



OFFICIAL RECEIPT
Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, 1554



Accountable Form No. 51
Revised 2006

ORIGINAL

DATE

March 12, 2015

No. 1245718

PAYOR

PILIPINAS SHELL PETROLEUM CORPORATION
MAKATI CITY

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
LRF (A0823)	131	CFD	50.00
MISCELLANEOUS INCOME	678	CFD	5,000.00

TOTAL PHP 5,050.00

AMOUNT IN WORDS

FIVE THOUSAND FIFTY PESOS AND 0/100

Received	<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Treasury Warrant <input type="checkbox"/> Check <input type="checkbox"/> Money Order	Received the Amount Stated Above Carlota A. Brown COLLECTING OFFICER O.R. No. 1245718
Treasury Warrant, Check, Money Order Number		
Date of Treasury Warrant, Check, Money Order		

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

COVER SHEET

1	4	8	2	9					
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S.E.C. Registration Number

P	I	L	I	P	I	N	A	S		S	H	E	L	L		P	E	T	R	O	L	E	U	M				
C	O	R	P	O	R	A	T	I	O	N																		

(Company's Full Name)

1	5	6		V	A	L	E	R	O		S	T		S	A	L	C	E	D	O		V	I	L	L	A	G	E
M	A	K	A	T	I		C	I	T	Y																		

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

ATTY. MA. LOURDES O. DINO																			
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Contact Person

+632 4994177 / 816-65-01 local 6172																			
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Company Telephone Number

1	2		3	1
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Month

Day

Definitive Information Statement

2	0	-	I	S
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FORM TYPE

0	4		1	6
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Month

Day

Fiscal Year

Annual General Meeting
as per By-Laws

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

359

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I. D.

Cashier

STAMPS

PILIPINAS SHELL PETROLEUM CORPORATION
NOTICE OF ANNUAL STOCKHOLDERS' MEETING

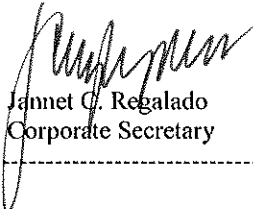
NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of PILIPINAS SHELL PETROLEUM CORPORATION will be held at the Board Room, 14th Floor, Shell House, 156 Valero Street, Salcedo Village, Makati City at 9:00 A.M. on 12 May 2015, for the following purposes:

A G E N D A

- (1) Approval of Minutes of the Annual Stockholders' Meeting held on 5 May 2014
- (2) President's Report
- (3) Audited Accounts
- (4) Approval/Ratification of the Acts of the Board, Board Committees and Management
- (5) Election of Directors
- (6) Appointment of Auditors
- (7) Ratification of the Increase in Authorized Capital Stock
- (8) Any Other Business.

Makati City, 24 March 2015.

FOR THE BOARD OF DIRECTORS


Jannet C. Regalado
Corporate Secretary

**WE ARE NOT SOLICITING YOUR PROXY.
YOU NEED NOT SEND US A PROXY.**

SECURITIES AND EXCHANGE COMMISSION

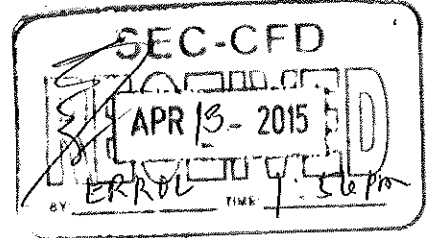
SEC FORM 20-IS

Information Statement Pursuant to the
Securities Regulation Code (SRC) Section 20

1. Check the appropriate box

_____ Preliminary Information Sheet

☒ Definitive Information Sheet



2. Name of Registrant as specified in its Charter:

Pilipinas Shell Petroleum Corporation

3. Province, country and other jurisdiction of incorporation or organization:

Makati City, Philippines

4. SEC Identification Number:

14829

5. BIR Tax Identification Code:

000-164-757

6. Address of principal office:

Shell House, No. 156 Valero Street, Salcedo Village, Brgy. Bel-Air, Makati City 1227

7. Registrant's telephone number, including area code:

(632) 816-6501 / 1227

8. The Annual Stockholders' Meeting is scheduled on **12 May 2015 at 9:00a.m., Boardroom, 14th Floor, Shell House, 156 Valero Street, Salcedo Village, Makati City**

9. Approximate date on which the Information Statement is to be first sent or given to security holders:

20 April 2015

11. Securities registered pursuant to Sections 8 and 12 of the SRC

Not Applicable.

12. Are any or all *Corporation's* securities listed on the Philippine Stock Exchange?

_____ Yes

☒ No

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

- (a) The Annual Stockholders' Meeting (ASM) of Pilipinas Shell Petroleum Corporation ("Corporation") has been set on the date, time and place indicated below:

Date: 12 May 2015

Time: 9:00 a.m.

Place: Boardroom, 14th Floor, Shell House, 156 Valero Street, Salcedo Village, Makati City

The mailing address of the principal office of the Corporation is:

Pilipinas Shell Petroleum Corporation
Shell House, 156 Valero Street, Salcedo Village
Makati City 1227

The approximate date on which the information statement forms are to be sent or given to the security holders is 20 April 2015. The distribution of the information statement shall be made in CD format. All required permits from the Optical Media Board (OMB) for the distribution of the information statement in CD format have been secured.

Proxy Solicitation: We are not soliciting for proxy.

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No current director or officer of the Corporation, or nominee for election as director of the Corporation or any of their associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) No. of Common Shares Outstanding as of 24 March 2015: 691,271,425

Number of Votes Entitled: One (1) vote per share

- (b) All stockholders of record as of 24 March 2015 are entitled to vote at the Annual Stockholders' Meeting.
- (c) Manner of Voting

Article II, Sections 6 and 7 of the Amended By-Laws of the Corporation provides, as follows:

“Section 6. **Voting:** At every meeting of the stockholders of the Company, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company and may vote either in person or by proxy duly given in writing in favor of another person who need not be a stockholder and presented to the Secretary for inspection and record at or prior to the opening of the meeting provided, however, that at all meetings for the election of Directors the shares of stock shall be voted as provided in the Corporation Law. No proxy bearing a signature which is not legally acknowledged, if unrecognized by the Secretary, shall be recognized at any meeting.

Section 7. **Election of Directors:** The election of Directors shall be held at the Annual Meeting of the stockholders in each year and shall be conducted in the manner provided by the Corporation Law, and with such formalities and machinery as the Officer presiding at the meeting shall then and there determine.”

- (d) Security Ownership of Certain Record and Beneficial Owners and Management as of 24 March 2015 (information required by Part IV paragraph (C) of “Annex C” to the extent known by the persons on whose behalf the solicitation is made).

- 1) Security Ownership of Certain Record and Beneficial Owners (of more than 5%) of Common Shares as of 24 March 2015:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent
Common	Shell Overseas Investments B.V. Carel van Bylandtlaan 30, 2596 HR the Hague The Netherlands - Parent Company	Beneficial and Record Owner	Dutch	463,988,998	67.1%
Common	The Insular Life Assurance Company, Ltd. The Insular Life Bldg., Ayala Avenue cor. Paseo de Roxas, Makati City - Shareholder	Beneficial and Record Owner	Filipino	134,702,822	19.5%
Common	Spathodea Campanulata Inc. General Aviation Center Domestic Airport Compound Pasay City - Shareholder	Beneficial and Record Owner	Filipino	34,991,752	5.1%

The stockholders who hold more than 5% ownership are:

(i) Shell Overseas Investments B.V.

Shell Overseas Investments B.V. operates as a holding company and is based in The Hague, the Netherlands. It is owned 100% by Shell Petroleum N.V. (SPNV).

The Corporation's Chairman and President, Mr. Edgar O. Chua, and in his absence, Vice President for Finance, Mr. Shaiful B. Zainuddin, are the proxy holders who shall vote the shares of this stockholder.

(ii) The Insular Life Assurance Company Limited

The Insular Life Assurance Company Limited is engaged in carrying out the business of life assurance in all its branches and in particular, the grant or effect of assurances of all kinds for payment of money by way of single payment or by several payments or by way of immediate or deferred annuities upon the death of or upon the attaining a given age by any person or persons or upon the birth or failure of issue or subject to or upon a fixed or certain date irrespective of any such event or contingency

The Chairman, Mr. Vicente R. Ayllon, or President, Mr. Mayo Jose B. Ongsingco, is the proxy holder who shall vote the shares of this stockholder.

(iii) Spathodea Campanulata Inc.

Spathodea Campanulata Inc. is a domestic corporation whose primary purpose is to acquire by purchase, exchange, assignment, gift or otherwise, and hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic and deal in and with and otherwise to enjoy and dispose of, any bonds, debentures, promissory notes, shares of capital stocks, or other securities or obligation's, created, negotiated or issued by any corporation, association or other entity, foreign or domestic and in real and personal property of all kinds in the same manner and to the extent as a juridical person might, could or would do, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and, all dividends, interest and income, derived therefrom and the right to vote on any shares of the capital stock, and upon any bonds, debentures, or other securities, having voting power as owned, and to issue proxies for said purposes, but only to extent permitted by law, provided it shall not act as brokers or dealers in securities.

Mr. Carlos R. Araneta is the proxy holder who shall vote the shares of this stockholder.

