manufacturing business at the Tabangao Refinery. Supply manages the crude/finished product importation and logistics requirements of manufacturing as well as the product transfers from the refinery to the distribution sites.

Geographical segmentation does not apply to the Company's business.

Financial information about business segments is presented below:

	Retail	Commercial	Manufacturing and supply	Others	Total
As at and for the year ended 31 December 2015					
Segment revenue					
Local	82,464,996	49,237,664	20,540,006	-	152,242,666
Export and International	-	4,728,330	6,700	-	4,735,030
Total	82,464,996	53,965,994	20,546,706	-	156,977,696
Segment assets	23,874,808	19,329,287	16,352,629	6,662,278	66,219,002
Segment liabilities	(7,246,459)	(4,868,336)	(8,721,624)	(19,287,453)	(40,123,872)
Property and equipment	6,485,301	7,201,167	8,546,497	76,113	22,309,078
Depreciation and amortization	(609,026)	(461,307)	(549,033)	(18,573)	(1,637,939)
As at and for the year ended 31 December 2014					
Segment revenue					
Local	107,545,151	77,083,250	27,369,393	3,672	212,001,466
Export and International	-	7,474,891	4,608,468	-	12,083,359
Total	107,545,151	84,558,141	31,977,861	3,672	224,084,825
Segment assets	17,555,842	20,755,349	25,376,900	9,814,615	73,502,706
Segment liabilities	(3,980,554)	(46,399,402)	(15,425,142)	(3,866,966)	(69,672,064)
Property and equipment	5,938,123	90,638	6,307,015	6,294,953	18,630,729
Depreciation and amortization	(657,447)	(682,756)	(811,200)	(147,894)	(2,299,297)
As at and for the year ended 31 December 2013					
Segment revenue					
Local	99,175,894	68,491,130	16,257,764	2,334	183,927,122
Export and International	-	7,594,417	7,327,325	-	14,921,742
Total	99,175,894	76,085,547	23,585,089	2,334	198,848,864
Segment assets	22,682,474	25,761,355	18,285,439	12,004,109	78,733,377
Segment liabilities	(9,019,406)	(1,598,932)	(5,082,958)	(50,471,386)	(66,172,682)
Property and equipment	5,994,716	4,767,851	3,937,767	76,888	14,777,222
Depreciation and amortization	(617,154)	(310,476)	(787,023)	(168,453)	(1,883,106)

The total sales of the manufacturing and supply segment include sales to entities under common shareholdings amounting to P1.3 billion (2014 - P7.6 billion and 2013 - P8.6 billion).

Note 3 - Cash

The account at 31 December 2015 and 2014 consists of cash in banks which are earning interest at the prevailing bank deposit rates.

The Company maintains cash deposits with universal and commercial banks in the Philippines. Universal and commercial banks represent the largest single group, resource-wise, of financial institutions in the country.

Cash at December 31 is maintained with the following type of financial institutions:

	2015	2014
Universal banks	2,670,620	3,561,634
Commercial banks	906,182	1,160,013
	3,576,802	4,721,647

Note 4 - Receivables, net

The account as at 31 December consists of:

	Note	2015	2014
Trade receivables			
Third parties		6,509,676	9,886,399
Related parties	22	115,706	502,978
Provision for impairment of trade receivables from third parties		(119,096)	(214,665)
		6,506,286	10,174,712
Non-trade receivables from related parties	22	88,899	54,835
Other receivables			
Claims from government agencies			
Duty drawback and other claims		2,185,557	2,125,359
Specific tax		1,235,733	1,142,831
Miscellaneous		753,799	849,782
		4,175,089	4,117,972
Provision for impairment of other receivables		(383,251)	(342,925)
		3,791,838	3,775,047
		10,387,023	14,004,594

The more significant components of miscellaneous receivables pertain to creditable withholding taxes, interest receivables and cross-charging claims.

The gross carrying amounts of the Company's trade, non-trade and other receivables are denominated in the following currencies:

	2015	2014
Philippine peso	10,215,774	13,560,259
US dollar	671,261	998,634
Other currencies	2,335	3,291
	10,889,370	14,562,184

The Company holds collateral as security for trade receivables from third parties in 2015 valued at P4.8 billion (2014 - P4.2 billion) consisting of cash securities, letters of credit or bank guarantees and Real Estate Mortgages (REM). These securities can be applied once the related customer defaulted on settlement of the Company's receivables based on agreed credit terms.

(a) *Past due receivables but not impaired*

The aging of past due but not impaired trade receivables from third parties as at 31 December are as follows:

	2015	2014
Less than 30 days	61,362	363,127
31 - 60 days	27,769	113,978
61 - 90 days	62,740	15,789
91 - 180 days	28,822	87,518
	180,693	580,412

These balances relate to a number of independent customers for whom there is no recent history of default.

(b) *Impaired receivables*

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Impaired receivables are fully provided and movements in the provision for impairment of the receivables are presented in the table below.

	Note	Trade	Others	Total
At 1 January 2014		215,376	668,210	883,586
Reversals	19	(711)	(48,416)	(49,127)
Write-offs		-	(276,869)	(276,869)
At 31 December 2014		214,665	342,925	557,590
Provisions (Reversals)	19	(95,569)	40,326	(55,243)
At 31 December 2015		119,096	383,251	502,347

For the year ended 31 December 2015, total trade receivables written-off directly to statement of income amounted to P33.95 million (2014 - P12.34 million and 2013 - P29.6 million) based on the Company's assessment of recoverability (Note 19).

(c) *Neither past due nor impaired*

The credit quality of trade receivables from third parties at 31 December that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates:

Trade receivables (counterparties with internal credit rating)	2015	2014
A	1,436,641	1,975,365
B	1,749,967	2,456,362
C	1,859,965	2,915,120
D	1,163,314	1,744,475
Total trade receivables	6,209,887	9,091,322

- A - Customers with strong financial performance and with low probability of default.
- B - Customers with good financial strength but with some elements of risk in one or more financial or non-financial inputs.
- C - Customers with low credit risk and balance is secured with post-dated checks and other collaterals.
- D - Customers with a medium risk of default, however, concerned group of customers have been historically able to faithfully settle their balances. The receivables are deemed performing hence impairment provision is not necessary.

Trade and non-trade receivables from related parties are all current in age. The other classes and remaining balances within trade and other receivables do not contain impaired assets.

There are no receivables that are neither past due nor impaired that have been renegotiated for the years ended 31 December 2015 and 2014.

Note 5 - Inventories, net

The account as at 31 December consists of:

	Note	2015	2014
Crude oil and finished products	18	12,064,450	18,830,491
Materials and supplies		336,179	354,112
At cost		12,400,629	19,184,603
Provision for inventory write-down		(1,029,333)	(2,820,947)
Provision for inventory obsolescence		(22,763)	(27,309)
At net realizable value		11,348,533	16,336,347

Cost of inventories included as part of cost of sales amounted to P140 billion (2014 - P225 billion and 2013 - P187 billion) (Note 18).

Details of and changes in provision for inventory losses as at and for the years ended 31 December are as follows:

	Note	Crude oil and finished products	Materials and supplies	Total
At 1 January 2014		22,572	10,024	32,596
Provisions	18	2,825,684	-	2,825,684
Write-offs		-	(10,024)	(10,024)
At 31 December 2014		2,848,256	-	2,848,256
Provisions (Reversals)	18	(1,807,127)	10,967	(1,796,160)
At 31 December 2015		1,041,129	10,967	1,052,096

Write-offs in 2014 mainly pertain to inventories tagged as defective and slow to non-moving lubricant groups and additives.

Cost of inventory written-down to net realizable value included in the provisions for inventory amounted to P1.0 billion (2014 - P2.8 billion and 2013 - P15.6 million) (Note 18).

Note 6 - Prepayments and other current assets

The account as at 31 December consists of:

	Notes	2015	2014
Input VAT, net of output VAT		6,627,876	7,916,878
Prepaid corporate income tax		3,286,412	2,599,338
Advance rentals		682,282	555,791
Prepaid specific tax		469,740	172,655
Prepaid insurance		71,582	9,778
Prepaid duties and taxes		7,931	8,651
Advances to an entity under common shareholdings	22	-	762,000
Others	10	182,402	135,097
		11,328,225	12,160,188

Note 7 - Long-term receivables, rentals and investments, net

The account as at 31 December consists of:

	Notes	2015	2014
Advances to an entity under common shareholdings (c)	22	137,000	163,447
Loans to an entity under common shareholdings	22	-	379,678
Provision for impairment of advances to an entity under common shareholdings	22(iv)	(137,000)	(163,447)
		-	379,678
Advance rentals	24	732,336	850,070
Market investment loans (a)		79,330	83,817
Investments in associates (b.ii)		38,330	43,676
Other long-term assets (b.i)		-	7,221
		849,996	984,784
Long-term receivables (c)		53,842	44,868
Provision for impairment of long-term receivables		(18,575)	(19,575)
		35,267	25,293
		885,263	1,389,755

(a) *Market investments loans*

Market investment loans consist of business development funds used to help customers expand their operations. The payments of the funds are secured by long-term sales contracts with the customers.

(b) *Investments in other entities*

i. *Joint operations*

The Company entered into an agreement with two (2) other oil companies to integrate their operations at the Pandacan depot while retaining individual ownership of their facilities (e.g. tanks, equipment, etc.). Pandacan Depot Services, Incorporated (PDSI) has been incorporated and registered with the Philippine SEC on 29 September 2004. Actual operations of PDSI started on 1 November 2004.

The Company holds 33.33% of the voting rights of a joint arrangement with other local oil companies over the Pandacan depot. The oil companies have joint control over the arrangement as under their contractual agreement, unanimous consent is required from all parties to the agreement for all relevant activities.

The Company's joint arrangement provides all the parties to the agreement with direct rights to the net assets and obligations for liabilities of the Pandacan depot. Also, all the parties to the arrangement are the sole beneficiary of all the resources available in the Pandacan depot. Therefore, this arrangement is classified as a joint operation.

As at 30 November 2015, the Company's share in asset held-jointly amounting to P7.2 million was fully impaired, subsequent to the decommissioning of Pandacan Depot. As at 31 December 2014, this was presented in other long-term assets, amounting to P7.2 million (2013 - P7.8 million). These balances were presented net of liabilities which are not considered material.

ii. Associates

The details of assets, liabilities and results of operations of associates, all of which are incorporated in the Philippines, are as follows:

	Interest	Assets	Liabilities	Net Assets	Income
2015					
Bonifacio Gas Corporation	44%	119,200	52,641	66,559	19,498
Kamayan Realty Corporation	40%	25,000	1,789	23,211	12,004
2014					
Bonifacio Gas Corporation	44%	125,850	46,839	79,011	25,574
Kamayan Realty Corporation	40%	17,747	2,305	15,442	123,750
2013					
Bonifacio Gas Corporation	44%	116,934	31,205	85,729	29,144
Kamayan Realty Corporation	40%	15,077	1,171	13,906	13,906

Bonifacio Gas Corporation is an entity engaged in wholesale distribution of LPG and was established to operate a centralized gas distribution system within the Bonifacio Global City. Kamayan Realty Corporation is an entity engaged in leasing and selling of real properties.

There are no contingent liabilities relating to the Company's interest in the associates.

(c) Long-term receivables and advances to a related party

As at 31 December 2015, long-term receivables and advances to a related party of P156 million (2014 - P183 million) were impaired and fully provided.

Movements in provision for impairment of long-term receivables and advances to a related party are as follows:

	Note	Advances to a related party	Other long-term receivables	Total
At 1 January 2014		-	19,875	19,875
Provisions	19	163,447	-	163,447
Reversal		-	(300)	(300)
At 31 December 2014		163,447	19,575	183,022
Reversal	19	(26,447)	(1,000)	(27,447)
At 31 December 2015		137,000	18,575	155,575

The individually impaired receivables mainly relate to Batangas Bay Carriers Inc., which is in difficult economic situation and are aged over a year.

As at 31 December 2015 and 2014, there are no other long-term receivables that are past due but not impaired. The other classes and balances within long-term receivables, rental and investments are fully performing.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The carrying amounts of market investment loans and long-term receivables approximate their fair value as balances are amortized based on varying market rates, which falls under level 2 of the fair value hierarchy (Note 28.4).

The carrying amounts of the Company's long-term receivables are denominated only in Philippine Pesos.