2) Security Ownership of Directors and Management as of 24 March 2015:

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY	PERCENTAGE
Common	Edgar O. Chua	Director/Chairman & President	23 (direct)	Filipino	0.0000032%
Common	Shaiful B. Zainuddin	Director/Treasurer/VP- Finance	1 (direct)	Malaysian	0.00000014%
Common	Fernando Zobel de Ayala	Director	1 (direct)	Filipino	0.00000014%
Common	Vicente R. Ayllon	Director	17 (direct)	Filipino	0.0000025%
Common	Carlos R. Araneta	Director	1 (direct)	Filipino	0.00000014%
Common	Mayo Jose B. Ongsingco	Director	3 (direct)	Filipino	0.00000043%

Common	Mona Lisa Bautista Dela Cruz	Nominee Director	0 ¹	Filipino	0%
Common	Cesar B. Bautista	Director	1 (direct)	Filipino	0.00000014%
Common	Cesar A. Buenaventura	Director	1 (direct)	Filipino	0.00000014%
Common	Eduard R. Geus	Director/VP – Manufacturing	1 (direct)	Dutch	0.00000014%
Common	Anthony Lawrence D. Yam	Director/VP- Retail	1 (direct)	Filipino	0.00000014%
Common	Sebastian Cortez Quiniones, Jr.	Director	1 (direct)	Filipino	0.00000014%
	Ramon Del Rosario	VP - Communications	None	Filipino	Not Applicable
	Homer Gerrard L. Ortega	VP-Human Resources	None	Filipino	Not Applicable
	Dennis G. Gamab	VP – Trading and Supply	None	Filipino	Not Applicable
	Atty. Jannet C. Regalado	VP-Legal/Corporate Secretary	None	Filipino	Not Applicable
	Atty. Erwin R. Orocio	Assistant Corporate Secretary/Nominee as Corporate Secretary	None	Filipino	Not Applicable
	Atty. Maria Lourdes O. Dino	Nominee as Asst. Corporate Secretary	None	Filipino	Not Applicable
Security Ownership of all Directors and Officers			51		0.0000072%

None of the members of the Corporation's directors and management owns 2.0% or more of the outstanding capital stock of the Corporation.

3) Voting Trust Holders of 5% or More

The Corporation knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

4) Changes in Control

There are no arrangements which may result in a change in control of the registrant.

(e) No change in control of the registrant has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Directors

(a)(1) Annex "C" Part IV, Paragraph A

(i) Directors and Executive Officers

There are eleven (11) members of the Board, three (3) of whom are independent directors. The members of the Board of Directors are elected at the general meeting of stockholders, and shall hold office for a term of one (1) year

¹ Ms. Mona Lisa Bautista Dela Cruz shall be proposed to replace Mr. Mayo Jose B. Ongsingco due to the latter's retirement from The Insular Life Assurance Company Limited. Mr. Ongsingco's shares shall be transferred to Ms. Dela Cruz on 12 May 2015 to qualify her as nominee to a Board seat.

or until their successors shall have been elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

The Officers of the Corporation, unless removed by the Board of Directors, shall serve as such until their successors are elected or appointed.

The following are the incumbent directors and officers of the Corporation:

Name	Age	Citizenship	Position
Edgar O. Chua	58	Filipino	Director/Chairman & President
Fernando Zobel de Ayala	54	Filipino	Independent Director
Cesar A. Buenaventura	85	Filipino	Independent Director
Cesar B. Bautista	77	Filipino	Independent Director
Vicente R. Ayllon	84	Filipino	Director
Mayo Jose B. Ongsingco	63	Filipino	Director
Carlos R. Araneta	69	Filipino	Director
Shaiful B. Zainuddin	49	Malaysian	Director/Treasurer
Anthony Lawrence D. Yam	50	Filipino	Director/VP-Retail
Eduard Geus	49	Dutch	Director/VP-Manufacturing
Sebastian C. Quiniones, Jr.	55	Filipino	Director
Ramon Del Rosario	55	Filipino	VP-Communications
Homer Gerrard L. Ortega	48	Filipino	VP-Human Resources
Dennis G. Gamab	50	Filipino	VP-Trading and Supply
Atty. Jannet C. Regalado	52	Filipino	VP-Legal & Corporate Secretary
Atty. Erwin R. Orocio	45	Filipino	Asst. Corporate Secretary

Nominees for Election as Members of the Board of Directors

The names of persons listed below are expected to be nominated as Members of the Board of Directors for the ensuing calendar year.

Messrs. Fernando Zobel de Ayala, Cesar B. Bautista, and Cesar A. Buenaventura, who are all incumbent independent directors, will be nominated anew by stockholder Mr. Edgar O. Chua, who is also the Chairman and President of the Corporation. They have continuously possessed the qualifications and none of the disqualifications of an independent director from the time they were first elected as such. The nominees for independent directors are not related to Mr. Edgar Chua.

In compliance with the Securities & Exchange Commission (SEC) Notice dated October 20, 2006, the Corporation will submit updated Certifications of Qualification for the Independent Directors within thirty (30) days from their election.

Nominations of all directors of the Corporation follow the process and procedures of the Board Nomination Committee approved by the Corporation's Board and submitted to the SEC. The members of the Board Nomination Committee are Messrs. Cesar A. Buenaventura (Independent Director and Chairman of the Nominations Committee), Edgar O. Chua, Homer Gerrard L. Ortega (VP-Human Resources and Non-Voting Member) and Jannet C. Regalado.

Final list of nominees for the Board of Directors for 2015 to 2016 is as follows:

The final list of nominees, including the independent directors, as endorsed by the Nomination Committee, to the Board of Directors of the Corporation for the ensuing year are:

Edgar O. Chua (Filipino)	Carlos R. Araneta (Filipino)
Cesar A. Buenaventura (Filipino)	Shaiful B. Zainuddin (Malaysian)
Fernando Zobel de Ayala (Filipino)	Anthony Lawrence D. Yam (Filipino)
Cesar B. Bautista (Filipino)	Sebastian Cortez Quiniones, Jr. (Filipino)
Vicente R. Ayllon (Filipino)	Eduard Rudolf Geus (Dutch)
Mona Lisa Bautista Dela Cruz (Filipino)	

Below are the profiles of current members of the Board of Directors and the new nominees to the Board seats:

Edgar O. Chua (58 years old, Filipino) – has been a Director of the Corporation since 1998. He is the current Chairman and President of the Corporation. He is also a director and the President of the various Shell companies in the Philippines. He served the Corporation as: GM – Consumer Markets (Commercial OP East) from 2001 to 2003; GM – Commercial Marketing (ASEAN+) from 1999 to 2000; VP – Marketing from 1998 to 1999; GM – Marketing in 1998; GM of the Shell Company of Cambodia from 1995 to 1997; Energy Demand Analyst, Group Planning for SIPC from 1993 to 1995; Supply Planning & Trading Manager from 1991 to 1993; Lubricants Manager from 1989 to 1991; Consumer Development & Services Manager in 1988; Economics Assistant in the Supply Trading Department from 1986 to 1988; Inventory Management & Manila Movements Assistant from 1985 to 1986; General Auditor in 1985; Internal Auditor from 1983 to 1985. He is a director of joint venture companies wherein the Corporation has investment. He is currently an Independent Director at Energy Development Corporation (EDC) and Integrated Micro Electronics Inc. at IMI (IMI). He also serves in the Advisory Board of Coca-Cola FEMSA Philippines, Globe Telecom, Inc. and Mitsubishi Motors Philippines, Inc. He received a Bachelor of Science in Chemical Engineering degree from the De La Salle University in 1978. He was born on the 9th of October 1956.

Fernando Zobel de Ayala (54 years old, Filipino) – has been an Independent Director of the Corporation for more than five years. He is the Vice Chairman, President, and COO of Ayala Corporation. He is also: Chairman of Ayala Land, Inc., Manila Water Company, Inc., AC International Finance Ltd., Ayala International Pte Ltd., Ayala DBS Holdings, Inc., Alabang Commercial Corporation, AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Livelt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., Vesta Property Holdings Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation and Manila Peninsula; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council, and World Presidents' Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; Vice Chairman of Habitat for Humanity International; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board and National Museum. He received a Bachelor of Arts in Liberal Arts degree from Harvard College in 1982. In 1993, he received a Certificate in International Management (CIM) Programme from INSEAD. He was born on the 14th of March 1960.

Cesar A. Buenaventura (85 years old, Filipino) – has been an Independent Director of the Corporation for more than five years. He is the Chairman of Buenaventura, Echauz and Partners, Inc. He is the Vice Chairman of DMCI Holdings, Inc. He is a Director of Phil. American Life Insurance Co., PetroEnergy Resources Corporation, Semirara Coal Company, and Manila International Airport Authority. He was founding Chairman of the Pilipinas Shell Foundation Inc. and founding member of the Board of Trustees of the Makati Business Club. He was a recipient of many awards, among which are Management Man of the Year in 1985, Outstanding Fulbright scholar in the field of business by the Fulbright Association in 2008. He was also awarded as one of the Top Alumni Engineering Graduates of the University of the Philippines. In 1991, he was personally granted the award of Honorary Officer of the Order of the British Empire by her Royal Majesty Queen Elizabeth II. He received a Bachelor of Science in Civil Engineering from the University of the Philippines in 1950. In 1954, he received a Master of Science in Civil Engineering from the Lehigh University in Pennsylvania as a Fulbright Scholar. He was born on the 18th of December 1929.

Cesar B. Bautista (77 years old) – has been an Independent Director of the Corporation for more than five years. He has been a Founding Trustee of the Institute of Corporate Director and the Institute of Solidarity for Asia. He is a Director of Steel Asia (Phil) Inc., Philratings Services Inc., D&L Industries, Inc., First Philippine Holdings Corporation, Phinma, Inc. and Maxicare Healthcare Inc. He is also Chairman of CIBI Information Inc. and St. James Ventures, Inc. He was Chairman and President of Unilever (Philippines), Chairman of Biocon (Philippines), International Starch Corp. (an affiliate of U.S. National Starch Corp.) and Director of ABS CBN Communications, Inc., Chartist Insurance Inc., and Bayan Telecommunications, Inc. After his career with Unilever, he also served the government as: Secretary of the Department of Trade and Industry; Chairman of the Board of Investments, the Presidential Economic Monitoring and Mobilization Task Force, Export Development Council, Industry and Development Council, WTO/AFTA Advisory Commission, the National Development Corporation, The Presidential Committee on National Museum Development, Cabinet Committee on Tariff and Related Matters, Economic Growth Areas/Zones; Monetary

Board Member, representing the President and the Cabinet Man in charge of Region III. He was also appointed: Ambassador to the United Kingdom, Ireland, Iceland and Permanent Representative to the International Maritime Organization and also as Special Envoy to Europe. Upon his return from Europe, he was tasked to establish the National Competitiveness Council, the Task Force for Competitive Services & Industries, and appointed to be the country contact to the U.S. Millenium Challenge Corporation. He was also named to represent the country in the ASEAN-ROK Eminent Persons Group, and in the ASEAN Masterplan for Connectivity. He received a Bachelor of Science in Chemical Engineering from the University of the Philippines in 1958. In 1959, he received a Master of Science in Chemical Engineering from the Ohio State University. He completed the graduate management program from IMEDE of Switzerland in 1983. He is the chairman of the International Chamber of Commerce (Phil), the English Speaking Union (U.K), and the competitiveness committee of MAP. He is in the Board of the Foundation for Global Concerns, European IT Services Corp., and Adviser Emeritus to the Secretary of Trade & Industry on Strategic Roadmaps. He is a Multisectoral Governance Councilman of the Armed Forces of the Philippines Transformation. He was born on the 19th of December 1937.

Vicente R. Ayllon (84 years old, Filipino) – has been a Director of the Corporation since 1985. He is Chairman of the Board and CEO of The Insular Life Assurance Co., Ltd.; Chairman of the Board and President of Insular Life Property Holdings, Inc. (formerly Vigan Realty, Inc.); Chairman of the Board of Insular Investment Corporation, Insular Health Care, Insular Foundation, ILMADECO, Home Credit Mutual Building & Loan Association; Vice Chairman of Union Bank of the Philippines and Mapfre Insular Insurance Corporation; Director of Shell Co. of the Philippines, Ltd., The Palms Country Club and Rockwell Land Corporation. He was also: Chairman of Asian Hospital, Inc., Insular Life Savings & Trust Co., Insular General Insurance Co., Inc., FGU Insurance Corporation, Universal Reinsurance Corporation, Filipinas Life, China Underwriters Life & Gen. Insurance Co. (Hongkong), Asian Institute of Management Council of Presidents, Madrigal Business Park Commercial Estate Association and Tabangao Realty, Inc.; President of Shell Chemical Co. of the Philippines, The Insular Life Assurance Co., Ltd. and Association of Insurers and Reinsurers of Developing Countries; He was Director of Philippine Hoteliers, Inc., Purefoods Corporation, Bank of the Philippine Islands, Ayala Land, Inc., Engineering Equipment, Inc., Filipinas Foundation, Inc., Family Bank, Fillinvest Credit Corporation, Insurance Institute for Asia & the Pacific, Globe Telecom (GMCR, Inc.), Keppel Phils. Holding, Inc., Kepphill Shipyard, Inc., Insular Century Hotel, Davao, Araneta Properties, Inc. and LIMRA International; Trustee of Life Underwriting Training Council. He received a Bachelor of Science in Commerce degree from the University of the East in 1952. In 1969, he received a Certificate in International Management from the Waterloo University. He also attended the following courses: Harvard Advance Management Program in the Far East in 1963, Agency Management at the LIAMA in Chicago in 1965 and the Top Management Program at the Asian Institute of Management in 1979. He was born on the 23rd of January 1931.

Mayo Jose B. Ongsingco (63 years old, Filipino) – has been a Director of the Corporation since 2002. He is President and Chief Operating Officer of The Insular Life Assurance Co., Ltd. He is also: Chairman of Insular General Insurance Agency, Inc. and Insular Life Employees' Retirement Fund; Vice Chairman of Insular Life Health Care, Inc.; President and Vice Chairman of Insular Life Management & Development Corp.; Vice Chairman, Board & Excom of Home Credit Mutual Building & Loan Assoc. and Vice Chairman Excom of Unionbank of the Philippines; Director of Insular Investment Corporation, Insular Life Foundation, Insular Life Property Holdings, Inc., Mapfre-Insular Insurance Corporation, Pilipinas Shell Petroleum Corporation, Keppel Philippines Holdings, Inc., and Pamplona Realty, Inc. He is also a trustee of the De La Salle College of St. Benilde, DLSU Parents of University Students Organization, DLSU PUSO Foundation and Foundation for Carmelite Scholastics. He received an AB Economics and Bachelor of Science in Commerce degree, major in Accounting (Magna Cum Laude) from the De La Salle University in 1974. In 1977, he received a Master of Business Administration from the University of the Philippines. He also completed an Advance Investment Banking Course from INSEAD in 1996. In 1999, he received a Master of National Security Administration degree from the National Defense College of the Philippines, graduating Class Valedictorian. He also completed the Naval Command and General Staff Course at the Philippine Navy Naval Education & Training Command in 2001. He was born on the 8th of May 1951.

Carlos R. Araneta (69 years old, Filipino) – has been a Director of the Corporation since 1986. He is a Director of Araneta Properties, Inc. and Chairman of Spathodea Campanulata Inc. He received a Bachelor of Science in Business Administration degree from Boston University in 1967. In 1971, he received a Bachelor of Law degree from the Ateneo de Manila University. He was born on the 24th of March 1945.

Shaiful B. Zainuddin (49 years old, Malaysian) - joined Shell in 1988 in Retail Development and Network Planning and then undertook various assignments in Shell companies in Malaysia in Finance and LNG business. He spent 4 years in Melbourne as Planning & Appraisal lead for the Oceania Cluster Downstream businesses. Thereafter he returned to Malaysia and took on the role as the Finance Manager of Shell Refining Company in Port Dickson as well as the Cluster Manufacturing, Supply & Distribution FM for Malaysia & Thailand. Shaiful was next appointed as the Controller/Finance Director for Shell Oman Marketing Company, a position he held until 2008. He then assumed role as the DS Finance Implementation Manager for East, Canada, responsible for rolling out the Streamline Finance processes and delivery of the Finance Functional Plan for multiple countries in East region, Canada. In 2011 December he took the Long Term International Assignment here in Manila Philippines as Cluster Controller for Philippines and North Pacific Island and representing PSPC as Vice President for Finance. Shaiful graduated from the University of Kent at Canterbury, B.A. with Honours in Accounting with Computing and also took the Executive Business Leadership Programme in INSEAD Singapore. He was born on January 21, 1966.

Anthony Lawrence D. Yam (50 years old, Filipino) - is the Vice-President for Retail Business in Pilipinas Shell. He joined Shell in August 1986 and has served the company as Operational Excellence Manager for the Customer Service Center from mid-2010 to mid-2011. He has been the Retail Pricing Manager from late 2009 to mid-2010, Interim General Manager for LPG Business from May-October 2009 and Retail District Manager for Metro Manila from 2005 to 2009. He was assigned in Vietnam for a cross-posting assignment as General Manager for LPG from 2001-2005. Prior to his cross-posting assignment, he was the Southern Regional Sales Manager for LPG (Phil) from 1997-2001 and has served Shell in various support roles from 1993-1997, that included stints in Corporate Brand, Customer Service Center, Lubricants and Internal Audits. He started his career as a sales representative for Retail from 1986-1993. He received his Bachelor of Science in Industrial Management Engineering minor in Mechanical Engineering degree from the De La Salle University in 1985. He was born on December 20, 1964.

Sebastian Cortez Quiniones, Jr (55 years old, Filipino) - is currently the General Manager/Managing Director of Shell Philippines Exploration BV, appointed into the position in 2009. He served as: General Manager Distribution of Philippines and North Pacific Islands from 2001 to 2009-during that period he was also a Director and Chairman of the Board of Pandacan Depot Services, Inc; Vice President Supply of Pilipinas Shell Petroleum Corporation from 2000 to 2001-during that period he was also a Director of the Batangas Bay Carriers, Inc and First Philippines Holding Corporation; Refinery Superintendent of the Pililla Refinery from 1995 to 2000; Operations Shift Manager, Start-up Team member and Process A Manager from 1991 to 1995; Site Focal for STAR BDEP in Shell Internationale Maatschappij BV in the Hague Netherlands from 1989 to 1991; Process Manager of the Shell Tabangao Refinery 1986 to 1989; Refinery Technologist of the Shell Tabangao Refinery from 1981 to 1986. He was a Philippine Science High School scholar, and an NSDB Scholar at the University of the Philippines where he studied Chemical Engineering. He was born on the 10th of January 1960.

Eduard Rudolf Geus (49 years old, Dutch) - is the General Manager and Vice-President for Manufacturing of the Corporation since 5 May 2014. He served as: Senior Advisor Refining – Secondee to Statoil Refinery Mongstad, Norway from 2011 to 2013; General Manager Global Operations – Shell WindEnergy Inc., Houston, USA from 2007 to 2011; Business Improvement Leader – Couronnaise de Raffinage, Shell Refinery Petit Couronne, France from 2006 to 2007; Process Unit Manager – Couronnaise de Raffinage, Shell Refinery Petit Couronne, France from 2003 to 2006; Senior Technologist – Couronnaise de Raffinage, Shell Refinery Petit Couronne, France from 2000 to 2003; Distillation and Membrane Technology Technologist – Shell Global Solutions, Amsterdam, The Netherlands from 1996 to 2000; Technologist – Sola Refinery, Norske Shell, Norway from 1993 to 1996; Base Oil Technologist – Shell Internationale Petroleum Maatschappij, The Hague, The Netherlands in 1993. He received a Master's Degree in Chemical Technology from the Technical University Delft, the Netherlands in 1988, and a PhD Degree in Technical Sciences also from the Technical University Delft in 1993. He was born on the 9th of July 1965.