Note 8 - Property and equipment, net

Property and equipment as at 31 December and the movements in the accounts for the year consist of:

	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Transportation	Asset retirement obligation	Assets under construction (AUC)	Total
Cost							
At 1 January 2014	14,214,140	24,611,300	852,837	191,047	1,424,452	1,849,461	43,143,237
Acquisitions	-	-	-	16,544	-	6,008,570	6,025,114
Asset retirement obligation	-	-	-	-	28,935	-	28,935
Disposals/write off	(30,607)	(24,919)	(60,934)	(9,969)	(41,214)	-	(167,643)
Transfers and reclassification to program software	613,559	758,252	27,058	2,683	-	(1,416,466)	(14,914)
At 31 December 2014	14,797,092	25,344,633	818,961	200,305	1,412,173	6,441,565	49,014,729
Acquisitions	-	-	-	7,812	-	5,247,220	5,255,032
Asset retirement obligation	-	-	-	-	140,160	-	140,160
Disposals/write off	(547,702)	(711,339)	(9,676)	(9,224)	(233,373)	-	(1,511,314)
Transfers and reclassification to other assets	967,558	5,190,276	394,519	2,197	-	(6,556,630)	(2,080)
At 31 December 2015	15,216,948	29,823,570	1,203,804	201,090	1,318,960	5,132,155	52,896,527
Accumulated depreciation and amortization							
At 1 January 2014	(8,453,068)	(18,101,334)	(824,496)	(152,729)	(834,388)	-	(28,366,015)
Depreciation and amortization (Notes 18 and 19)	(596,240)	(1,341,999)	(16,926)	(14,750)	(194,795)	-	(2,164,710)
Disposals	16,925	19,107	60,934	8,545	41,214	-	146,725
Transfers/Adjustments	613,559	758,252	27,058	2,683	-	(1,401,552)	-
At 31 December 2014	(8,418,824)	(18,665,974)	(753,430)	(156,251)	(987,969)	(1,401,552)	(30,384,000)
Depreciation and amortization (Notes 18 and 19)	(494,077)	(998,621)	(11,835)	(14,852)	(114,302)	-	(1,633,687)
Disposals	515,105	665,451	9,676	8,321	231,685	-	1,430,238
Transfers/Adjustments	(613,786)	(758,213)	(26,874)	(2,679)	-	1,401,552	-
At 31 December 2015	(9,011,582)	(19,757,357)	(782,463)	(165,461)	(870,586)	-	(30,587,449)
Net book values							
At 31 December 2014	6,378,268	6,678,659	65,531	44,054	424,204	5,040,013	18,630,729
At 31 December 2015	6,205,366	10,066,213	421,341	35,629	448,374	5,132,155	22,309,078

The balance of property and equipment as at 31 December 2015 includes fully depreciated assets still in use amounting to P19 billion (2014 - P8.7 billion).

Assets under construction represent cost of ongoing capital projects in the retail and refinery business segments.

The Company also recorded asset retirement obligation covering certain assets in Pandacan and other depots and installation around the country amounting to P1.4 billion as at 31 December 2015 (2014 - P1.6 billion) (Note 14). The amount of provision is based on external study which takes into consideration the required remediation based on the requirements, if any, of local ordinance. Estimated amount of future obligation is discounted using a discount rate of 3.7% as at 31 December 2015 (Note 14).

Note 9 - Provision for income tax; deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts at 31 December are as follows:

	2015	2014
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	5,058,841	6,127,294
Deferred tax assets to be recovered within 12 months	62,708	57,138
	5,121,549	6,184,432
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(1,409,298)	(890,504)
Deferred tax assets, net	3,712,251	5,293,928

The Company's deferred income tax assets (liabilities) at 31 December consist of the tax effects of the following temporary differences:

	2015	2014
Deferred income tax assets (liabilities)		
Unamortized past service cost, net	482,879	403,781
Asset retirement obligation	333,315	389,086
Provision for inventory losses	315,629	854,477
Provision for remediation costs	259,062	245,660
Operating lease - effect of straight lining	179,120	174,822
Claims for tax credits/duty drawbacks	114,975	102,878
Provision for impairment of receivables	82,401	119,306
Unrealized foreign exchange gains	34,596	16,167
Unrealized mark-to-market gains	28,111	40,971
Share-based compensation	27,602	22,547
Retirement benefit asset	(699,653)	(199,700)
Prepaid duties and taxes	(709,645)	(690,804)
Other provisions	561,993	527,858
	1,010,385	2,007,049
NOLCO	2,155,187	3,068,924
MCIT	546,679	217,955
Deferred income tax assets, net	3,712,251	5,293,928

The gross movements in net deferred income tax assets are as follows:

	2015	2014
At 1 January	5,293,928	1,488,694
Charged (Credited) to profit and loss	(1,561,924)	3,686,359
Charged (Credited) to other comprehensive income	(348,477)	94,541
MCIT	328,724	24,334
At 31 December	3,712,251	5,293,928

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management has considered these factors in arriving at its conclusion that the deferred income tax assets at 31 December 2015 and 2014 are fully realizable.

The details of NOLCO and MCIT at 31 December are as follows:

Year of incurrence	Year of expiration	NOLCO		MCIT		
		2015	2014	2015	2014	2013
2013	2016	-	-	193,621	193,621	193,621
2014	2017	10,229,747	10,229,747	24,334	24,334	-
2015	2018	-	-	328,724	-	-
		10,229,747	10,229,747	546,679	217,955	193,621
Applied		(3,045,792)	-	-	-	-
		7,183,955	10,229,747	546,679	217,955	193,621
Tax rate		30%	30%	-	-	-
		2,155,187	3,068,924	546,679	217,955	193,621

The details of provision for (benefit from) income tax for the years ended 31 December follow:

	2015	2014	2013
Current	107,885	(210,604)	77,895
Deferred	1,561,924	(3,686,359)	103,212
	1,669,809	(3,896,963)	181,107

The reconciliation of provision for (benefit from) income tax computed at the statutory rate to actual provision for (benefit from) income tax shown in the statements of income is shown below:

	2015	2014	2013
Income tax (benefit) at statutory income tax rate at 30%	1,566,902	(3,715,663)	(219,300)
Income tax effect of:			
Non-deductible expenses	49,139	37,161	29,065
Limitation on deductible interest expense	503	508	1,149
Income subject to capital gains tax	-	-	351,119
Interest income subjected to final tax	(1,508)	(1,523)	(3,447)
Income subjected to 8% final tax	(25,273)	(7,585)	(12,908)
Non-taxable income	(27,839)	(245,100)	-
Provision for (benefit from) income tax before final taxes	1,561,924	(3,932,202)	145,678
Final taxes on interest and other charges	107,885	35,239	35,429
Provision for (benefit from) income tax at effective tax rate	1,669,809	(3,896,963)	181,107

Note 10 - Other assets, net

The account as at 31 December consists of:

	Note	2015	2014
Pension asset	23	2,332,177	665,668
Available-for-sale financial assets (a)		304,178	262,206
Program software (b)		10,081	14,333
Others		25,391	23,311
		2,671,827	965,518

(a) *Available-for-sale financial assets*

Available-for-sale financial assets mainly represent equity securities and proprietary club shares which are carried at fair value (Note 28.3). Details of the account as at 31 December are as follows:

	Note	2015	2014
Cost		28,289	11,525
Fair value adjustments recognized directly in other comprehensive income			
1 January		250,681	264,169
Change during the year		28,491	(13,488)
		279,172	250,681
31 December		307,461	262,206
Current portion	6	(3,283)	-
Non-current portion		304,178	262,206

The Company intends to sell equity instrument with fair value of P3.2 million in 2016. Correspondingly such amount was reclassified to current assets (Note 6).

(b) *Program software*

Program software as at 31 December and the movements in the accounts for the years consist of:

	Notes	2015	2014
At cost			
1 January		888,787	880,285
Reclassifications from AUC	8	-	14,914
Disposal		-	(6,412)
31 December		888,787	888,787
Accumulated amortization			
1 January		(874,454)	(745,959)
Amortization for the year	18, 19	(4,252)	(134,587)
Disposal		-	6,092
31 December		(878,706)	(874,454)
Net book value		10,081	14,333

Note 11 - Accounts payable and accrued expenses

The account as at 31 December consists of:

	Notes	2015	2014
Trade payables			
Third parties		5,503,347	5,649,659
Related parties	22	5,696,795	8,841,787
		11,200,142	14,491,446
Non-trade payables from related parties	22	584,147	861,914
Other payables			
Project-related costs and advances		1,430,566	1,813,613
Rent and utilities	24	1,155,474	1,079,304
Employee benefits		475,890	629,765
Advertising and promotions		339,044	168,302
Supply and distribution		115,214	6,346
Duties and taxes		86,982	112,996
IT-related costs		61,796	46,929
Interest		362	41,145
Others		709,869	641,162
		16,159,486	19,892,922

Note 12 - Short-term borrowings

The account as at 31 December consists of an unsecured short-term loan from Metropolitan Bank and Trust Company (MBTC) intended solely for working capital requirements. The loan has a tenor of six (6) days and matures on January 4, 2016.

The average annual interest rate on local borrowings for 2015 was 2.31% (2014 - 1.79% and 2013 - 2.77%). Total interest expense charged to operations in 2015 arising from short-term loans amounted to P232.2 million (2014 - P381.7 million and 2013 - P669.5 million) (See Note 21).

Note 13 - Loans payable

Details of the loan agreements with Bank of the Philippine Islands (BPI) and Metropolitan Bank & Trust Company (MBTC) as at 31 December follow:

2015	2014	Interest	Terms
6,000,000	-	2.8129% as at 31 December 2015 effective until next re-pricing	Payable after thirty-six (36) months reckoned from the drawdown date on 2 March 2015. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months. Original amount of the loan was P11 billion but a principal prepayment of P5 billion was made on 1 July 2015.
5,000,000	-	2.9445% as at 31 December 2015 effective until next re-pricing	Payable after thirty-six (36) months reckoned from the drawdown date on 2 March 2015. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months.
5,000,000	5,000,000	2.7632% as at 31 December effective until next re-pricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 10 January 2014. Interest is re-priced every three (3) months.

2015	2014	Interest	Terms
-	7,000,000	4.2100% as at 31 December effective until next re-pricing	Payable after thirty-six (36) months reckoned from the drawdown date on 29 January 2014. Interest is re-priced every three (3) months. Principal amount was prepaid on 23 June 2015.

As at 31 December 2015, there are no portions of the borrowings that are presented as part of current liabilities.

On 2 March 2012, the Company entered into a loan agreement with BPI to obtain an unsecured loan of P11 billion. Details of the loan agreement are as follows:

Amount	Interest	Terms
11,000,000	2.7632% as at 31 December 2015 (2014 - 2.8947%) effective until next re-pricing	Payable after thirty-six (36) months reckoned from the drawdown date on 2 March 2012. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months. Principal amount and corresponding interest were fully paid on 2 March 2015.

Total interest expense charged to operations in 2015 arising from these loans amounted to P664.9 million (2014 - P696.4 million and 2013 - P322.84 million) (See Note 21).

There are no borrowings related to acquisition, construction or production of a qualifying asset in 2015, 2014 and 2013.

There are no collaterals pledged as security against these borrowings.

Under the loan agreements, the Company is required to comply with certain covenants, as follows:

- Maintenance of the Company's legal status.
- Ensure that at all times the loans rank at least *pari passu* with the claims of all other unsecured and in subordinated creditors except those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application.
- The Company shall not create or permit to subsist any encumbrance over all or any of its present or future revenues or assets other than a permitted encumbrance as defined in the loan agreements.
- The Company shall duly pay and discharge all taxes, assessment and charges of whatsoever nature levied upon or against it, or against its properties, revenues and assets prior to the date on which penalties attach thereto, and to the extent only that the same shall be contested in good faith and by appropriate legal proceedings.

The Company is in compliance with the covenants as at reporting periods presented. See also Note 29.1.3 for the maturity analysis of these loans.

The carrying amounts of loans payable approximate their fair values as balances are subject to changing interest rates based on market, which falls under level 2 of fair value hierarchy (Note 28.4).

Note 14 - Provisions and other liabilities

The account as at 31 December consists of:

	Notes	2015	2014
Provision for legal cases (a)		1,598,498	1,561,022
Asset retirement obligation (ARO) (b)	8	1,383,126	1,611,137
Provision for remediation and demolition costs (c)		863,538	818,867
Operating lease	24	723,047	693,086
Cash security deposits		340,834	379,744
Other liabilities		328,675	155,618
		5,237,718	5,219,474

(a) Provision for legal case

The account represents provisions arising from serious disputes/legal matters in the ordinary course of business. The Company has recorded provisions for tax and legal items relating to the regular operations of the Company. Movements in the provision for legal case follow:

	Note	2015	2014
1 January		1,561,022	1,504,808
Provisions, net	20	37,476	56,214
31 December		1,598,498	1,561,022

(b) Asset retirement obligation

Movements in the provision for asset retirement obligation follow:

	Notes	2015	2014
1 January		1,611,137	1,480,711
Additions		140,160	28,935
Accretion	21	102,721	188,610
Reversals	20	(240,063)	-
Charges		(230,829)	(87,119)
31 December		1,383,126	1,611,137

Asset retirement obligation represents the future estimated dismantling costs of various assets used in retail, depot and commercial operations. Average remaining life of the related assets is 7 years as at 31 December 2015 (2014 - 6 years). These are stated at present value at 31 December 2015 using a discount rate of 3.7% (2014 - 3.0%).