Mona Lisa Bautista Dela Cruz (57 years old, Filipino) – is the Assistant Manager to the Executive Vice-President of Insular Life Assurance Company Ltd. and shall take over as President and Chief Operating Officer of Insular Life Assurance Company Ltd. by 1 May 2015. She has been a director of Insular Life Health Care, Inc., ILAC General Agency, Inc., Insular Investment and Trust Corporation, Home Credit Mutual building and Loan Association, Insular Life Development and Management Corporation, and Professional Services, Inc. (The Medical City). She has also been a Trustee of the Insular Life Foundation, Inc. She received her Bachelor of Science degree in Statistics from the University of the Philippines and

graduated *Cum Laude* in 1978. She likewise completed her Masters Degree in Science and Mathematics, majoring in Actuarial Science, in the University of Michigan in 1979. Her memberships include the Actuarial Society of the Philippines, the Society of Actuaries, USA, and the International Actuarial Association. She was born on the 5th of June 1957.

Final List of Nominees for Appointment as Corporate and By-Laws Executive Officers for 2015 to 2016:

The final list of nominees for appointment as Corporate/By-Laws Executive Officers for the ensuing year are:

Edgar O. Chua*	Chairman & President	Filipino
Shaiful B. Zainuddin*	Vice President – Finance/Treasurer	Malaysian
Homer Gerrard L. Ortega	Vice President – Human Resources	Filipino
Eduard Geus*	Vice President – Manufacturing	Dutch
Dennis G. Gamab	Vice President – Trading and Supply	Filipino
Anthony Lawrence D. Yam*	Vice President – Retail	Filipino
Ramon Del Rosario	Vice President – Communications	Filipino
Jannet C. Regalado	Vice President – Legal	Filipino
Erwin R. Orocio	Corporate Secretary	Filipino
Maria Lourdes O. Dino	Asst. Corporate Secretary	Filipino

*Member of the Board of Directors

Below are the profiles of incumbent and new nominee/s for appointment as Corporate/By-Laws Executive Officers:

Other By-Laws Executive Officers (who are not directors/nominees to the Board):

Homer Gerrard L. Ortega (48 years old, Filipino) - has been the Vice President for Human Resources since April 2007. He has served the Corporation in several assignments: as HR Change Manager supporting Shell's Retail businesses in Asia/Pacific/Middle East countries (2005-2007); HR Capability Manager also for Shell's Retail businesses in Asia/Pacific/Middle East (2002-2004); Retail Operations Manager (1999-2001); HR Transition Management Team Member (1997-1998); HR Recruitment & Training Adviser (1996-1997); and, Retail Territory Manager (1990-1995). He studied at the University of the Philippines in Dilliman, Bachelor of Science in Business Administration and Accountancy (1984-1989); and, became a Certified Public Accountant in 1990. He was born in Quezon City on 13th January 1967.

Dennis G. Gamab – (50 years old, Filipino) - has been Vice President for Trading and Supply since 2010. He joined the Corporation in 1987 and has served the Corporation as: Vice President for Supply from 2005-2009, Road Transport Manager for the Philippines from 2000 - 2005, Secondary Logistics Economist from 1998 - 2000, Logistics Project Implementor in 1997 - 1998, Poro Installation Manager in 1995 - 1997, crossposting assignment in Dubai 1992 - 1995 as Marine and Lubricants Distribution Head, Bataan Depot Manager 1990 - 1992 and Plant and Transport Assistant and various other Distribution jobs from 1987 - 1990. He received a Bachelor of Science in Mathematics from the University of the Philippines in 1987. He was born on the 12th of February 1965.

Ramon Del Rosario (55 years old, Filipino) – has been the Vice President for Communications since 19 August 2014. He graduated with a Bachelor of Science degree in Mechanical Engineering from the University of the Philippines in 1980. Following his Bachelor's degree, he took a Masters degree in Business Administration from the Ateneo de Manila Graduate School of Business in 1981. He also took up several trainings in Program Management, Sales Effectiveness, Cultural Awareness, Marketing, Lubricants Business, and other technical courses. He started his career in 1981 as a Commercial Fuels Account Manager in the Corporation before moving progressively to broader and more senior roles. He held various positions in Lubricants, Marketing and Sales, Brand and Market Research, Commercial Fuels, and GSAP. He gained extensive international exposure in his overseas assignments with the Shell Company of Cambodia Ltd., where he held the position of a Marketing and Sales Manager. Prior to his current assignment, he was assigned to Shell's Regional Offices with responsibility over Commercial Transport Marketing Development, Consumer Lubricants, and Sales 1st. In 2007 to 2008, he became the Country Implementation Manager and organized the gap analysis of local processes relative to global Streamline design and policies. He then became the Country Programme Manager in the successful Streamline, Global SAP, Organizational Design, and Connected Applications deployment in the Philippines. Mon became the Shell Gas (LPG) Philippines Inc. General Manager in 2009 and succeeded in transitioning the LPG business from PSPC to Isla Gas Corporation. Two years after, he became the Chief Executive Officer of Isla LPG Corporation. He was born on 19 July 1959.

Jannet C. Regalado (52 years old, Filipino) – has been the General Counsel and Corporate Secretary since 2001. She is the Vice President for Legal and Corporate Secretary of Pilipinas Shell Petroleum Corporation and is concurrently Royal Dutch Shell's Managing Counsel for Global Litigation Asia Pacific covering the Philippines, China, New Zealand, Korea, Japan, Indonesia, Brunei and the Pacific Islands, Malaysia, Singapore, Thailand, India, Pakistan, Vietnam, Laos, Cambodia, and Australia. She is responsible for managing and supervising a sizeable portfolio of litigation and arbitration in these jurisdictions involving commercial, civil, criminal, tort, environmental & employment matters and deals with a big network of Shell - accredited global law firms. She has served the Company as: Employment and Industrial Relations Manager from 1997 to 2001; Assistant Legal Counsel from 1994 to 1997; Legal Assistant from 1992 to 1994. Prior to joining the Shell Companies in the Philippines (SCIP), she was corporate secretary of First Lepanto Corporation and was a legal counsel at the Carpio, Villaraza and Cruz Law Firm. She graduated with high honors with degrees in Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines (U.P.). During her stint at the University, she was a student leader and very active in intra-university debates and moot court competitions. She is also a faculty member of both the University of the Philippines and the Lyceum College of Law and is active in several legal and professional organizations. She is married to Atty. Reynaldo Regalado of the Regalado, Atienza and Mendoza Law Offices, with whom she has three children. She was born on the 26th of November 1962.

Erwin R. Orocio (46 years old, Filipino) – is the Managing Counsel for Downstream. He is also the Assistant Corporate Secretary of the Corporation, first elected as such on 17 April 2012. He also serves as the Corporate Secretary for various Shell companies in the Philippines. He joined the Legal department as a Legal Counsel in November 1997 and has since advised all businesses and functions. Prior to that, he served as managing partner of the Garcia Ines Villacarlos Garcia Recifia & Orocio Law Office. He first joined the Corporation as an accountant in 1991 and left in January 1996 to complete his Juris Doctor degree from the Ateneo De Manila School of Law. He graduated from the De La Salle University in 1989 with a Bachelor of Arts (Major in Economics) and Bachelor of Science (Major in Accountancy). He placed 13th in the Accounting Board exams of May 1990. He was born on the 9th of March 1969.

Maria Lourdes O. Dino (33 years old, Filipino) – serves as Legal Counsel for Downstream. She is also the Assistant Corporate Secretary for various Shell Companies in the Philippines. She joined the Corporation's Legal Department in July 2012 and has since managed corporate legal issues and advised several businesses and functions including Manufacturing, Lubricants Supply Chain, and Finance. Prior to joining the Corporation, she was an associate in the Corporate Law & Taxation Team of Jimenez Gonzales Liwanag Bello Valdez Caluya & Fernandez in 2006 and later served as in-house counsel of various multinational companies including PeopleSupport Philippines, Inc. and Maersk GSC ROHQ, advising, collaborating with, and assisting both local and foreign clients on corporate restructuring, corporate due diligence, mergers & acquisitions, securities, regulatory compliance, corporate secretaryship, contract negotiations, immigration law, labor law, and international trade control laws. She finished her Bachelor of Arts Degree in Political Science from the University of the Philippines in three years and graduated *Cum Laude* in 2001. She then went on to complete her Juris Doctor Degree from the Ateneo de Manila School of Law in 2005. Her memberships include the International Honor Society of Phi Kappa Phi, the International Honor Society in Social Sciences (Pi Gamma Mu), and the Integrated Bar of the Philippines. She was born on the 14th of March 1981.

(ii) Significant Employees

The Corporation values its human resources. It expects each employee to do his share in achieving the Corporation's set goals.

(iii) Family Relationship

None of the Directors and Executive Officers of the Corporation is related up to the fourth civil degree either by consanguinity or affinity.

(iv) Involvement in Certain Legal Proceedings

For the past five years, none of the enumerated Directors or By-Laws' Executive Officers or any of their property is involved in any material pending legal proceedings in any court or administrative agency of the Government, except

that, in connection with the leak of petroleum products from the First Philippine Industrial Corporation's white oil pipeline, the West Tower Condominium Corporation filed on 15 October 2011 a complaint for violation of Article 365 of the Revised Penal Code against several directors of the Corporation. The Corporation uses said pipeline to transport its products from the Tabangao refinery to its Pandacan terminal. Preliminary investigation is ongoing before the Department of Justice with the directors having filed their respective counter-affidavits on the 19th of December 2011.

To the knowledge and/or information of the Corporation, none of the current and nominated directors and officers were involved during the past five (5) years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in an action by any court or administrative bodies to have violated a securities and commodities law.

(a)(2) Annex "C" Part IV, Paragraph D(1) - Certain Relationships and Related Transactions

The Corporation, in its regular course of trade or business, enters into transactions with affiliated companies. For details on these transactions, please refer to the notes of the 2014 Audited Financial Statements attached to this Definitive Information Statement as Annex "A".

No other transaction was undertaken by the Corporation in which any Director or Executive Officer was involved or had a direct or indirect material interest. During the last two (2) years, there were no transactions to which the Corporation was a party concerning transactions with:

- i. Any director/executive director;
- ii. Any nominee for election as director;
- iii. Any security holder of certain record, beneficial owner or Management; or
- iv. Any member of the immediate family of subpar (a)(2)(i), (ii) or (iii) of this paragraph (iv).

(a)(3) Annex "C" Part IV, Paragraph D(3) - Parent Company

Shell Overseas Investments B.V. owns 67.1% of the total issued and outstanding capital stock of the Corporation as of 24 March 2015.

- (b) No director has resigned or declined to stand for re-election for the Board of Directors since the date of the annual meeting of stockholders due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Item 6. Compensation of Directors & Executive Officers

(a) Governing By-Laws Provision:

Directors. Article III Section 6 of the Corporation's Amended By-Laws provides:

"Section 6 - Compensation: The Directors as such shall not receive any salary or compensation for their services, but for their attendance for each regular or special meeting of the Board of Directors, they shall receive an honorarium not exceeding such amounts as may be laid down from time to time by the stockholders of the Corporation. Nothing herein contained shall preclude any Director from serving the Company in any other capacity and receiving compensation therefor."

Officers. Article IV, Section 4 of the Corporation's Amended By-Laws provides that:

"Section 6 - Compensation: The Board of Directors shall from time to time fix the compensation of the Officers and agents of the Company."

(b) Summary Compensation Table

Name and Principal Position	Year	Salary	Other Variable Pay
1. Edgar O. Chua Chairman and President			
2. Shaiful B. Zainuddin Treasurer/VP - Finance			
3. Ramon Del Rosario VP - Communications			
4. Dennis G. Gamab VP - Trading and Supply			
5. Homer Gerrard Ortega VP - Human Resources			
6. Anthony Lawrence D. Yam VP - Retail			
7. Eduard Geus VP - Manufacturing			
8. Jannet C. Regalado VP - Legal/ Corporate Secretary			
9. Erwin R. Orocio Assistant Corporate Secretary /Incoming Corporate Secretary			
10. Maria Lourdes O. Dino Incoming Asst. Corporate Secretary			
President and By-Laws Officers	Actual 2013	P 67.7 Million	P 33.0 Million
	Actual 2014	P 69.1 Million	P 28.3 Million
	Projected 2015	P 73.4 Million	P 44.1 Million
All Directors as a Group (Honorariums & Retainers)	Actual 2013	P 8.090 Million	
	Actual 2014	P 8.085 Million	
	Projected 2015	*P 8.690 Million	

**Projected total annual compensation*

(c) The total annual compensation was all paid in cash. The total annual compensation of officers includes the basic salary, the mid-year bonus and the 13th month pay.

(d) The following amounts were paid to Board Members:

Director's Honorarium for attendance in Board Meetings is Php 75,000.00 per director.

Total Director's Annual Retainer's Fee (Non-Shell Directors only) is Php1,000,000.00 per director.

Honorarium for attendance at Board Committee Meetings (Non-Executive Directors only) is Php40,000.00 per director.

- (e) The company has a registered, non-contributory retirement plan. All regular employees are covered by the said retirement plan. The Executive Officers are regular employees of the Corporation.
- (f) The Corporation has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.
- (g) There are no other actions to be taken with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

Item 7. Independent Public Accountants

- (a) The Board Audit Committee, which is composed of Mr. Cesar B. Bautista (Chairman), Cesar A. Buenaventura (Member) and Sebastian Quiniones (Member) recommended the re-appointment of the accounting firm of Isla Lipana & Co. (PriceWaterhouseCoopers - Philippines) [formerly known as Joaquin Cunanan & Co.] as the principal accountants and external auditors of the Corporation. The same accounting firm shall be recommended for re-appointment at the scheduled Board Meeting on 24 March 2015, subject to final approval by the stockholders during the annual meeting, for almost the same remuneration as in the previous year.
- (b) The same accounting firm rendered the same services for the Corporation during the most recent fiscal year. Mr. Roderick M. Danao, Assurance Partner, has been in-charge of auditing the Corporation since 2014. For Y2015, Mr. Roderick M. Danao, Assurance Partner, is proposed to be the officer in-charge of auditing the Corporation.

The Corporation is in full compliance with the five (5) year rotation requirement for External Auditors under Section 68 of the Securities & Regulations Code (SRC). The Corporation's external auditor for 2013 and 2014 was Isla Lipana & Co. (PriceWaterhouseCoopers - Philippines). It was again represented in 2013 by its Assurance Partner, Ms. Blesilda Pestano who had been in charge of auditing the Corporation since 2011. She was replaced by Mr. Roderick M. Danao, Assurance Partner, in 2014.

- (c) Representatives of Isla Lipana & Co. (PriceWaterhouseCoopers - Philippines) for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.
- (d) During the registrant's two most recent fiscal years or any subsequent interim period,
 - (1) No independent accountant who was previously engaged as the principal accountant to audit the registrant's financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed; and
 - (2) No new independent accountant has been engaged as either the principal accountant to audit the registrant's financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary.

(e) Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The accounting firm of Isla Lipana & Co. (PriceWaterhouseCoopers - Philippines) has been the principal accountants and external auditors of the Corporation for the current and previous fiscal years. There are no changes in and disagreements with mentioned accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

(f) External Audit Fees

1) Audit and Audit-Related Fees

- i. Audit of the annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements:

2014:	P 7.0 million pesos
2015:	P 7.0 million pesos

- ii. Other assurance and related services reasonably related to the performance of the audit or review of the financial statements:

2014: None
2015: None

2) Tax Fees – Nil

3) All Other Fees – Nil

4) The Corporation's Board Audit Committee's (BAC) policies and procedures on "External Audit" are as follows:

- i. Review the external auditor's proposed audit scope, approach and audit fee. Ensure that no unjustified restrictions or limitations have been placed on the scope
- ii. Review the performance of the external auditors;
- iii. Consider the independence of the external auditor, including reviewing the range of services provided in the context of all non-audit and consulting services bought by the Corporation from the external audit firm; and
- iv. Make recommendations to the Board regarding the appointment/re-appointment of the external auditors.

The above are included in the Board Audit Committee and Internal Audit Charters duly approved by the Board and submitted to the SEC.

Item 8. Compensation Plans

There is no action that will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

The Corporation will submit to its stockholders for approval an Eighteen Billion Peso (Php18,000,000,000.00) increase in the Corporation's capital stock approved by the Corporation's Board of Directors on March 24, 2015 (the "Capital Increase"), which will result in the increase of the authorized capital stock of the Corporation from One Billion Pesos (Php 1,000,000,000.00) to Two Billion Five Hundred Million Pesos (Php2,500,000,000.00) divided into Two Billion Five Hundred Million (2,500,000,000) shares each with a par value of One Peso (Php1.00) per share.

Out of the One Billion Five Hundred Million (1,500,000,000) shares of the increase in the Corporation's authorized capital stock, Nine Hundred Million (900,000,000) shares will be offered for subscription to the existing shareholders of the Corporation in proportion to their shareholdings as of 12 May 2015 (the "Record Date"), rounded-off to the nearest whole share, at an Offer Price of Twenty Pesos (Php20.00) per share. The shareholders who fail to manifest timely their intention to subscribe and/or pay for their subscriptions shall be deemed to have waived their pre-emptive rights and the untaken shares shall be offered to shareholders who opted to subscribe to additional shares, in proportion to their shareholdings as of the Record Date, rounded-off to the nearest whole share.

As previously disclosed via a 17-C Report, the Capital Increase is intended to reset the Corporation's gearing to an appropriate level, which has reached 92% as of 31 December 2014.

The shares shall enjoy equal rank, preference and priority with the presently issued and outstanding common shares of the Corporation and shall be entitled to any and all the rights attached to them under the Corporation Code and the Corporation's Articles of Incorporation and By-Laws.

Under the Corporation Code and the Corporation's Articles of Incorporation, shareholders shall enjoy preemptive rights to subscribe to all issues or dispositions of shares by the Corporation in proportion to their respective shareholdings.

Subscription for shares of capital stock of a corporation pursuant to an increase in its authorized capital stock, when no expense is incurred, no commission, compensation or remuneration is paid or given in connection with the sale or

disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the required minimum 25% subscribed capital stock, is exempt from registration under the SRC. No notice or confirmation of exemption is required to be filed for the issuance of shares pursuant to an increase in authorized capital stock

There are no provisions in the Corporation's Articles of Incorporation or By-Laws that would cause a delay or deferment or in any manner prevent a change in control of the Corporation.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance of authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

(a) The Audited Financial Statements as of 31 December 2014 approved by the Board of Directors in a meeting scheduled on 24 March 2015 is attached to this Definitive Information Statement as Annex "A" for distribution to the stockholders on 20 April 2015 and presented during the Annual Stockholders Meeting on 12 May 2015.

(b) **Management's Discussion and Analysis**

The financial statements (Statements of Income & Balance Sheets) are for the years 2014, 2013 and 2012 are shown in Million Philippine Pesos.

2014 vs. 2013 Financial Condition

Cash and Cash equivalents decreased by 23% from PhP6.1 billion in 2013 to PhP4.7 billion in 2014. PhP7.8 billion cash was generated from operational activities, PhP6 billion cash used for investing (purchase of assets) activities, and PhP3.2 billion used to pay interest and Loan.

Receivables decreased by 11% from PhP15.7 billion in 2013 to PhP14 billion in 2014 due to overall price decrease of oil compared to 2014 (108 USD per barrel to average of 61 USD per barrel in Dec 2014)

Inventories decreased by 43% from PhP28.5 billion in 2013 to PhP16.3 billion in 2014 due to reduction in production from falling crude prices.

Prepayments and other current assets increased by 28% from PhP9.5 billion in 2013 to PhP12.2 billion in 2014 mainly due to increase in input VAT and creditable withholding tax.

Property and equipment increased by 26% from PhP14.8 billion in 2013 to PhP18.6 billion in 2014 due to investments in the refinery and as well as the North Mindanao Import Facility.

Deferred income tax assets increased by 256% from PhP1.5 billion in 2013 to PhP5.3 billion in 2014 due to the loss suffered during the year.

Other Assets decreased by 19% from PhP1.2 billion in 2013 to PhP1.0 billion in 2014 mainly due to pension payment, and increase in depreciation for software asset.