(c) Provision for remediation and demolition costs

Movements in the provision for remediation and demolition costs follow:

	Note	2015	2014
1 January		818,867	823,081
Accretion	21	93,626	33,080
Charges		(48,955)	(37,294)
31 December		863,538	818,867

Provision for environmental liabilities (remediation and demolition) is recorded where there is a constructive or legal obligation to remediate any known environmental damages arising in the ordinary course of business. The amount recorded is generally based on independent evaluation of environmental firms. The estimated amount of provision is recorded at net present value discounted at 4% (2014 - 5%).

Note 15 - Share capital; Share premium

Capital stock and treasury shares as at 31 December consist of:

	2015		2014 and 2013	
	Number of shares	Amount	Number of shares	Amount
Authorized capital stock, common shares at P1 par value per share	2.5 billion	2,500,000	1 billion	1,000,000
Issued shares	1,653,558,291	1,653,558	758,885,514	758,885
Treasury shares	(67,614,089)	(507,106)	(67,614,089)	(507,106)
Issued and outstanding shares	1,585,944,202	1,146,452	691,271,425	251,779

The capital stock of the Company increased from P1.0 billion divided into 1 billion shares with a par value of P1.00 each to P2.5 billion divided into 2.5 billion shares with a par value of P1.00 each. The increase was approved by majority of the Board of Directors on 24 March 2015 and the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on 12 May 2015, certified to by the Chairman and the Secretary of the stockholders meeting and a majority of the Board of Directors. The Securities and Exchange Commission (SEC) approved the increase in authorized capital stock on 18 August 2015.

In 2015, after approval of increase in authorized capital stock, the Company issued 894,672,777 shares with par value of P1 per share for a total consideration of P17.9 billion. Transaction costs relating to the issue of shares that were accounted for as a deduction from equity, through share premium, amounted to P40.6 million composed of registration and regulatory fees, and stamp duties.

Note 16 - Retained earnings; Dividends

On 16 April 2013, cash dividends were declared amounting to P475,812 at P0.69 per share. No dividends were declared in 2015 and 2014.

Included in the balance of the retained earnings is the amount of P1.1 billion representing the retained earnings of Shell Philippines Petroleum Corporation as at 30 June 1999 upon its merger with the Company. The said amount is available only for stock dividends.

Note 17 - Earnings per share

Computation of earnings per share for the years ended 31 December follow:

	Note	2015	2014	2013
Earnings available to stockholders:				
Profit (Loss) for the year		3,553,196	(8,488,580)	(912,108)
Weighted average number of shares		1,089,791,884	758,885,514	758,885,514
Treasury shares	15	(67,614,089)	(67,614,089)	(67,614,089)
		1,022,177,795	691,271,425	691,271,425
Earnings (Loss) per share, basic and diluted		3.48	(12.28)	(1.32)

Note 18 - Cost of sales

The components of cost of sales for the years ended 31 December are as follows:

	Notes	2015	2014	2013
Crude and product costs	5, 22	124,935,990	208,027,852	170,992,490
Duties and specific tax		6,877,950	6,593,207	5,442,979
Logistics and transshipment		4,633,337	5,604,636	4,572,396
Manufacturing expenses		972,312	2,621,261	2,962,156
Freight and wharfage		948,720	994,294	1,945,351
Depreciation and amortization	8, 10	549,033	830,083	787,023
Salaries and other employee benefits		792,277	722,840	516,415
		139,709,619	225,394,173	187,218,810

The more significant components of manufacturing expenses consist of professional services and transport costs.

Note 19 - Selling, general and administrative expenses

The components of selling, general and administrative expenses for the years ended 31 December are as follows:

	Notes	Selling			General and administrative		
		2015	2014	2013	2015	2014	2013
Repairs and maintenance		1,793,726	1,088,788	233,104	44,920	33,403	30,432
Outside services		1,565,430	1,639,347	2,182,087	663,036	531,041	629,639
Rentals	24	1,380,230	1,307,875	1,266,926	101,899	83,191	70,462
Compensation, pension cost and employee benefits	22, 23	1,098,427	1,277,130	996,009	792,955	448,400	461,954
Depreciation and amortization	8, 10	1,070,332	1,342,849	927,630	18,575	126,365	168,453
Advertising and promotions		914,536	606,288	580,534	144,282	133,506	45,008
Communication and utilities		162,396	136,331	172,152	387,354	445,898	443,561
Travel and transportation		149,388	141,226	180,390	32,113	32,273	9,580
Insurance		21,248	61,186	8,084	192,882	204,179	385,401
Write-off/impairment							
(Reversal) of receivables	4, 7	(50,458)	127,107	29,106	1,718	(747)	-
Miscellaneous		50,619	7,875	48,162	26,660	11,703	131,593
		8,155,874	7,736,002	6,624,184	2,406,394	2,049,212	2,376,083

Note 20 - Other operating income, net

The components of other operating income (expense) for the years ended 31 December are as follows:

	Notes	2015	2014	2013
Retailer fee, rental income and franchise commission		298,908	330,083	279,069
Reversal of asset retirement obligation	14	240,063	-	-
Royalties	22	75,132	68,822	66,207
Provision for legal cases, net	14	(37,476)	(56,214)	(56,214)
Commissions		(40,667)	(31,798)	(15,720)
Loss on disposal of property and equipment	8	(52,466)	(16,582)	(78,782)
Unrealized mark-to-market loss, net		(61,431)	(59,525)	(11,343)
Realized mark-to-market loss, net		(265,285)	(149,274)	-
Provision for remediation and demolition cost	14	-	-	(59,765)
Others, net		55,461	61,653	85,882
		212,239	147,165	209,334

In 2015, the Company has completed its demolition activities in Pandacan. As a result, excess asset retirement obligation specific to Pandacan demolition amounting to P240,063 has been reversed.

Note 21 - Finance income (expense), net

The components of finance income (expense) for the years ended 31 December are as follows:

	Notes	2015	2014	2013
Finance income				
Unrealized foreign exchange gain	25	42,866	-	-
Interest income	3, 7	26,264	19,688	31,793
Realized foreign exchange gain	25	-	219,804	-
		69,130	239,492	31,793
Finance expense				
Interest and finance charges	12, 13	(1,035,682)	(1,250,786)	(1,175,902)
Realized foreign exchange loss	25	(545,035)	-	(1,060,049)
Accretion expense	14	(196,347)	(221,690)	(113,647)
Bank charges	12, 13	(4,201)	(8,220)	(5,467)
Unrealized foreign exchange loss	25	-	(179,292)	(76,454)
		(1,781,265)	(1,659,988)	(2,431,519)
		(1,712,135)	(1,420,496)	(2,399,726)

Note 22 - Related party transactions

In the normal course of business, the Company transacts with companies, which are considered related parties under PAS 24, "Related Party Disclosures".

The transactions and outstanding balances of the Company with related parties as at and for the year-ended 31 December 2015 are as follows:

(a) *Entities under common shareholdings*

	Notes	Transactions	Receivables (Payables)	Terms and conditions
Purchases of goods and services	11	83,940,172	(5,953,431)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any guarantee. See (i), (ii) and (iv).
Leases	11	176,886	(4,810)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any guarantee. See (iii).
Sales	4	1,311,460	115,706	Receivable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any security.
Royalty fee (v)	20	561,926	-	Payable balances are to be settled in cash within 30 days from month end.
Loans extended by the Company (vi)	7	(379,678)	-	Principal of Php379 million plus interest was collected in cash during the year.
Interest on loans extended by the Company	7	18,398	-	

	Notes	Transactions	Receivables (Payables)	Terms and conditions
Admin billings (vii)				
Charges to the Company	11	(102,767)	(322,701)	The non-trade balances are settled in cash and are due within 15 days from month end. These are unsecured, non-interest bearing and are not covered by any security.
Charges by the Company	4	265,476	88,899	
Pension	23			Contributions to the plan and investing transactions of the plan are approved by the Retirement Plan Board of Trustees. In 2015, the Company has a non-cash activity in relation to its pension contribution. Advances to the retirement fund was settled via conversion to fund contribution during the year.
Contributions to the plan		884,396	-	
Transfer of obligations due to transfers of employees		25,512	-	
Advances	6	(762,000)	-	

(b) *Parent company*

	Note	Transactions	Payable	Terms
Dividends declared	16	-	(9,668)	Dividends are usually paid in cash within 12 months from reporting date.

(c) *Key management personnel*

	Note	Transactions	Balances	Terms
Current				
Salaries and other short-term employee benefits		101,856	-	
Non-current				
Post-employment benefits	23	23,631	-	The terms and arrangements of these non-current employee benefits are summarized in the related notes.
Share-based compensation		26,147	-	

The transactions and outstanding balances of the Company with related parties for the comparative figures as at and for the years ended 31 December 2014 and 2013 are presented in the table below. The terms and arrangements presented for 2015 also apply to the transactions and balances for 2014 and 2013.

(a) *Entities under common shareholdings*

	2014			2013	
	Notes	Transactions	Receivables (Payables)	Transactions	Receivables (Payables)
Purchases of goods and services	11	154,075,877	(9,591,144)	148,730,459	(7,273,455)
Leases	11	172,519	(27,924)	125,583	(27,171)
Sales	4	8,540,097	557,813	8,622,605	1,142,242
Royalty fee (v)	20	68,822	-	66,207	-
Loans extended by the Company (vi)	7	-	379,678	-	575,459
Interest on loans extended by the Company	7	13,454	-	13,707	13,707
Advances extended by the Company (iv)	7	6,216	163,447	-	157,231
Admin billings (vii)					
Charges to the Company	11	(91,954)	(84,633)	84,370	-
Charges by the Company	4	(181,865)	54,835	-	-
Pension	23				
Contributions to the plan		412,907	-	442,263	-
Plan assets - investments		-	25,831	-	270,763
Transfer of obligations due to transfers of employees		5,528	-	40,754	-
Advances	6	370,000	762,000	392,000	392,000

(b) *Parent company*

	Note	2014	2013	
		Transactions	Payable	Transactions Payable
Dividends declared	16	-	(9,668)	486,376 (10,090)

(c) *Key management personnel*

	Note	2014	2013	
		Transactions	Balances	Transactions Balances
Current				
Salaries and other short-term employee benefits		95,910	-	100,789 -
Non-current	23			
Post-employment benefits		7,016	39,412	8,523 21,670
Share-based compensation		16,003	-	32,716 -

- i. The Company purchases crude and other oil products from Shell International Eastern Trading Co. (SIETCO), an entity under common shareholdings. The Company's crude purchases are being processed through its refinery in Batangas. Cost of gross purchases during the year amounted to P80.2 billion (2014 - P153.4 billion and 2013 - P131.5 billion). As at 31 December 2015, balances payable to SIETCO amounted to P5.4 billion (2014 - P8.5 billion and 2013 - P5.9 billion). During the year, the Company recognized mark-to-market loss of P265 million (2014 - P149 million; 2013 - nil) (Note 20), in relation to its product purchases from SIETCO.

The notional principal amount of the outstanding commodity forward contracts as at 31 December 2015 amounted to P358.2 million (2014 - P220 million). The fair values of the derivative assets from outstanding forward contracts amounting to P5.1 million (2014 - 1.7 million) are booked as receivables and the outstanding derivative liabilities amounting to P120.6 million (2014 - P173.1 million) are booked as accounts payable and accrued expenses in the balance sheet.

- ii. Under existing agreements with Shell International Petroleum Company (SIPC) of the United Kingdom and Shell Global Solutions International B.V. (SGS) of The Netherlands, entities under common shareholdings, SIPC and SGS provide management advisory, business support, and research and development and technical support services to the Company under certain terms and conditions. These agreements shall remain in full force until terminated by either party by giving the other party not less than 12 months prior written notice to that effect. Cost of the services charged to operations amounted to P1.9 billion in 2015 (2014 - P1.9 billion and 2013 - P1.7 billion) (Note 19). As at 31 December 2015, balances payable to SIPC amounted to P1.7 million (2014 - P522 million and 2013 - P124 million).
- iii. The Company leases from TRI the Shell House office building for a period of three years, renewable annually thereafter. Rent expense charged to operations amounted to P98.4 million in 2015 (2014 - P87.5 million and 2013 - P79.6 million)(Note 19). There are no outstanding payables related to the Shell House lease as at 31 December 2015 and 2014. The Company also leases from TRI, land for several depots and retail sites located around the country. Lease term ranges from 5 to 50 years and is renewable, thereafter. Rent expense charged to operations amounted to P78.5 million in 2015 (2014 - P85 million and 2013 - P46 million). As at 31 December 2015, payables related to the depots and retail sites amounted to P4.8 million (2014 - P27.9 million and 2013 - P27.2 million).

- iv. The Company entered into separate agreements in 1969 for the use of the white oil pipeline (WOPL) and in 1981 for the use of the black oil pipeline/spurline (BOPL) owned by FPIC for delivery of products from the Company's Tabangao refinery to its Pandacan and Sucat depots for a fee per barrel of product moved. Total costs related to this agreement in 2015 is nil (2014 - P2 million and 2013 - P130 million). The Company extended a cash advance to FPIC beginning 2012 to support this agreement. As at 31 December 2014, the outstanding balance amounting to P163.4 million can be recovered against future billings for services rendered thru WOPL and BOPL (Note 7). In 2015, P26.4 million was applied for throughput fees and reconciliation adjustments. As at 31 December 2015, the remaining cash advance of P137 million has been fully provided for due to financial difficulty of FPIC.
- v. On 1 January 2008, the Company and Shell Brands International AG (SBI), an entity under common shareholdings, entered into Trade Marks and Manifestation License Agreement pursuant to which SBI, the licensor, grants the Company, the licensee, a non-exclusive right to reproduce, use, apply and display the Shell trade mark and other manifestation. In consideration, the Company shall pay a royalty fee, which shall be computed as certain percentage of sales. Royalty rate varies from 0.01% to 0.58% depending on product type. This agreement can be terminated by either party without any penalty.
- vi. The outstanding loans to Tabangao Realty, Inc. (TRI) were substantially used for the construction of pipeline and trestle facilities and acquisition of land and building. In a separate Memorandum of Agreement, the Company agreed with TRI to operate, maintain and secure said facilities for a fee. The loans have been fully repaid by TRI in 2015.
- vii. The Company receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, personnel and other administrative costs. On the other hand, the Company charges entities under common shareholdings for group-shared expenses related to personnel and other administrative costs.

Note 23 - Employee benefits

(a) Retirement plan

The Company has a non-contributory retirement gratuity plan (Plan) for the benefit of its regular employees. The assets of the Plan are maintained by a trustee bank. The Plan provides for payment of benefits, either in lump sum or in installments at the option of the retirees, upon attainment of the normal retirement age of 60, or, upon retirement/separation at an earlier age.

The pension obligation is determined using the "Projected Unit Credit Cost" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year.

The actuarial present value of the retirement benefits obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 1985 Unisex Annuity Table and 1952 Disability Table. The rate used to discount post-employment benefit obligations are based on the calculated single effective discount rate determined by discounting the projected benefit payments using different term-dependent derived zero-coupon government bond yields.

The Company submitted an application to the Bureau of Internal Revenue (BIR) on 2 July 2012 for a revised retirement benefit plan with defined benefit for existing members and a new defined contribution provision for prospective members. This revised plan was approved by the BIR on 24 August 2015 and became effective on 1 September 2015.

Under the amended plan, the normal retirement eligibility at age 60 and Early Retirement Eligibility at age 50 were changed from 15 to 10 years of service. Alongside with this slightly improved benefit vesting schedule for early retirees and leavers, the life pension option was removed. Starting 1 September 2015, all new employees will be entitled to a new plan under a defined contribution arrangement with a 10% sponsor contribution. As of 31 December 2015, there are no new employees entitled to the defined contribution plan, hence no liability was recognized.

The actuarial valuation of the Company's retirement plan was performed by an independent actuary as at 31 December 2015, 2014 and 2013 using the projected unit credit method. The latest actuarial valuation report prepared by the independent actuary was for the year ended 31 December 2015. The principal assumptions were:

	2015	2014	2013
Discount rate	4.80%	4.40%	5.30%
Future salary increases	6.00%	6.00%	6.00%

Assumptions regarding future mortality experience are set based on published statistics and experience in each territory. The average age in years of a pensioner is 66 and the expected future service years are 18.

The overall investment policy and strategy of the retirement plan is based on the Board of Trustees' suitability assessment, as provided by its investment advisors, in compliance with Bangko Sentral ng Pilipinas requirements. The Company does not perform an asset-liability matching study. However, the retirement plan has a Risk and Audit Committee who performs quarterly review of risks relevant to running the retirement fund.

The same committee prepares review highlights for presentation to the retirement plan Board of Trustees. Responsibility for governance of the retirement plan lies with the Board of Trustees.

The details of the pension expense and pension asset as at and for the years ended 31 December are as follows:

	2015	2014	2013
Pension asset	2,332,177	665,668	735,337
Pension expense	379,478	167,440	175,454

The amount of pension asset recognized in the balance sheets is determined as follows:

	2015	2014	2013
Present value of defined benefit obligation	(3,971,936)	(4,020,046)	(3,484,709)
Fair value of plan assets	6,304,113	4,685,714	4,220,046
	2,332,177	665,668	735,337
Asset ceiling	-	-	-
Pension asset	2,332,177	665,668	735,337

The movement in the pension asset recognized in the balance sheets as at 31 December follows:

	Note	2015	2014	2013
1 January		665,668	735,337	195,526
Pension expense		(379,478)	(167,440)	(175,454)
Actual contributions		884,396	412,907	442,263
Remeasurement gains (losses)		1,161,591	(315,136)	273,002
31 December	10	2,332,177	665,668	735,337

Pension expense recognized in the statements of income is as follows:

	Note	2015	2014	2013
Current service cost		243,084	206,414	186,795
Past service cost		170,285	-	-
Interest cost		(33,891)	(38,974)	(11,341)
	19	379,478	167,440	175,454

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014	2013
1 January	4,020,046	3,484,709	3,134,624
Interest cost	175,199	184,689	181,808
Current service cost	243,084	206,414	186,795
Benefits paid	(570,044)	(284,303)	(206,188)
Transfer of employees from/to entities under common control	25,512	(5,528)	(40,754)
Remeasurement (gains) losses from:			
Changes in financial assumptions	(176,002)	371,903	191,350
Experience adjustments	83,856	62,162	37,074
Plan amendments	232,630	-	-
Curtailments	(62,345)	-	-
31 December	3,971,936	4,020,046	3,484,709

Changes in the fair value of the plan assets follow:

	2015	2014	2013
1 January	4,685,714	4,220,046	3,330,150
Interest income	209,090	223,663	193,149
Contributions	884,396	412,907	442,263
Benefits paid	(570,044)	(284,303)	(206,188)
Transferred from/to entities under common shareholdings, net	25,512	(5,528)	(40,754)
Remeasurement gains from experience adjustments	1,069,445	118,929	501,426
31 December	6,304,113	4,685,714	4,220,046

The carrying value of the plan assets as at the years ended 31 December 2015, 2014 and 2013 are equivalent to the fair values presented above and are comprised mainly of investments in equity securities and similar financial assets, which account for 93% of the total plan assets in 2015 and 85% and 96% in 2014 and 2013 respectively. Plan assets are comprised of:

	2015	2014	2013
Investments in debt securities			
Government securities	355,955	607,034	72,068
Investment in equity securities			
Unit investment trust funds	5,855,150	3,975,581	4,033,590
Other equity investments	9,472	13,162	12,418
Others	83,536	89,937	101,970
	6,304,113	4,685,714	4,220,046

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation although this will be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement liability, the mix of debt and equity securities holdings of the plan is an appropriate element of the long-term strategy to manage the plan efficiently.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in unit investment trust funds, although there are also investments in mutual fund. The Board of Trustees believes that equities offer the best returns over the long term with an acceptable level of risk.

Plan assets as at 31 December 2015 excludes an amount equivalent to P1.8 billion (2014 - P1.7 billion and 2013 - P1.9 billion) pertaining to restricted investments in shares of an entity under common shareholdings engaged in real estate leasing.

Expected contribution to the plan in 2016 is P129.6 million.

The expected undiscounted maturity benefit payments for the next 10 years as at 31 December are as follows:

	2015	2014
Following year	96,306	76,512
Between 2 to 3 years	438,121	434,898
Between 3 to 5 years	514,546	393,964
Over 5 years	2,114,914	2,087,494

(b) *Share-based compensation*

RDS operates a Performance Share Plan (PSP) covering all of its subsidiaries' employees who are not members of the Executive Committee. PSP for conditional shares are awarded to eligible employees based on their sustained performance and value. Shares are finally delivered at the end of a three-year performance period at no cost but delivery depends upon the performance of the Shell group.

A Monte Carlo option pricing model is used to estimate the fair value of the share-based compensation expense arising from the Plan. The model projects and averages the results for a range of potential outcomes for the vesting conditions, the principal assumptions for which are the share price volatility and dividend yields for RDS and four of its main competitors over the last three years and the last ten years.

Movements of the shares granted in respect of PSPC for the period ended 31 December 2015 and 2014 are as follow:

	2015		2014	
	Shares	Weighted average fair value (in U.S. Dollar)	Shares	Weighted average fair value (in U.S. Dollar)
Shares granted as at 1 January	170,793	30.89	163,255	30.38
Grants during the year	75,367	32.81	62,080	35.68
Shares delivered during the year	(53,310)	32.49	(54,542)	26.61
Cancelled/forfeited during the year	(2,750)	-	-	-
Shares granted as at 31 December	190,100	32.06	170,793	30.89

The total share-based compensation recognized in the statements of income during the year amounted to P109 million (2014 - P74 million; 2013 - P79 million).

Note 24 - Lease and other commitments

- (a) The Company has separate agreements with various ship owners for the use of white and black oil vessels for a fixed time charter fee per day. Amount charged to operations under this contract amounted to P2.3 billion (2014 and 2013 - P1.9 billion).
- (b) The Company has depots for the distribution of oil products located in various sites all over the country. All of these depots are leased from various lot owners ranging from 5-25 years contracts renewable upon mutual agreement by both parties. These are integral part of the downstream network as fuel products are stored and loaded to tank trucks and barges from these depots. Amount charged to operations amounted to P2 billion for each year from 2013 to 2015.
- (c) The Company has existing agreements with various lessors covering a number of retail stations. Such agreements have terms ranging from 1 to 25 years renewable upon mutual agreement of the parties. Likewise, the Company entered into various lease agreements covering offices, retail sites and storage points. Amount charged to operations is P1.4 billion (2014 and 2013 - P1 billion).

The rent expenses related to these agreements and lease arrangements with an entity under common shareholdings (Note 22) are recorded as part of cost of sales in the statement of income (Note 18) except for the lease of Shell House, which was recognized as part of selling, general and administrative expenses.

The long-term portion of advance rentals on these leases is included under 'Long-term receivables, rentals and investments, net' account (Note 7); the current portion is included under 'Prepayments and other current assets' account (Note 6) in the balance sheets.

Under PAS 17, the Company recorded additional lease accruals amounting to P14 million arising from lease straight-lining for 2015 and P12 million in 2014 and 2013.

The Company's future minimum rental commitments related to the above leases as at 31 December are as follows:

	2015	2014	2013
Less than 1 year	3,132,892	3,246,615	2,979,933
More than 1 year but not more than 5 years	6,212,281	4,702,344	7,576,757
Over 5 years	4,761,208	3,974,258	5,170,735

- (d) In October 2013, the local company which bought the Company's shares over SGLPI in 2012 filed for claims in relation to the supply chain of SGLPI that was adversely affected by a supervening event. As such, the Company entered into a new agreement to settle the claims of the local company amounting to P1.2 billion. The said amount was settled in December 2013 and was charged to the statement of income under other non-operating income (expense).

Note 25 - Foreign currency denominated assets and liabilities

The Company's foreign currency assets and liabilities as at 31 December are as follows:

Currency	Assets	Liabilities	Net foreign currency assets (liabilities)	Exchange rate	Peso equivalent
2015					
US dollar	375,690	962,586	(586,896)	47.17	(27,683,884)
UK pound	103	296	(193)	70.18	(13,545)
Euro	3,534	1,483	2,051	51.74	106,119
Singapore dollar	439	2,318	(1,879)	33.52	(62,984)
Malaysian ringgit	371	78	293	10.98	3,217
Australian dollar	-	9	(9)	34.27	(308)
Japanese yen	2,349	149,024	(146,675)	0.39	(57,203)
Chinese yuan	-	2,156	(2,156)	7.27	(15,674)
New Zealand dollar	-	317	(317)	32.29	(10,236)
					(27,734,498)
2014					
US dollar	64,807	304,877	(240,070)	44.62	(10,711,923)
Euro	3,251	5,251	(2,000)	54.34	(108,680)
Japanese yen	4,191	248,545	(244,354)	0.37	(90,411)
UK pound	99	1,194	(1,095)	69.41	(76,004)
Singapore dollar	439	2,604	(2,165)	33.70	(72,961)
Chinese yuan	-	2,260	(2,260)	7.18	(16,227)
Australian dollar	-	84	(84)	36.21	(3,041)
Canadian dollar	-	8	(8)	38.40	(307)
Swedish kroner	-	16	(16)	5.69	(91)
Malaysian ringgit	228	2	226	12.79	2,891
					(11,076,754)

	Currency	Assets	Liabilities	Net foreign currency assets (liabilities)	Exchange rate	Peso equivalent
2013						
	US dollar	37,104	234,293	(197,189)	44.40	(8,755,192)
	UK pound	-	455	(455)	72.90	(33,170)
	Euro	1,211	1,555	(344)	60.82	(20,922)
	Singapore dollar	-	469	(469)	35.00	(16,415)
	Malaysian ringgit	-	86	(86)	13.48	(1,159)
	Australian dollar	-	2	(2)	39.46	(79)
	Japanese yen	1,843	23,107	(21,264)	0.42	(8,931)
	Chinese yuan	-	1,959	(1,959)	7.31	(14,320)
						(8,850,188)

Note 26 - Contingencies

(a) Excise tax on importations of Catalytic Cracked Gasoline (CCG) and Light Catalytic Cracked Gasoline (LCCG)

The Company imported substances such as CCG and LCCG which it combined and blended with other petroleum substances to produce finished gasoline products that are compliant with the requirements of the Clean Air Act and the Philippine National Standard.