Account Payable and accrued expenses increased by 39% from PhP14.3 billion in 2013 to PhP19.9 billion in 2014 that is attributable to the long holidays at end of the year that pushed payment and check pick up in January 2015. We were also granted longer credit terms for some intercompany payables as part of working capital initiatives.

Short term Borrowings decreased by 39% from PhP35.5 billion in 2013 to PhP21.6 billion in 2014 due to reclass to current portion by PhP11 billion which is payable by 2015 and partly due to repayment.

Current portion of loans payable increased by 100% from Nil balance in 2013 to PhP11 billion in 2014 due to reclass from short term borrowings which becomes payable in 2015.

Loans payable increased by 9% from PhP11 billion in 2013 to PhP12 billion in 2014 to meet the working capital requirements.

Stockholder's Equity decreased by 69% from PhP12.6 billion in 2013 to PhP3.8 billion in 2014 mainly due to the recorded net loss.

2013 vs. 2012 Financial Condition

Cash and Cash equivalents decreased by 11% from PhP6.9 billion in 2012 to PhP6.2 billion in 2013. PhP4.9 billion cash was used for operational activities, PhP3.4 billion cash used for investing (purchase of assets) activities, and PhP1.6 billion used to pay interest and dividend, offset by PhP9 billion cash borrowed for the above activities.

Inventories increased by 5% from PhP27 billion in 2012 to PhP28.5 billion in 2013 due to unplanned refinery shutdown resulting to higher inventory volumes at year-end.

Prepayments and other current assets increased by 34% from PhP7.1 billion in 2012 to PhP9.5 billion in 2013 mainly due to increase in input VAT and creditable withholding tax.

Other Assets increased by 33% from PhP0.9 billion in 2012 to PhP1.2 billion in 2013 mainly due to pension asset revaluation (PAS 19 on Employee Benefits).

Account Payable and accrued expenses decreased by 23% from PhP18.6 billion in 2012 to PhP14.3 billion in 2013 that is attributable to the decrease on importation from SIETCO – when the refinery had to do unplanned shutdown, offset by products being purchased locally.

Dividend Payable increased by 10% from PhP0.009 billion in 2012 to PhP0.01 billion in 2013 due to cheques not claimed by shareholders – latter on becoming staled.

Short term Borrowings increased by 35% from PhP26.3 billion in 2012 to PhP35.5 billion in 2013 due to increase in refinancing of matured loan during 2013 compared to 2012.

Stockholder's Equity decreased by 9% from PhP13.9 billion in 2012 to PhP12.6 billion in 2013 due to the recorded net loss, payment of dividend and slightly offset by revaluation of pension assets (PAS 19 on Employee Benefits).

2014 vs. 2013 Results of Operation

Net loss after tax for the year 2014 was registered at PhP(8.5) billion down from the results of 2013 amounting to PhP(0.9) billion. Higher cost of sales over Net sales translated to a negative gross profit margin. Operating expenses also increased in 2014.

Net sales increased by 13%, from PhP198.8 billion in 2013 to PhP224.1 billion in 2014. Increased Sales revenues are due to the increased sales volume from 5,309M Liters in YTD Dec 2013 to 5,627M Liters in YTD Dec 2014. These were aided by the success of various national promotions i.e., Coca Cola, Project Bell (SM Advantage Card loyalty program), raffle prize of a trip to the Ferrari Factory, Project Elite – for every PhP1500 purchase of Shell V-Power Nitro and fuels you get free Magnum Ice Cream, and also the increased demand from Power sector.

Cost of Sales increase by 20% from PhP187.2 billion in 2013 to PhP225.4 billion in 2014 is mainly due to the increase in the volumes coupled by the higher cost of production compared to the market crude rate.

Gross profit margin decreased from PhP11.6 billion in 2013 (6% of net sales) to gross loss of PhP1.3 billion in 2014 (1% of net sales). decrease in margins were due decrease in Supply and Manufacturing business margins due to higher operational costs and unplanned refinery shut downs.

Operating expenses increased to PhP9.4 billion in 2014, from PhP8.8 billion in 2013 due to the higher level of operations increasing general and administrative and selling expenses.

Other non-Operating Income/ (Expense) decreased to PhP0.02 billion in 2014 from PhP1.2 billion in 2013. This is mainly due to the gain on sale of Shell Gas (LPG) Philippines Inc in 2012 to settlement of claim made to local company in 2013.

Finance income (expenses) has decreased from PhP(2.4) billion in 2013 to PhP(1.6) billion in 2014, mainly due to realized foreign exchange gain as compared to realized foreign exchange losses as a result of peso appreciation.

2013 vs. 2012 Results of Operation

Net income/(loss) after tax for the year 2013 was registered at PhP(0.9) billion down from the results of 2012 amounting to PhP4.8 billion. Net sales increased in 2013 that translated to a higher gross profit margin. Operating expenses, finance costs and other non-operating expenses also increased in 2013. On a normalized basis however, net income after tax (NIAT) for 2012 was at PhP1.2B, if we take out the contribution of the sale of the LPG business. Similarly during the current year, NIAT would be at PhP0.4B, if we deduct the settlement for claims of a local company – i.e., in October 2013, the local company which bought the Corporation'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 Corporation 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.

Net sales increased by 5%, from PhP188.8 billion in 2012 to PhP198.8 billion in 2013. Increased Sales revenues are due to the increased sales volume from 5,056M Liters in YTD Dec 2012 to 5,309M Liters in YTD Dec 2013. These were aided by the success of various national promotions i.e., Coca Cola, Project Bell (SM Advantage Card loyalty program), V-Power Trip to Italy Promotion, increase in volumes from deals with PSALM, Therna Marine and also the increased demand from Power sector and the favorable impact of the government's anti-smuggling measures.

Cost of Sales increase by 5% from PhP178.1 billion in 2012 to PhP187.2 billion in 2013 is mainly due to the increase in the volumes coupled by the higher average cost of crude by USD3 in 2012 (higher beginning inventory prices/value) vs. 2013 (lower ending inventory price/value).

Gross profit margin increased from PhP10.7 billion in 2012 (6% of net sales) to PhP11.6 billion in 2013 (6% of net sales). Increase in margins were due to higher sales volumes and the average crude price being lower in 2013 by USD3 as compared to 2012 prices, offset by steep decrease in Supply and Manufacturing business margins mainly due to unplanned refinery shut down in November.

Operating expenses increased to PhP8.8 billion in 2013, from PhP8.5 billion in 2012 due to the higher level of operations increasing general and administrative and selling expenses.

Other non-Operating Income/ (Expense) – from other non-operating income in 2012 of PhP4.6 billion, PhP1.1 billion non-operating expense was registered in 2013. This is mainly due to the gain on sale of Shell Gas (LPG) Philippines, Inc. in 2012 vs. settlement of claim made to local company in 2013.

Finance income (expenses) has increased from PhP(0.7) billion in 2012 to PhP(2.4) billion in 2013, mainly due to foreign exchange losses as a result of peso depreciation and higher interest charges due to increased borrowings.

2014 vs. 2013 Capital Employed

Return on average capital employed is at -16% for 2014 compared to -2% in 2014. Average capital employed decreased by 3% to PhP53.7 billion in 2014 from PhP55.1 billion in 2013 decrease in inventories and increase in Trade and other payables offset by increase in fixed asset investment and increase in deferred tax asset due to incurred losses as well as increase in input VAT.

Net working capital decreased from PhP45.6 billion in 2013 to PhP27.3 billion in 2014, with major decrease in Inventory due to falling crude prices.

Long term assets increased by PhP7.4 billion in 2014, owing to an increase in Property, Plant and Equipment (refinery and terminal investments) and Deferred tax assets.

Net cash flow generated/(used) from operating activities but before working capital changes amounted to PhP(5.1) billion in 2014, which reflects the net operating loss for the year. Decrease in current assets, increase in liabilities other than provisions, dividends payable, short-term borrowings and loans payable resulted in net cash generated from operating activities to PhP7.4 billion.

2013 vs. 2012 Capital Employed

Return on average capital employed is at -2% for 2013 compared to 11% in 2012. Average capital employed increased by 24% to PhP55 billion in 2013 from PhP44 billion in 2012 that is mainly due to higher short-term borrowings to finance a higher net working capital in 2013.

Net working capital increased by PhP8 billion in 2013, mainly due to increase in volume of the inventory, increase in input VAT prepayments and decrease in payables to related parties because of refinery shut down and products being purchased locally.

Long term assets increased by PhP0.5 billion in 2013, owing to an increase in Pension plan asset and Property, Plant and Equipment.

Net cash flow generated/(used) from operating activities amounted to PhP(5) billion in 2013, which reflects the net operating loss for the year, increase in current assets other than cash, decrease in liabilities other than provisions, dividends payable, short-term borrowings and loans payable.