In 2004, the then Deputy Commissioner of the Bureau of Internal Revenue (BIR) Legal and Inspection Group, acting on the opinion of the Department of Energy (DOE) that CCG and LCCG were raw materials or blending components in the production or processing of gasoline in its finished form, ascertained that imported CCG and LCCG were not subject to excise tax under the National Internal Revenue Code (NIRC) because they were intermediate goods which were not intended for domestic sale or consumption but were instead additional components in the production of finished gasoline products which were then subject to excise tax.

Relying in good faith on these administrative actions, the Company imported from 2004 to 2009 shipments of CCG and LCCG into the Philippines with each shipment covered by the corresponding BIR Authority to Release Imported Goods (ATRIG) stating that the importation is not subject to excise tax. Upon payment of value-added tax (VAT) as assessed in the ATRIGs, the Bureau of Customs (BOC) allowed the entry of the imported CCG and LCCG without payment of excise tax.

In 2009, the District Collector of the Port of Batangas issued a letter demanding from the Company the payment of deficiency excise tax, VAT and penalties covering importation entries from 2006 to 2008. The Company requested the cancellation of the demand letter for lack of factual and legal basis. The District Collector of the Port of Batangas denied the request of the Company and declared that the law mandated the payment of excise tax on importation of unleaded gasoline and that it made no distinction or qualification on whether or not it was for consumption or sale to the domestic market. The District Collector of the Port of Batangas then reiterated his previous demand and threatened enforcement of Section 1508 of the Tariff and Customs Code of the Philippines (TCCP) which would hold the delivery or release of imported articles when an importer has an outstanding and demandable account.

The Company appealed before the Commissioner of Customs (COC). In the meantime, the Director of the DOE-Oil Industry Management Bureau issued a letter reiterating the earlier DOE finding that CCG and LCCG imports were raw materials or blending components in the production or processing of gasoline in its finished form. The then BIR Commissioner issued a memorandum confirming and reiterating the initial ruling in 2004 to the effect that CCG and LCCG are intermediate products or blending components which are not subject to excise tax under Section 148 of the NIRC.

The COC denied the appeal of the Company and demanded the payment of excise tax and VAT for the Company's CCG and LCCG importations this time from 2004 to 2009. The Company filed a motion for reconsideration of the Letter-Decision, which was denied by the COC. The COC then ordered the Company to pay the principal amount of P7.3 billion and pay the excise tax and VAT on all incoming CCG and LCCG shipments.

The Company thereafter filed a petition for review with the Court of Tax Appeals (CTA) for the purpose of appealing the ruling of the COC as well as to apply for the issuance of a temporary restraining order (TRO) to immediately prevent the COC from seizing future shipments of the Company pursuant to Section 1508 of the TCCP. The Company likewise applied for the issuance of a suspension order for the purpose of ensuring the preservation of the status quo while the merits of the appeal are being heard by the CTA.

While the case was pending in the CTA, the BIR Commissioner at that time issued on 15 December 2009 a Letter-Ruling declaring that the CCG and LCCG imports of the Company were subject to excise tax on the ground that the law did not make any distinction or qualification on whether or not the imports were intended for consumption or for blending with other substances. The ruling effectively reversed the earlier rulings of former BIR Commissioners.

Following the reversal of the ruling by the BIR Commissioner, the BOC started collecting excise taxes in January 2010 on shipments of the Company. The Company paid the BOC assessments under protest and on 27 January 2010, filed a Supplemental Petition seeking to annul the 15 December 2009 ruling by the BIR Commissioner.

In view of the paramount public interest, the government agreed not to exercise Section 1508 of the TCCP on condition that the Company posts a surety bond.

On 4 March 2010, the CTA approved the surety bond posted by the Company and enjoined the COC, the Collector of Customs at the Port of Batangas, the BOC and all persons acting under their direction or authority from undertaking any actions under Section 1508 of the TCCP and/or from all remedies to collect from petitioner the excise taxes and VAT, with increments, subject of the case.

On 27 November 2012, the CTA 3rd Division issued a Resolution granting the Company's Motion for Summary Judgment. The Court deemed that BOC's demand for the payment of excise taxes on importations of LCCG/CCG during the period 2004 to 2009 without merit, rendering the discussion on whether the CCG/LCCG are properly classified (under Section 148(e) or Section 148(f) of the NIRC, as amended) moot and academic. The CTA ruled in favor of the Company and respondent was prohibited from collecting the alleged unpaid excise taxes and VAT thereon, on the Company's importations of CCG/LCCG for the relevant periods in 2004 to 2009.

The BOC filed a Petition for Review with the CTA *en banc*. Meanwhile, the Company filed its own Petition for Review with the CTA *en banc* because the CTA did not invalidate the 15 December 2009 Ruling of the CIR with respect to double taxation - first, upon importation and the other upon withdrawal of the finished grade products from the refinery.

In a decision of the CTA *en banc* dated 28 September 2015, the Court ruled that the Company is liable to pay the government unpaid excise taxes and Value Added Tax (VAT) for the importation of raw materials used to produce Clean Air Act compliant unleaded gasoline for the period of 2006 to 2009. The Company, and the BOC and BIR separately filed their respective motions for reconsideration of said decision.

Management believes that provision should not be recognized as at 31 December 2015, 2014 and 2013 since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong. The Company continues to take appropriate legal action and remediation with respect to such case.

(b) Excise tax on Importations of Alkylate

Following the ruling of the BIR authorizing the collection of excise taxes on CCG/LCCG importations, the Company began importing Alkylate as its blending component. The COC issued Customs Memorandum Circular No. 164-2012 directing the BOC and its officers to take the "appropriate action" in relation to BIR Ruling dated 29 June 2012 (Ruling No. M-059-2012) issued by the BIR Commissioner. In the ruling dated 29 June 2012, the BIR Commissioner held that Alkylate is also subject of excise tax upon importation. The BIR Ruling further held that the Company is liable for the amount of P1.3 billion (US\$33 million) representing the unpaid taxes, on the importations of Alkylate from 2010. A Petition for Review of the BIR Ruling was filed with the CTA. On 18 September 2012, the Company filed a Motion for the Issuance of a Suspension Order to stop the implementation of Ruling No. M-059-2012.

On 22 October 2012, the CTA issued a Resolution approving the issuance of a Suspension Order stopping the collection of alleged deficiency excise taxes (and VAT) for the period from 2010 to June 2012, upon the posting by the Company of a surety bond. Said bond was duly filed and the CTA approved the same on 30 October 2012.

In a Resolution dated 28 January 2013, the CTA denied the BIR/BOC Motion to Dismiss the case. Subsequent appeals (Petitions for Certiorari) from the denial of the Motion Dismiss have been filed by the BOC and the BIR with Supreme Court (SC).

On 2 June 2014, the Company filed a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the SC questioning the denial of its application for the issuance of a suspension order against the assessment and collection of excise taxes on its March 2014 alkylate shipment. On 7 July 2014, the SC issued a temporary restraining order enjoining the CTA and the tax-collecting agencies of the government from imposing excise taxes on incoming alkylate importations of the Company.

Meanwhile, in the main case before the CTA, on 31 July 2014, PSPC filed a Motion for Judgment on the Pleadings. This Motion was denied by the tax court on the 13 February 2015. On 16 March 2015, PSPC filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

The pre-trial had been set in March 2016.

Management believes that provision should not be recognized as at 31 December 2015, 2014 and 2013 since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong.

(c) *Other significant pending tax cases*

The Company is a defendant or respondent in cases involving tax credit certificates (TCC) and assessments for local taxes by Batangas City Government. The total amount of case pending (excluding interest and penalties) is P653 million. Management believes that the ultimate outcome of the contingencies discussed below will not have a material impact on the financial statements as at 31 December 2015, 2014 and 2013.

- (i) The Company filed two (2) separate petitions with the CTA seeking to invalidate two (2) assessments by the BIR for specific taxes (plus 25% surcharge, 50% fraud surcharge and 20% interest) previously paid by the Company through TCC acquired by the Company from their original holders, and which TCC's the BIR alleged were fraudulently issued.

In a decision dated 21 December 2007, the SC rendered a decision, that has since become final, in one of the cases declaring that the Company is an innocent transferee for value. On 30 April 2009, the second division of the CTA ruled in favor of the Company in the remaining TCC case with an aggregate amount of P235 million. On appeal, the CTA *en banc* affirmed on 22 February 2011 the CTA decision, prompting the BIR Commissioner to elevate the matter before the SC. Meanwhile, this case was consolidated with the other case involving TCCs. The Company filed its Memorandum dated 23 May 2015. Awaiting further action by the SC.

Another collection case involving TCC's with an aggregate value of P13 million that were used by the Company in payment of taxes payable to the BOC was dismissed by the Regional Trial Court (RTC) of Manila. The COC has since appealed the same to the Court of Appeals.

On 13 February 2013, the Court of Appeals affirmed RTC's dismissal of the case against the Company. On 3 June 2013, Court of Appeals denied COC's MR. On 26 July 2013, COC filed its Petition for Review to challenge the decision of the Court of Appeals upheld the grant of Summary Judgment in favor of the Company. On 23 December 2013, the Company filed its Comment to the petition for review and is awaiting further action by the SC.

- (ii) The Batangas City local tax case amounting to P338 million is now pending with the SC. On 11 August 2005, the CTA issued a resolution ordering Batangas City (City) and any of its officers to hold in abeyance the collection of the taxes under dispute.

On 21 June 2007, the 2nd Division of the CTA rendered a decision finding the Company not liable for business taxes on the manufacture and distribution of petroleum products and further declared that the amount assessed as mayor's permit fees was excessive. The City was further precluded from imposing taxes on the manufacture and distribution of petroleum products and was ordered to refund the excessive mayor's permit fees in the amount of P3.5 million. The Company filed a Motion for Clarification to correct the computation of the amount to be refunded. The 2nd Division of the CTA issued an Amended Decision last 31 July 2007 partially granting the Company's Motion for Clarification.

The City filed its Petition for Review with the CTA *en banc* on 20 December 2007. In a decision dated 22 January 2009, the CTA *en banc* affirmed the decision of the 2nd Division and dismissed the Petition for Review filed by the City for lack of merit. Hence, the appeal by the City to the SC. In 2015, the Supreme Court rendered a decision in favor of the Company.

On 08 July 2015, the SC affirmed that the Company is not liable for the business taxes in the amount of P405 million imposed by Batangas City pursuant to the City Tax Code of 2002. It ruled against the imposition of local business taxes and ordered the refund of Mayor's permit fee which the Company had paid.

- (iii) Other than the tax cases filed against the Company above, there are also tax cases filed by the Company for its claims from the government that are pending as at 31 December 2015, 2014 and 2013. Management believes that the ultimate outcome of such contingencies will not have a material impact on the Company's financial statements.

(d) Pandacan zoning ordinance

On 28 November 2001, the City Government of Manila enacted Ordinance No. 8207 rezoning the Pandacan depot from an Industrial II to a Commercial I classification. This Ordinance required the Company and two (2) other oil companies operating in Pandacan to cease and desist from operating their business within six (6) months.

On 25 November 2014, the SC decided to declare Ordinance No. 8187, which repeals Ordinance No. 8207, unconstitutional and invalid with respect to the continuing stay of the Pandacan depots.

In response to the latest decision of the SC, the Company has taken all the necessary actions to comply with the said ordinance in 2015 (See Notes 8, 14 and 20).

(e) Cases Filed by the West Tower Condominium Corporation

(i) Makati Regional Trial Court - Action for Damages

Residents of West Tower Condominium as well as various individuals and corporations who reside/located in Barangay Bangkal, Makati City filed a Complaint before the Regional Trial Court of Makati City on 24 March 2011. Aside from the Company, the complaint names the First Philippine Industrial Corporation ("FPIC"), First Gen Corporation and Chevron Philippines, Inc. and their directors as defendants, and alleges that the aforementioned companies and individuals violated Republic Act 6969 (Toxic Substances and Hazardous Wastes Control Act of 1990), Republic Act 8749 (Philippine Clean Air Act of 1999) and its Implementing Rules and Regulations), Republic Act 9275 (Philippine Clean Water Act of 2004) for which it claims damages pursuant to A.M. No. 09-6-8-SC. (Procedure on Environmental cases).