STATEMENTS OF INCOME:

	2014	2013	2012 (as restated)
Net Sales	224,085	198,849	188,849
Cost of Sales	-225,394	-187,219	-178,111
Gross profit	-1,309	11,630	10,738
Operating Expenses, net	-9,429	-8,780	-8,481
Income from Operations	-10,738	2,850	2,256
Other non-operating income/ (Expense)	-18	-1,170	4,579
Finance Income (costs), net	-1,629	-2,411	-748
Income/(Loss) Before Provision for Income Tax	-12,385	-731	6,087
Provision for Income Tax	3,896	-181	-1,287
Net Income/(Loss) for the Year	-8,489	-912	4,799
Earnings Per Share	-12.28	-1.32	6.94

BALANCE SHEETS:

	2014	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,722	6,161	6,925
Receivables, net	14,005	15,664	15,538
Inventories, net	16,336	28,514	27,048
Prepayments and other current assets	12,160	9,532	7,089
Total current assets	47,223	59,871	56,600
NON-CURRENT ASSETS			
Long-term receivables, advance rentals and investments	1,390	1,409	1,442
Property, plant and equipment, net	18,631	14,777	14,551
Deferred income tax assets	5,294	1,489	1,480

Other assets	965	1,187	894
Total non-current assets	26,280	18,862	18,367
TOTAL ASSETS	73,503	78,733	74,967
LIABILITIES & STOCKHOLDERS EQUITY			
CURRENT LIABILITIES			
Accounts payable & accrued expenses	19,893	14,292	18,572
Dividends payable	10	10	9
Short-term borrowings	21,550	35,537	26,316
Current portion of Loans payable	11,000	0	0
Total current liabilities	52,453	49,839	44,897
NON-CURRENT LIABILITIES			
Long-term loans payable	12,000	11,000	11,000
Provisions and other liabilities	5,219	5,334	5,216
Total non-current liabilities	17,219	16,334	16,216
Total Liabilities	69,672	66,173	61,113
STOCKHOLDERS' EQUITY	3,831	12,561	13,853
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	73,503	78,733	74,967

Key Performance Indicators

	2014	2013	2012
Current Ratio	0.90	1.20	1.26
Earnings per Share	(12.28)	(1.32)	6.94
Debt-to-Equity Ratio	11.63	3.70	2.69
Return on Assets (%)	(11.15)	(1.19)	6.89
Return on Equity (%)	(104)	(5)	34.90

Figures are based on Audited Financial Statements.

Current ratios are computed by dividing current assets over current liabilities.

Earnings per share is computed based on the net income for the year divided by the weighted average number of shares outstanding during the period.

Debt-to-equity ratio resulted by dividing total borrowings (short-term and long-term borrowings) over stockholder's equity.

Return on assets percentage pertains to net income over average total assets while return on equity percentage is computed by dividing net income over average stockholder's equity.

Known Trends, Demands, Developments, Commitments, Events or Uncertainties that will have a Material Impact on the Issuer's Liquidity

The Corporation has reviewed the known trends, demands, developments, commitments, events or uncertainties during the reporting period and is of the opinion that there are no items which will have a material impact on the issuer's liquidity. (Kindly refer to Note 3.1.3 - Liquidity Risk of the attached Audited Financial Statements)

Capital Expenditures Commitments

For the year 2015, a budget of PhP5 billion has been approved for capital expenditures. Bulk of the capital expenditures will be allocated mainly for the new import facility in North Mindanao, Manufacturing Refinery upgrade to handle Euro IV compliance project, its maintenance work and the expansion of service stations and the support of its retail businesses.

Any Events that will Trigger Direct or Contingent Financial Obligation that is Material to the Corporation, Including any Default or Acceleration of an Obligation.

There are no material or significant events during the reporting period that will trigger direct or contingent financial obligation that is material to the corporation except for the cases enumerated under "Note 28 – Contingencies" in the attached Audited Financial Statements. The Corporation, however, is confident that the liability, if any that may result from the outcome of these cases and investigations will not materially affect the financial position or results of the operations of the Corporation.

All Material Off-Balance-Sheet Transactions, Arrangements, Obligations & Other Relationships of the Corporation with Unconsolidated Entities or Other Persons Created during the Reporting Period

There are no material off-balance-sheet transactions, arrangements, obligations and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Known Trends, Events, or Uncertainties that have had or that are Reasonably Expected to have a Material Favourable or Unfavourable Impact on Net Sales/Income from Continuing Operations

The Department of Energy (DOE) issued Department Circular DC2013-09-0021, mandating standard specifications for gasoline, in line with Republic Act 8749 or the Philippine Clean Air Act of 1999. All oil companies must distribute and sell gasoline blended with 10% ethanol with the following specifications: regular grade with at least a 91 research octane number (green); premium, 95 RON minimum (red); and premium plus, 97 RON minimum (blue). The circular was signed by DOE Secretary Carlos Jericho Petilla last September 19, 2013; retailers have until January 1, 2014 to comply with the new standards.

Any Significant Elements of Income or Loss that did not arise from the Registrant's Continuing Operations

There are no material elements of income or loss that did not arise from the registrant's continuing operations during the period.

Any Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There are no seasonal aspects that have a material effect on the financial condition or results of operations during the period.

Seasonal Aspects that has a Material Effect on the Financial statements

There are no seasonal aspects that have a material effect on the financial statements.

(c) Description of the General Nature and Scope of Business

The Corporation is involved in the manufacture and distribution of fuels, lubricating oils, base oils and bitumen and specialities through its refinery and distribution sites and marketing of the same through nation-wide commercial and retail networks.

The principal products include motor fuels (gasolines), diesel, aviation fuel, fuel oil and a number of industrial and specialty lubricants.

Twenty-two (22) terminals throughout the country ensure the fast and efficient distribution of petroleum products from the Corporation's refinery in Tabangao, Batangas to its various installations and depots and finally to its customers.

Main fuel products and hydrocarbon solvents are transported via lorries and barges. The 110-km Batangas-Manila white oil pipeline (WOPL) which was used as the principal utility in transporting fuel products was shutdown in late 2010 due to a major leak which affected a residential and commercial community in Bangkal, Makati. It remains closed and the subject of a Writ of Kalikasan (Environment Writ) filed before the Supreme Court. Low sulphur fuel oil is transported by barges from the Tabangao refinery. Supply to the rest of the country is transported by coastal tankers, barges and road tankers.

The Shell General Business Principles (SGBP), Code of Conduct and our Commitment and Policy on Health, Safety, Security and Environment (HSSE) & Social Performance (SP) apply to all joint ventures that the Corporation controls.

Pursuant to the SGBP, the Corporation contributes to sustainable development by helping to meet the world's growing energy needs in economically, environmentally and socially responsible ways. The Corporation aims to deliver benefits and reduce its impact through the choices it makes about which projects to invest in, by making more energy efficient products, and by reducing the impact of its operations. Global environmental standards define requirements for the Corporation. These cover areas like responding to oil spills, energy efficiency, continuous venting or flaring of natural gas, air and water emissions from its facilities and handling of waste. The Corporation develops products and services to help meet the need for clean, convenient and affordable energy – for example by producing more cleaner-burning natural gas.

Safety is a top priority in the Corporation. As part of Shell's policies, operations must take a systematic approach to managing environmental impacts, using its Health, Safety, Security and Environment (HSSE) management system. The Corporation aims to have zero fatalities and to prevent incidents like spills, fires, and accidents that put its people, neighbors and facilities at risk. In 2010, the Corporation continued to strengthen its safety culture. It introduced new, simpler safety policies to make it easier to understand and follow the rules and check if these are being implemented.

The energy the Corporation supplies helps to support economic growth and development. In its operations, the Corporation aims to address social concerns and work to benefit local communities, protecting its reputation as it does business. It aims to encourage economic and social development while reducing any negative impact of its operations. The benefits the Corporation brings to local people can include jobs, tax revenue, contracting and business opportunities and social investment. The Corporation implements various social investment programs throughout the country, primarily through the Pilipinas Shell Foundation, Inc. (PSFI), which was established in August 1982 as an independent non-profit organization.

Amount Spent on Research and Development:

R & D Costs	2014	2013	2012
Amount (in Million PhP)	81.30	23.194	21.618

Cost and Effects of Complying with Environmental Laws:

The Clean Air Act

In keeping with the worldwide trend for cleaner fuels, the Philippines has been progressively moving towards adopting more stringent fuel quality standards, largely patterned after those enforced in the EU ("Euro Standards"). In 1999, Republic Act 8749, otherwise known as the Philippine Clean Air Act of 1999, was signed into law, providing a legal framework by which air quality in the country could be improved via a combination of fuel specifications and motor vehicle standards. The Implementing Rules and Regulations (IRR) were finalized in 2000.

Emissions from Stationary Sources

Following the implementation of the Clean Air Act, limits were imposed on sulphur dioxide, nitrogen dioxide and particulate emissions from manufacturing facilities. Continuous emissions monitoring systems (CEMS) were installed in Tabangao in 2001. The Corporation conducts a Relative Accuracy Test Audit of its CEMS as part of the regular self-monitoring reports to the EMB, which is the prescribed method.

Biofuels

The Biofuels Act of 2006 (Republic Act 9367) was implemented with the aim of reducing dependence on imported fuels. It also aimed to develop and utilize indigenous renewable and sustainable clean energy sources to reduce dependence on imported oil; to mitigate toxic and greenhouse gas (GSG) emissions; to increase rural employment and income; and to ensure the availability of alternative and renewable clean energy without any detriment to the natural ecosystem, biodiversity and food reserves of the country.

The Corporation currently blends diesel with 2% coco methyl ester (CME) and gasoline with 10% ethanol.

Fuel Quality

In order to meet the significant reduction in aromatics (from 45% to 35%) and benzene (from 4% to 2%) content in gasoline, the Corporation imports gasoline and gasoline components (purchased chiefly from other Shell companies in the region).

Euro IV-Equivalent Specifications

On September 7, 2010, the Department of Environment and Natural Resources (DENR) issued a Department Order (DAO 2010-23) on Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (P) emission limits subject to fuel availability, starting January 1, 2016.

Euro IV vehicle emission technology requires a more stringent fuel quality i.e. 50 ppm sulfur content for both diesel and gasoline. In 2012, the Department of Energy spearheaded discussions on the development of a Euro IV-PH fuel specification to support DENR DAO 2010-23. The Corporation, as a regular permanent member of the Technical Committee on Petroleum Products and Additives (TCPPA), was actively involved and supportive of the development of Euro IV (P) fuel specifications.

The Department of Trade and Industry promulgated and released the Philippine National Standards (PNS) for gasoline and diesel which mandates the introduction of Euro IV-PH fuels not later than January 1, 2016. Modifications to the refinery will be made in order for the asset to produce Euro IV (P)-compliant fuels. Consequently, the Corporation has approved the investment for the upgrading of its Tabangao refinery and is now geared towards the full mobilization of its contractor to ensure the timely completion of the project to meet the required Euro IV implementation deadline.