This is in connection with the leak of petroleum products from FPIC's white oil pipeline within the proximity of the West Tower Condominium Corporation. The Company avails of said pipeline's services to transport white oil products from its refinery in Tabangao, Batangas to its Pandacan terminal.

The plaintiffs allege that the oil "spill" caused by FPIC's pipeline was of such magnitude that it caused environmental damage that affected their lives, health and properties. They claim that defendants are collectively and solidarily liable to pay the damages sustained by the plaintiffs resulting from the alleged willful violation by the defendants of environmental laws, rules and regulations and/or their malicious neglect or failure to exercise the extraordinary diligence and care required under the circumstances by law and jurisprudence.

The plaintiffs seek compensation of some P2.8 billion.

In its ruling dated 22 August 2011, the RTC declared the case as an ordinary action for damages instead of an environmental case. Consequently, the plaintiffs were required to pay the appropriate filing fees within 10 days from receipt of order. The plaintiffs moved for the reconsideration of the ruling. In an order dated 29 March 2012, the RTC denied the plaintiffs' motion for reconsideration. The plaintiffs' appealed the RTC rulings to the Court of Appeals, and then later to the Supreme Court where it is now pending.

The Supreme Court resolved to adopt the favorable recommendations to the Court of Appeals and ordered FPIC to submit a certification from the Secretary of the Department of Energy (DOE) that the pipeline is already safe for commercial operation. On 29 October 2013, the DOE Certification was submitted to the Supreme Court.

Management believes that provision should not be recognized as at 31 December 2015, 2014 and 2013 since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong.

(ii) Department of Justice

Also in connection with the leak of petroleum products from FPIC's pipeline, West Tower Condo Corp. filed on 15 October 2011 a case of Criminal Negligence (violation of Art. 365 of the Revised Penal Code) against the eleven (11) directors of the Company.

Preliminary investigation is ongoing before the Department of Justice with the Company respondents having filed their respective counter-affidavits on 19 December 2011.

Management believes that the ultimate outcome of these contingencies will not have a material impact on the Company's financial statements, given that the Company is only a client of FPIC. Please refer to Note 30.1.c for additional information.

(f) Other litigations

In 1996, an action for damages was filed against several U.S. corporations, including Shell Oil Company, alleged to be manufacturers of pesticides containing chemicals used in plantations in Davao City.

In August 2009, a Davao City trial court issued a Notice of Garnishment of the Company's funds in a bank. The Company sought and obtained protective relief from the Court of Appeals on the basis that it was not a party to the case nor to the compromise agreement subject of the case. The Court of Appeals further ordered the judge who issued the execution and garnishment against the Company's assets to recuse himself from further presiding in the proceedings in the trial court. The SC has declared the dismissal of one of the two petitions filed for failure of petitioners to sufficiently show that the Court of Appeals committed any reversible error in the decision and resolution. The SC has not yet resolved the remaining petition but the management believes that the ultimate outcome of this contingency will not have a material impact on the Company's financial statements, given that it is similar to the previous petition which will most probably have the same outcome.

Management believes that based on facts and circumstances existing as at balance sheet date, the ultimate outcome of the above cases (a to f), individually or in aggregate will not have a material impact to the financial statements.

Note 27 - Deregulation Law

On 10 February 1998, RA No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "Act") was signed into law. The law provides, among others, for oil refiners to list and offer at least 10% of their shares to the public within three years from the effectivity of the said law.

In a letter to the Department of Energy (DOE) dated 12 February 2001, the Department of Justice (DOJ) rendered an opinion that the 3 year period in Section 22 of RA 8479 for oil refineries to make a public offering is only directory and not mandatory. As to when it should be accomplished is subject of reasonable regulation by the DOE.

Currently, a refiner may conduct a public offering by itself taking into account "the prevailing business, economic, equity capital market, social or political circumstances and/or other conditions" or by the Secretary of Energy upon a determination that the socio-economic, political, financial, and technical data and information warrant the conduct of an Initial Public Offering (IPO), as guided by the assessment and determination of an independent financial adviser mutually acceptable to the DOE and the offeror.

The conduct of the public offering is subject to quarterly review depending on the developments of the above factors.

Note 28 - Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

28.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, included in other assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 30.

(i) New standards, amendments to existing standards and interpretations adopted by the Company

There are no new standards, amendments to existing standards and interpretations which are effective for the financial year beginning on 1 January 2015 which has a significant impact or relevant to the Company's financial statements.

(ii) *New standards not yet adopted by the Company*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the financial statements of the Company, while the most relevant ones are set out below:

- *PFRS 9, 'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of PFRS 9 was issued in July 2014. It replaces the guidance in PAS 39 that relates to the classification and measurement of financial instruments. PFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. PFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under PAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company's initial assessment of PFRS 9's potential impact on its financial statements provides that it would change the classification of its financial assets but it will not affect the measurement of its current types of financial assets. The Company will continue its assessment and finalize the same upon effective date of the new standard.

- *PFRS 15, 'Revenue from contracts with customers'*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces PAS 18 'Revenue' and PAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company's initial assessment of PFRS 15's potential impact on its financial statements provides that its current revenue recognition will not be significantly affected. The Company will continue its assessment and finalize the same upon effective date of the new standard.
- *PFRS 16, Leases* (effective 1 January 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. It has also included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. PFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Company will continue its assessment and finalize the same upon effective date of the new standard. Other than recognition of right-of-use amounts and a corresponding lease liability, amount of which cannot yet be determined, this new standard is not expected to have a significant impact on the financial statements.

28.2 Cash

Cash consists of deposits held at call with banks. It is carried in the balance sheet at face amount or nominal amount.

28.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Classification

The Company classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The Company's financial assets are limited to loans and receivables and available-for-sale financial assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case, these are classified as non-current assets.

Included in this category are the Company's cash (Note 3), trade and other current receivables (except for claims from government and miscellaneous receivables) (Note 4), loans to an entity under common shareholdings, market investment loans and other long-term receivables (Note 7).

iii. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial assets within 12 months from the balance sheet date. Available-for-sale financial assets mainly represent unquoted equity securities and proprietary club shares and are classified under other assets in the balance sheet (Note 10).

iv. *Financial liabilities*

The Company classifies its financial liabilities at initial recognition in the following categories: at fair value through profit or loss and other financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were acquired.

v. *Financial liabilities at fair value through profit or loss*

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is classified as financial liability at fair value through profit or loss upon initial recognition if: such designation significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

The Company's forward contracts are considered not significant in value and are included under accounts payable and accrued expenses account in the balance sheet. Such arrangements qualified as a derivative and are accounted for at fair value through profit or loss.

vi. *Other financial liabilities at amortized cost*

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder. The Company's financial liabilities under this category include accounts payable and accrued expenses (except amounts due to government or its agencies) (Note 11), payable to related parties (Note 22), dividends payable (Note 22), short-term borrowings (Note 12), loans payable (Note 13) and cash security deposits (Note 14).

Recognition and measurement

i. Initial recognition and measurement

Regular-way purchases and sales of financial assets are recognized on trade date (the date on which the Company commits to purchase or sell the asset) at invoice amount. Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

Financial liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

ii. Subsequent measurement

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Available-for-sale financial assets are subsequently measured at fair value. Unrealized gains and losses arising from changes in the fair value of assets classified as available-for-sale are recognized in other comprehensive income.

Derivatives are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses arising from changes in the fair value are presented in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other non-operating income when the Company's right to receive payments is established.

Determination of fair value

The fair values of quoted investments classified as available-for-sale financial assets are based on current market prices. If the market for available-for-sale financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions with reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs (Note 28.4).

Impairment of financial assets

i. Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indicators that the customers, group of customers, individual debtor and/or group of individual debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The amount of the loss is measured as the difference between the asset's 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. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 reversal of the previously recognized impairment loss is recognized in the statement of income. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against selling, general and administrative expenses in the statement of income.

Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against selling, general and administrative expenses in the statement of income.

ii. *Assets classified as available-for-sale*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or (more than 20% of the original cost of the available-for-sale financial asset) or prolonged (more than one year after reporting date) decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. As at 31 December 2015 and 2014, there are no financial assets and financial liabilities that were offset.

28.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of equity investments classified as available-for-sale. The Company's investment in available-for-sale financial assets (Note 10) which is measured at fair value at 31 December 2015 and 2014 is classified under level 1. The Company does not have non-financial assets and liabilities under Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company's derivatives in relation to forward contracts are classified under level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company does not have financial instruments and non-financial assets/liabilities classified under level 3.

28.5 Receivables

Trade receivables arising from regular sales with average credit term of 30 to 60 days and other current receivables are initially recorded at fair value and subsequently measured at amortized cost, less provision for impairment. Fair value approximates invoice amount due to short-term nature of the financial assets. Other long-term receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the provision is recognized in the statement of income under selling expenses, and general and administrative expenses. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of the amount previously written-off are credited against selling expenses in the statement of income.

28.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in first-out (FIFO) method for crude oil and finished products, and moving average method for materials and supplies. Crude oil and finished products inventory is net of estimated volume of unpumpable stocks. Cost of products sold includes invoice cost, duties, excise taxes, refinery production overhead, freight and pipeline costs and excludes borrowing costs.

Net realizable value, in case of refined and finished products, is the estimated selling price in the ordinary course of business, less applicable variable selling expenses (less further conversion costs, in case of crude inventory). Provision for inventory losses is provided, when necessary, based on management's review of inventory movement and condition of inventory item. Inventory losses, if any, is charged as part of cost of sales in the Company's statement of income.

Crude oil and finished products are derecognized when sold, and materials and supplies are derecognized when consumed. The carrying amount of these inventories is charged to cost of sales in statement of income, in the period in which the related revenue is recognized.

28.7 Prepayments and other current assets

Prepaid expenses are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepaid expenses expire and are recognized as expense either with the passage of time or through use or consumption.

Advance tax payments related to inventories are recognized initially as prepayment and charged to operations when products are sold.

Input VAT claims is stated at face value less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claim. The Company, on a continuing basis, reviews the status of the claim designed to identify those that may require provision for impairment losses. A provision for impairment of unrecoverable input VAT is established when there is objective evidence that the Company will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of income. As at 31 December 2015 and 2014, the Company has no provision for impairment of input VAT (See Note 6).

28.8 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

28.9 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization. Historical cost includes its acquisition cost or purchase price and expenditure that is directly attributable to the acquisition of the items necessary to bring the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which they are charged to appropriate property accounts.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Asset retirement obligation (ARO) represents the net present value of obligations associated with the retirement of property and equipment that resulted from acquisition, construction or development and the normal operation of property and equipment. ARO is recognized as part of the cost of the related property and equipment in the period when a legal or constructive obligation is established provided that best estimate can be made. ARO is derecognized when the related asset has been retired or disposed of.

Depreciation on property and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful lives (in years), as follows:

Leasehold improvements	5 to 40
Furniture and fixtures	5 to 20
Machinery and equipment	3 to 30
Transportation	5 to 25

Leasehold improvements are amortized over the actual or anticipated term of the lease or estimated useful lives of the improvements, whichever is shorter. Assets under construction are not subject to depreciation until it is put into operation.

ARO is amortized on a straight-line basis over the estimated life of the related assets or lease term (in case of leased assets) whichever is shorter.

Major renovations are depreciated over the remaining useful life of the related asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or disposal and related gains and losses on disposals are determined by comparing proceeds with the carrying amount of assets. The cost and related accumulated depreciation of assets sold are removed from the accounts and any resulting gain or loss is credited or charged to other operating income (expense) in the statement of income.

28.10 Intangible assets - computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years from the time the software has been ready for its intended use in operations.

Costs associated with maintaining computer software programs are recognized as an expense as incurred in the statement of income.

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal and related gains and losses on disposals are determined by comparing proceeds with the carrying amount of assets. The cost and related accumulated amortization of intangible assets disposed are removed from the accounts and any resulting gain or loss is credited or charged to other operating income (expense) in the statement of income.

The Company's intangible asset is classified as part of the "other assets" account in the balance sheet (Note 10).

28.11 Investments in subsidiary, associates and joint arrangements

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, 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 fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. 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 Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 Company 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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company 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 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is re-measured 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 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 Company 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.

Business combination involving entities under common control are accounted for using the predecessor's cost method, which is similar to pooling of interest.

(b) Associates

Investments in associates are accounted for at cost following the provisions of PAS 28 - Investment in Associates on exemptions in using equity method. These investments are stated at cost less impairment in value, if any, in the Company's financial statements (Note 7). Under this method, the Company recognizes income from the investments only to the extent that the Company receives distribution from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investments and are recognized as a reduction of the cost of the investment. The Company recognizes dividend income from investments in the statement of income when its right to receive dividends has been established.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

Joint operations are accounted for by recognizing the Company's own or its share of assets, liabilities, revenue and expenses of the arrangement.

The Company's joint arrangements are limited to joint operations.

28.12 Impairment of non-financial assets

Property and equipment and other non-current assets (investments in other entities and intangibles) that have definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's fair value less cost of disposal and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in other operating income (expense) in the statement of income.

28.13 Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

28.14 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the maturity value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to operations in the year in which they are incurred.

28.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are not recognized for future operating losses.

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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as part of other operating expense in the statement of income.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized from the balance sheet.

28.16 Contingencies

Contingent assets and liabilities are not recognized in the financial statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent asset are disclosed when an inflow of economic benefits is probable.

28.17 Share capital

Common shares are classified as equity. Share premium is recognized for the excess proceeds of subscriptions over the par value of the shares issued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

28.18 Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

28.19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has no dilutive potential common share.

28.20 Foreign currency transactions and translations

i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

ii. Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

28.21 Revenue and expense recognition

i. Revenue

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- *Sale of oil products*

Sales comprise the fair value of the consideration received or receivable from the sale of oil and gas products in the ordinary course of the Company's operations. Sales is shown net of value-added tax, discounts, rebates and loyalty points. Discounts and rebates are recognized and measured based on approved contracts and agreements with customers.

Sales of oil and gas products are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been shipped out of the Company's premises or received by the customer depending on shipping arrangements.

- *Other operating income*

Other operating income, such as retailer and franchise fees, is recognized on an accrual basis in accordance with the substance of the relevant agreements.

- *Finance income*

Finance income, such as foreign exchange gains and interest income, is recognized as incurred and presented at gross after operating profit. Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

- *Dividend income*

Dividend income is recognized when the right to receive payment is established. The Company's dividend income is presented as part of other non-operating income in the statement of income.

- ii. *Costs and expenses*

Costs and expenses are charged to operations as incurred.

28.22 Leases - Company is the lessee

Leases of retail stations, pipelines and office premises where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When the Company enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Company assesses whether the arrangement is, or contains, a lease. The Company does not have such arrangements.

28.23 Employee benefits

- i. *Pension obligation*

The Company maintains a pension scheme, which is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Company maintains a defined benefit pension plan, which is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans 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 using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

In cases when the fair value of the plan assets is in excess of the present value of the defined benefit obligation, the Company measures the resulting asset at the lower of such amount determined, and the asset ceiling calculated as the present value of available future refunds and reductions in the future contributions.

Restricted or non-transferable assets of the fund are excluded in the determination of fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as 'remeasurements' to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the statement of income.

ii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity 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 balance sheet date are discounted to present value.

iii. Bonus plans

The Company recognizes a liability and an expense for performance-related bonuses, based on a formula that takes into consideration the Company and employee's performance. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Performance-share plans

RDS operates a Performance Share Plan (PSP) covering all of its subsidiaries' employees. PSP for conditional shares are awarded to eligible employees based on their sustained performance and value. The extent to which shares are finally delivered at the end of a three-year performance period, or not, depends upon the performance of the Shell group.

The fair value of shares, determined using a Monte Carlo pricing model, is credited as 'other reserve' in equity and is charged to profit or loss over the vesting period. The fair value of share-based compensation for equity-settled plans granted to employees under the RDS schemes is recognized as an intra-group payable to parent company when charged-out. The charge-out is based on the entitled personnel that were employed by the Company at the time of awarding.

28.24 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities under common shareholdings, which includes entities that are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

28.25 Operating segments

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments (Note 2).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager who makes strategic decisions.

28.26 Events after balance sheet date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

28.27 Reclassification

Realized and unrealized mark to market loss for the years ended 31 December 2014 and 2013 amounting to P208,799 and P11,343, respectively, were reclassified from finance income (expense) to other operating income in the statements of income to conform with the current period presentation. Such reclassification did not affect previously reported net income or retained earnings.

Note 29 - Financial risk management

29.1 Financial risk factors

The Company's operations expose it to a variety of financial risks: market risk (including foreign currency exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by its Regional Treasury - Shell Treasury Centre East (STCE) under policies approved by the Board of Directors. STCE identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk and investing excess liquidity.

29.1.1 Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or the prices of crude oil and refined products will adversely affect the value of the Company's assets, liabilities or expected future cash flows.

i. Foreign exchange risk

The Company operates internationally and is exposed to foreign currency exchange risk arising from currency fluctuations, primarily with respect to the importations of crude and finished products denominated in US dollar. Foreign currency exchange risk may also arise from future commercial transactions and recognized assets and liabilities denominated in a currency other than the Company's functional currency.

Foreign exchange currency risks are not hedged and the Company does not enter into significant derivative contracts to manage foreign currency risks. Since foreign currency exposure is significantly concentrated on purchase of crude, the Company manages foreign currency risk by planning the timing of its importation settlements with related parties.

For the year ended 31 December 2015, if the Philippine Peso had weakened/strengthened by 5% (assessment threshold used by management) against the US dollar with all other variables held constant, equity and post-tax profit for the year would have been P969 million (2014 - P375 million) lower/higher, as a result of foreign exchange gains/losses on translation of US dollar-denominated receivables and payables as at balance sheet dates.

Management considers that there are no significant foreign exchange risks with respect to other currencies disclosed in Note 25.

ii. *Cash flow and fair value interest rate risk*

Cash flow and fair value interest risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant exposure to fair value interest rate risk as the Company has no significant interest-earning assets and interest-bearing liabilities subject to fixed interest rates.

The Company's interest-rate risk arises from its borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. At 31 December 2015 and 2014, the Company's short-term borrowings and loans payable carry floating rates based on a certain index plus applicable premium.

The Company does not enter into significant hedging activities or derivative contracts to cover risk associated with borrowings.

For the year ended 31 December 2015, if interest rates on Philippine peso-denominated borrowings had been 100 basis points (assessment threshold used by management) higher/lower with all other variables held constant, post-tax profit for the year would have been P131 million (2014 - P312 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. Management uses 100 basis points as threshold in assessing the potential impact of interest rate movements in its operations. Moreover, there is no material exposure of fair value risk arising from outstanding forward contracts (Note 22).

iii. *Price risk*

The Company is not significantly exposed to price risk on equity securities, forward contract and proprietary club shares because investments held by the Company classified in the balance sheet as available-for-sale financial assets are not considered material in the financial statements.

29.1.2 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to trade and non-trade receivables.

The Company maintains cash and certain other financial instruments with various major financial institutions. To minimize this risk, the Company performs periodic evaluations of the relative credit standing of these financial institutions and where appropriate, places limits on the amount of credit exposure with any one institution. Additional information is presented in Note 3.

The Company has policies in place to ensure that sales of products are made to customers with acceptable creditworthiness. Counterparty credit risk is managed within a framework of individual credit limits with utilization being regularly reviewed. Credit checks are performed by a department independent of sales department, and are undertaken before contractual commitment. Where appropriate, cash on delivery terms are used to manage the specific credit risk.

There is no concentration of credit risks as at balance sheet dates as the Company deals with a large number of homogenous trade customers. Additional information is presented in Note 4.

29.1.3 Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company has access to sufficient external debt funding sources (banks credit lines) to meet currently foreseeable borrowing requirements. The Treasury group centrally monitors bank borrowings, foreign exchange requirements and cash flow position.

Surplus cash is invested into a range of short-dated money market instruments, time deposits and money funds, which seek to ensure the security and liquidity of investments while optimizing yield.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. Forecasted liquidity reserve for 2016 is as follows:

	2016
Opening cash balance for the year	3,576,802
Net cash from operating activities	6,044,980
Capital expenditures	(3,404,880)
Net cash used in other investing activities	(821,166)
Net cash used in financing activities	(1,300,000)
Ending cash balance for the year	4,095,736

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances presented in the table approximate their carrying balances, as the impact of discounting is not significant.

	0-90 days	91-180 days	180 days - 1 year	Over 1 year	Total
At 31 December 2015					
Short-term borrowings	2,717,000	-	-	-	2,717,000
Future interest payment	115,888	113,540	227,080	727,732	1,184,240
Loans payable	-	-	-	16,000,000	16,000,000
Dividends payable	-	-	-	9,668	9,668
Accounts payable and accrued expenses	15,775,161	225,086	32,152	40,105	16,072,504
	18,608,049	338,626	259,232	16,777,505	35,983,412
At 31 December 2014					
Short-term borrowings	21,550,000	-	-	-	21,550,000
Future interest payment	18,636	278,202	-	-	296,838
Loans payable	-	-	11,000,000	12,000,000	23,000,000
Dividends payable	9,668	-	-	-	9,668
Accounts payable and accrued expenses	19,716,155	28,952	17,213	17,606	19,779,926
	41,294,459	307,154	11,017,213	12,017,606	64,636,432

Availability of funding to settle the Company's payables are ensured since the Company has unused credit lines of P85.3 billion as at 31 December 2015 (2014 - P40.9 billion) and undrawn borrowing facilities at floating rate amounting to P73.5 billion (2014 - P40.9 billion), which is expiring within one year.

The Company has a P11.8 billion (2014 - P10.2 billion) credit facility with STCE, which does not have an expiration date.

29.2 Capital management

The Company manages its business to deliver strong cash flows to fund capital expenditures and growth based on cautious assumptions relating to crude oil prices. Strong cash position and operational cash flow provide the Company financial flexibility both to fund capital investment and return on equity. Total capital is calculated as 'equity' as shown in the balance sheet less other reserves plus net debt.

i. Cash flow from operating activities

Cash flow from operating activities is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value for shareholders from the Company's operations. The statement of cash flows show the components of cash flow. Management uses this analysis to decide whether to obtain additional borrowings or additional capital infusion to manage its capital requirements.

ii. Gearing ratio

The gearing ratio is a measure of the Company's financial leverage reflecting the degree to which the operations of the Company are financed by debt. The amount of debt that the Company will commit depends on cash inflow from operations, divestment proceeds and cash outflow in the form of capital investment, dividend payments and share repurchases. The Company aims to maintain an efficient balance sheet to be able to finance investment and growth, after the funding of dividends.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings less cash and cash equivalents.

The Company does not have a fixed gearing target and management considers whether the present gearing level is commercially acceptable based on the ability of the Company to operate on a stand-alone basis and is set after appropriate advice has been taken from Tax, Treasury and Legal advisors. To improve gearing ratio, additional equity has been infused in 2015 (Note 15).

The gearing ratios at 31 December are as follows:

	Notes	2015	2014
Total loans and borrowings	12,13	18,717,000	44,550,000
Less: cash	3	3,576,802	4,721,647
Net debt		15,140,198	39,828,353
Total equity		25,723,951	3,504,806
Total capital		40,864,149	43,333,159
Gearing ratio		37%	92%

The Company is not subject to externally imposed capital requirement.

29.3 Fair value estimation

The table below presents the carrying amounts of the Company's financial assets and financial liabilities, which approximates its fair values, as at December 31, 2015 and 2014.

	Notes	2015	2014
Financial assets			
Loans and receivables			
Cash	3	3,576,802	4,721,647
Receivables	4	6,595,185	10,229,547
Loans to TRI, a related party	7	-	379,678
Market investment loans	7	79,330	83,817
Long-term receivables	7	35,267	25,293
Available-for-sale financial assets	6,10	307,461	262,206
Total financial assets		10,594,045	15,702,188
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued expenses	11	16,072,504	19,779,926
Dividends payable	22	9,668	9,668
Short-term borrowings	12	2,717,000	21,550,000
Loans payable	13	16,000,000	23,000,000
Total financial liabilities		34,799,172	64,339,594

Receivables in the table above exclude claims from the government and miscellaneous receivables while accounts payable and accrued expenses exclude amounts payable to the government and its related agencies.

The following methods and assumptions were used to estimate the value of each class of financial instrument for which it is practicable to estimate such value:

i. *Current financial assets and liabilities*

Due to the short-term nature of the accounts, the fair value of cash and cash equivalents, receivables, deposits, accounts payable and short-term borrowings approximate the amount of consideration at the time of initial recognition.

ii. *Financial assets and liabilities carried at amortized cost*

Loans to TRI, staff car loans, market investment loans, other long-term receivables and payables, are carried at amortized cost.

iii. *Financial assets carried at fair value*

The Company's available-for-sale financial assets are marked-to-market if traded and quoted. Otherwise, these are held at cost less impairment, if any.

iv. *Loans payable*

The carrying values of long-term loans payable approximates their fair value because of regular interest repricing based on market conditions.

Note 30 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments 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.

30.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

(a) Provision for impairment of receivables

The provision for impairment of receivables is based on the Company's assessment of the collectability of payments from its debtors. This assessment requires judgment regarding the ability of the debtors to pay the amounts owed to the Company and the outcome of any disputes. The amounts and timing of recorded provision for impairment of receivables for any period would differ if the Company made different assumptions or utilized different estimates. Hence, management considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding impairment of receivables. The Company's policy in estimating provision for impairment of receivables is presented in Note 28.5. The carrying amount of receivables and other information are disclosed in Note 4.

(b) Provision for inventory losses

The Company provides allowance for inventories whenever the net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, market driven price changes in price levels or other causes (i.e. pre-termination of contracts).

Assessment of inventory losses on a regular basis is also performed based on historical information and past experience. The provision account is reviewed on a monthly basis to reflect the estimated net recoverable value in the financial statements. Using thirty (30) days average stock reserve period, subsequent losses on major products after balance sheet date is estimated at P318 million. The carrying amount of inventories and other information are disclosed in Note 5.

(c) Provision for asset retirement obligation and environmental liabilities and remediation

Estimates of the ARO recognized are based on current legal and constructive requirements, technology and price levels. Since actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of the obligation is regularly reviewed and adjusted to take account of such changes. The implicit rate (based on management's market assessment of the time value of money and risks specific to the obligation) used in discounting the cash flows is reviewed at least annually.

The discount rate used to determine the present value of the obligation as at 31 December 2015 is 3.7% and the amount is recognized as accretion cost or income in the statement of income.

The Company has set total outstanding provision of P864 million (2014 - P819 million) to cover the required environmental remediation covering specific assets, based on external evaluation and study, and total outstanding provision of P1.4 billion (2014 - P1.6 billion) for ARO.

Further, it is reasonably possible based on existing knowledge that outcome within the next financial year that are different from assumptions could require an adjustment to the carrying amount of the provision for ARO and environmental liabilities and remediation. However, management does not foresee any changes in terms of business operations and its circumstances that would cause a significant change in the initial estimates used. Additional information is presented in Note 14.

In relation to the First Philippine Industrial Corporation (FPIC) oil pipeline leak incident in 2010, there is no showing that the mere entry of the Company into agreements with FPIC for the use of the white oil pipeline created a legal or constructive obligation on the part of the Company.

(d) Determining useful lives and depreciation

Management determines the estimated useful lives and related depreciation charges for the Company's property and equipment (Note 8). Management will revise the depreciation charge where useful lives are different from the previous estimate, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Management does not foresee any changes in terms of business operations that would warrant reassessment of estimated useful lives.

(e) Pension benefit obligation and employee benefits

The determination of the Company's pension benefit obligation and employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 23, include among others, discount rates, and salary increase rates.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions follow:

	Impact on equity and income before tax	
	2015	2014
Discount rate		
Increase by 0.50%	(204,158)	(213,464)
Decrease by 0.50%	222,031	231,957
Salary increase rate		
Increase by 0.50%	213,690	223,113
Decrease by 0.50%	(198,597)	(207,434)

The above sensitivity is based on a change assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension asset (liability). The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior years.

While the Company's management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in actuarial assumptions may materially affect the pension obligation and employee benefits.

30.2 Critical judgments in applying the Company's accounting policies

(a) Impairment of long-lived assets

Long-lived assets (Notes 8 and 10) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss is recognized whenever evidence exists that the carrying value is not recoverable.

Management believes that no impairment charge is necessary because there are no impairment indicators on all long-lived assets at CGU level at 31 December 2015 and 2014.

(b) Taxes

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for tax audit issues when it is probable. The liabilities are based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Further, recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The Company reviews its deferred tax assets at each balance sheet date 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 believes that deferred tax assets are fully recoverable at the balance sheet date (Note 9).

The Company recognizes provision for impairment of input value added tax (VAT) and specific tax claims based on the Company's assessment of collection or recoverability through creditable tax certificates from the government. This assessment requires judgment regarding the ability of the government to settle or approve the application for claims/creditable tax certificates of the Company. Management believes that its input VAT and specific tax claims are fully recoverable as at balance sheet date (Notes 6 and 9).

(c) Assessing contingencies

The Company is currently involved in various legal proceedings including a number of tax cases (Note 26). Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Company's defense in these matters and are based upon the probability of potential results. The Company's management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates, in the effectiveness of its strategies relating to these proceedings or the actual outcome of the proceedings (Notes 14 and 26).

Note 31 - Supplementary information required by the Bureau of Internal Revenue

The following information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

i. Output value-added tax (VAT)

Output VAT declared and the revenues upon which the same was based as at 31 December 2015 consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Sale of goods	150,523,650	18,062,837
Sale to government	2,664,503	319,740
Sale of services	-	-
Others	-	-
	153,188,153	18,382,577
Zero-rated		
Sale of goods	15,211,822	-
Exempt		
Sale of goods	157,708	-
Total	168,557,683	18,382,577

Zero-rated sale of goods pertains to direct export sales transactions with PEZA-registered activities and international vessels pursuant to Section 108 (b) of National Internal Revenue Code.

VAT exempt sales pertain to transactions with exempt entities such as Shell Philippines Exploration B.V., Adlaon Energy Development Corporation, British Embassy, Embassy of Malaysia, Embassy of the Czech Republic, Embassy of the Russian, Food and Agriculture, Intl Labour Organization, New Zealand Embassy, Pasar Employees Multi Purpose, Posco Philippine Manila, Royal Netherlands Embassy, San Beda College, South African Embassy, Top amusement Technology Intl, United Nations Children Fund, United Nations Devt Programme and United Nations Population Fund, which are exempt pursuant to Section 109 of National Internal Revenue Code.

ii. Input VAT

Movements in input VAT for the year ended 31 December 2015 follow:

Beginning balance	8,009,954
Add: Current year's domestic purchases/payments for:	
Importation of goods for resale or manufacture	10,257,294
Domestic goods for resale or manufacture	4,606,418
Services lodged under other accounts	1,656,095
Services rendered by non-residents	78,187
Capital goods subject to amortization	27,766
Other adjustments	133,225
Deduct: Claims for tax credit/refund	-
Total input VAT	24,768,939

iii. Importations

The total landed cost of imports and the amount of custom duties and tariff fees accrued and paid for the year ended 31 December 2015 follow:

Landed cost of imports	85,470,500
Customs duties and tariff fees paid	6,951

iv. Documentary stamp tax

Documentary stamp taxes in relation to the Company's borrowing transactions were expensed and settled by the local bank. The related balances amounting to P126.6 million were reimbursed by the Company as part of bank service fee. There was also stamp duties amounting to P4.5 million incurred in relation to the issuance of shares that was accounted for as a deduction to equity.

v. Excise tax

Excise taxes relate to purchase of petroleum and mineral products by the Company. These taxes are normally paid in advance by the Company and charged to cost of sales upon sale of goods. Total amount paid and charged to operations for the year ended 31 December 2015 are as follows:

	Paid	Charge	Balance
Petroleum products	4,262,410	4,113,477	8,375,887
Mineral products	8,759	10,982	19,741
	4,271,169	4,124,459	8,395,628

vi. All other local and national taxes

All other local and national taxes accrued and paid for the year ended 31 December 2015 consist of:

Real property taxes	211,564
Municipal taxes/Mayor's permit	180,247
Community tax	48,304
	440,115

The above local and national taxes are lodged under miscellaneous account in selling, general and administrative expense.

vii. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended 31 December 2015 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	541,236	9,994	551,230
Expanded withholding tax	638,304	88,770	727,074
Fringe benefit tax	11,940	3,574	15,514
Final withholding tax	89,520	1,895	91,415
	1,281,000	104,233	1,385,233

Creditable withholding tax for 2015 is P591.3 million, which represents balance supported with creditable withholding tax certificates as at 15 January 2016.

viii. Tax assessments/cases

The Company's taxable year 2013 is currently under audit by the BIR. Taxable year 2011 has already prescribed, while 2010 and 2012 audits were closed in June and November 2015, respectively.

Pilipinas Shell Petroleum Corporation

Schedule A - Financial Assets

As at 31 December 2015

(All amounts in thousand Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Available-for-sale financial assets				
Alabang Country Club, Inc.	2	5,200	5,200	-
Apo Golf and Country Club, Inc.	1	4	4	-
Atlas Mining	3,000,000	12,210	12,210	-
Canlubang Golf and Country Club, Inc.	2	1,600	1,600	-
Club Filipino de Cebu, Inc.	24	700	700	-
Makati (Sports) Club, Inc.	2	840	840	-
Manila Golf & Country Club, Inc.	6	234,000	234,000	-
Manila Polo Club, Inc.	2	24,000	24,000	-
Manila Southwoods Golf & Country Club	1	1,000	1,000	-
Mimosa Golf & Country Club	1	400	400	-
Negros Occidental Golf & Country Club	1	20	20	-
Pantranco South Express Inc.	5,232,000	3,737	3,737	-
Puerto Azul Beach & Country Club, Inc.	1	80	80	-
Sta. Elena Golf Club, Inc.	2	6,000	6,000	-
The Royal Northwoods and Golf Club & Country Club, Inc.	1	1,000	1,000	-
Tower Club, Inc.	1	130	130	-
Valle Verde Country Club, Inc.	1	400	400	-
Valley Golf Clube, Inc.	2	340	340	-
Wack Wack Golf & Country Club, Inc.	1	15,800	15,800	-
Total available-for-sale financial assets		307,461	307,461	
Cash			3,576,802	
Receivables			6,595,185	
Market investment loans			79,330	
Long-term receivables			35,267	
Total Financial Assets			10,594,045	

Pilipinas Shell Petroleum Corporation

**Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at 31 December 2015**

Name of employee	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Company's receivables from directors, officers, employees, and principal stockholders are limited to receivables subject to usual terms for ordinary expense advances and items arising in the ordinary course of business.

Pilipinas Shell Petroleum Corporation

Schedule C - Amounts Receivable from Related Parties
which are eliminated during the Consolidation Of Financial Statements
As at 31 December 2015
(All amounts in thousand Philippine Peso)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Pilipinas Shell Petroleum Corporation

Schedule D - Intangible Assets - Other Assets

As at 31 December 2015

(All amounts in thousand Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Program Software	14,333	-	(4,252)	-	-	10,081

Pilipinas Shell Petroleum Corporation

Schedule E - Long Term Debt
As at 31 December 2015
(All amounts in thousand Philippine Peso)

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 "Loans payable, net of current portion" in related balance sheet
Bank loan	16,000,000	-	16,000,000

Pilipinas Shell Petroleum Corporation

**Schedule F - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
As at 31 December 2015**

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Pilipinas Shell Petroleum Corporation

Schedule G - Guarantees of Securities of Other Issuers As at 31 December 2015

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Pilipinas Shell Petroleum Corporation

Schedule H - Capital Stock
As at 31 December 2015

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under 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
Common stocks	2,500,000,000	1,585,944,202	-	1,081,364,501	105	504,579,596

Pilipinas Shell Petroleum Corporation
Additional Components of Financial Statements
Schedule of Financial Soundness Indicators
As at and for the years ended 31 December 2015 and 2014

	2015	2014
Current Ratio	1.94	0.90
Debt to Equity	0.59	11.34
Debt Ratio	0.23	0.54
Return on Assets	5.37%	(11.54%)

Pilipinas Shell Petroleum Corporation

Reconciliation of Retained Earnings for Dividend Declaration
As at 31 December 2015
(All amounts in thousand Philippine Peso)

Unappropriated Retained Earnings beginning	(4,184,802)
Adjustments: <i>(see adjustments in previous year's Reconciliation)</i>	-
Unappropriated Retained Earnings, as adjusted, beginning	(4,184,802)
Net income based on the face of audited financial statements	3,553,196
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalents)	-
Unrealized actuarial gain	813,114
Fair value adjustment	-
Fair value adjustment of Investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	2,740,082
Add (Less):	
Dividends declarations during the year	-
Appropriations of retained earnings	-
Reversal of appropriateness	-
Other reserves from restatement due to PAS19 Revised	-
Treasury shares	-
	(507,106)
TOTAL RETAINED EARNINGS, END	
AVAILABLE FOR DIVIDEND	(1,951,826)

**P1.1 billion retained earnings of Pilipinas Shell Petroleum Corporation from 1999 merger is only available for stock dividend.*

Pilipinas Shell Petroleum Corporation

Schedule of Philippine Financial Reporting Standards
Effective Standards and Interpretations as at 31 December 2015

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9*		✓	
	Amendment to PFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition*		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments regarding the sale or contribution of assets between and investor and its associate or joint venture*		✓	
	Amendments regarding the application of the consolidation exception*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments regarding the accounting for acquisitions of an interest in a joint operation*		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments regarding the application of the consolidation exception*		✓	
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*		✓	
PFRS 15	Revenue from Contracts with Customers*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	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 resulting from the disclosure initiative*		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
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	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and amortization*		✓	
	Amendments bringing bearer plants into the scope of PAS 16*		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		

		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service*		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*		✓	
	Amendments regarding the application of the consolidation exception*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets - Recoverable amount disclosures	✓		

		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments regarding the 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			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in PAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when PFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception*		✓	
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
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	✓		

		Adopted	Not Adopted	Not Applicable
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 8	Scope of PFRS 2	✓		
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 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	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			✓
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	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
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			✓

		Adopted	Not Adopted	Not Applicable
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			✓

The standards and interpretations marked with an asterisk (*) refer to those standards and interpretations that are effective after 31 December 2015.

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2015 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.