(d) Securities of the Registrant

1) Market Price

The Corporation is not listed in the Stock Exchange.

2) Holders

The top twenty (20) stockholders of the Corporation as of 24 March 2015 are as follows:

Stockholder Name	No. of Shares	Percentage
Shell Overseas Investments B.V.	463,988,998	67.1211%
The Insular Life Assurance Company, Ltd.	134,702,822	19.4862%
Spathodea Campanulata Inc.	34,991,752	5.0619%
Rizal Commercial Banking Corporation	12,538,713	1.8139%
Sagitro, Inc.	4,658,894	0.6740%
Lourdes T. Arroyo, Inc.	3,211,366	0.4646%
Carosal Development Corporation	3,183,000	0.4605%
BPI/MS Insurance Corporation	1,972,022	0.2853%
Severo A. Tuason & Co., Inc.	1,465,692	0.2120%
Ayala Life Assurance, Inc.	1,342,198	0.1942%
Pan Malayan Management & Investment Corporation	1,268,536	0.1835%
Sahara Management and Development Corporation	992,132	0.1435%
Ms. Ma. Lourdes G. Aragon	985,228	0.1425%
Manuel P. De Leon Jr.	817,572	0.1183%
Ms. Narcisa L. Escaler	817,450	0.1183%
Miguel P. De Leon	817,447	0.1183%
Victoria P. De Leon	817,379	0.1182%
Francisco Ortigas Securities, Inc.	812,311	0.1175%
Aboitiz & Company Retirement Plan	805,781	0.1166%
Zarcon Development Corporation	750,000	0.1085%

3) Dividends

Cash Dividend (per share)		
Percent/Amount	Record Date	Payment Date
P7.04 per share	17 April 2012	17 May 2012
P0.689 per share	16 April 2013	16 May 2013

No dividends were declared in the last fiscal year.

Dividend Policy

To the extent feasible, it is the policy of the Corporation to declare its unrestricted retained earnings as dividends to shareholders. The payment of dividends in the future will depend on the Corporation's earnings, cash flow, investment program and other factors.

4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no recent sales of unregistered or exempt securities.

(e) Compliance with leading practice on Corporate Governance

The Corporation has joined the Institute of Corporate Governance and has since been in close coordination with the Institute for the establishment of a rating measure to determine the level of compliance by the Board and Management with the Corporation's Manual of Corporate Governance. The Board of Directors has approved the establishment of an Evaluation and Monitoring System for compliance with its Manual.

The Corporation has required the Executive Directors as well as the Independent Directors to attend seminars on Corporate Governance. Non-Executive Directors have also attended seminars on Corporate Governance and are much aware of the same.

The Manual of Corporate Governance of the Corporation, which was revised pursuant to SEC Memorandum Circular No. 9, Series of 2014, requires the yearly review of the Manual so as to be able to continually improve the same.

There have been so far no sanctions imposed as a result of violation of the Manual of Corporate Governance. The Corporation is committed to strictly adhere to the requirements of the said Manual.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be taken with respect to any transaction involving the following:

- (a) the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
- (b) the acquisition by the registrant or any of its security holders of securities of another person;
- (c) the acquisition by the registrant of any other going business or of the assets thereof;
- (d) the sale or other transfer of all or any substantial part of the assets of the registrant; or
- (e) the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up with respect to acquisition or disposition of any property by the Corporation.

Item 14. Restatement of Accounts

There are no matters or actions to be taken up with respect to the restatement of any asset, capital, or surplus account of the registrant.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the stockholders on the following actions will be taken up:

- (a) Approval of the Minutes of the Annual Meeting of the Stockholders held on 5 May 2014, with the following points:
 - 1) Annual Report of the President;
 - 2) Appointment of Auditors;
 - 3) Election of Directors; and
 - 4) Ratification and approval of the acts of the Board, Board Committees, and Management.
- (b) Approval of the Annual Report of the President for the year ending 31 December 2014;
- (c) Ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 5 May 2014 through 12 May 2015.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business including the following:

- i) Approval of contracts in the course of business;
- ii) Approval of investment decisions;
- iii) Treasury matters related to opening of accounts and bank transactions;

- iv) Appointment of Executive Officers;
 - v) Appointments to the Nomination, Remuneration, and Audit Committees of the Corporation;
 - vi) Endorsement of the nominees in the Board; and
 - vii) Appointment of signatories and corresponding amendments;
- (d) Election of the Members of the Board of Directors, including Independent Directors, for the ensuing calendar year;
- (e) Appointment of External Auditors; and
- (f) Increase in Authorized Capital Stock.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws or Other Documents

As previously disclosed via a 17-C Report last 2 March 2015, On 24 February 2015, the Board of Directors of the Corporation directed the Management to progress preparations for a capitalization increase amounting to Eighteen Billion Pesos (Php18,000,000,000.00) to reset the Corporation's gearing to an appropriate level (targeted at 55% by the end of the current fiscal year), which has reached 92% as of 31 December 2014. In so doing, the Corporation needs to amend its Articles of Incorporation to increase its authorized capital stock.

On 24 March 2015, the Corporation's Board of Directors approved the proposed increase of the authorized capital stock of from One Billion Pesos (Php 1,000,000,000.00) to Two Billion Five Hundred Million Pesos (Php2,500,000,000.00) divided into Two Billion Five Hundred Million (2,500,000,000) shares each with a par value of One Peso (Php1.00) per share.

Item 18. Other Proposed Action

There are no other actions to be taken up other than those mentioned above.

Item 19. Voting Procedures

For the approval of the increase in authorized capital stock and corresponding amendment of the Corporation's Articles of Incorporation, the vote of the stockholders holding at least two-thirds (2/3) of the outstanding capital stock shall be required.

The vote of stockholders representing a majority of the issued and outstanding capital stock entitled to vote ("simple majority") shall be required for the approval of the minutes of the previous stockholders' meeting, the Annual Report of the President, the ratification of all acts of the Board of Directors and Management in 2014, the appointment of the independent external auditor for 2015, and the election of directors for 2015.

The shares shall be voted/cast by "viva voce". Traditionally, the shares are voted by verbal motion and duly seconded during the meeting. A matter is carried and approved when there is no objection from the floor.

The Corporate Secretary and Assistant Corporate Secretary have been authorized to count the votes cast in corporate actions requiring the vote of the shareholders.

UNDERTAKING

The Audited Financial Statements as of 31 December 2014 scheduled for presentment to and approval by the Board of Directors on 24 March 2015 is attached to this Definitive Information Statement for distribution to the stockholders on 20 April 2015.

Upon written request of the stockholders, the Corporation undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge except for exhibit attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

PILIPINAS SHELL PETROLEUM CORPORATION
Shell House, 156 Valero Street
Salcedo Village, Makati City

Attention: The Corporate Secretary

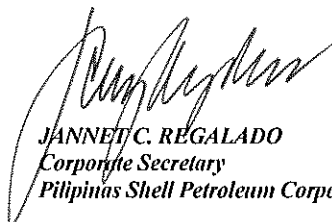
PART II.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Makati on 24 March 2015.

By:



JANNET C. REGALADO
Corporate Secretary
Pilipinas Shell Petroleum Corporation

ANNEX “A”

Pilipinas Shell Petroleum Corporation

Financial Statements

**As at 31 December 2014 and 2013
and for each of the three years in the period ended
31 December 2014**



Isla Lipana & Co.



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 2014 and 2013, 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 period ended 31 December 2014, 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 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended 31 December 2014 in accordance with Philippine Financial Reporting Standards.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

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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 2015 at Makati City

SEC A.N. (individual) as general auditors 1202-A, Category A; effective until 31 March 2015

SEC A.N. (firm) as general auditors 0009-FR-3; effective until 15 August 2015

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
24 March 2015

Pilipinas Shell Petroleum Corporation

Balance Sheets
31 December 2014 and 2013
(All amounts in thousand Philippine Peso)

	Notes	2014	2013
Current assets			
Cash	5	4,721,647	6,161,150
Receivables, net	6	14,004,594	15,664,026
Inventories, net	7	16,336,347	28,514,218
Prepayments and other current assets	8	12,160,188	9,531,866
Total current assets		47,222,776	59,871,260
Non-current assets			
Long-term receivables, rentals and investments, net	9	1,389,755	1,409,419
Property and equipment, net	10	18,630,729	14,777,222
Deferred income tax assets, net	11	5,293,928	1,488,694
Other assets, net	12	965,518	1,186,782
Total non-current assets		26,279,930	18,862,117
Total assets		73,502,706	78,733,377
Current liabilities			
Accounts payable and accrued expenses	13	19,892,922	14,291,762
Dividends payable	24	9,668	10,090
Short-term borrowings	14	21,550,000	35,537,000
Current portion of loans payable	15	11,000,000	-
Total current liabilities		52,452,590	49,838,852
Non-current liabilities			
Loans payable, net of current portion	15	12,000,000	11,000,000
Provisions and other liabilities	16	5,219,474	5,333,830
Total non-current liabilities		17,219,474	16,333,830
Total liabilities		69,672,064	66,172,682
Equity			
Share capital	17	758,885	758,885
Share premium		7,437,829	7,437,829
Treasury shares	17	(507,106)	(507,106)
Retained earnings (deficit)	18	(4,184,802)	4,524,373
Other reserves	12, 25	325,836	346,714
Total equity		3,830,642	12,560,695
Total liabilities and equity		73,502,706	78,733,377

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 period ended 31 December 2014
(All amounts in thousand Philippine Peso, except per share data)

	Notes	2014	2013	2012
Gross sales		238,238,474	211,333,279	202,079,909
Sales discounts and rebates		(14,153,649)	(12,484,415)	(13,231,199)
Net sales		224,084,825	198,848,864	188,848,710
Cost of sales	20, 24	(225,394,173)	(187,218,810)	(178,111,171)
Gross profit (loss)		(1,309,348)	11,630,054	10,737,539
Selling expenses	21	(7,736,002)	(6,624,184)	(6,440,052)
General and administrative expenses	21	(2,049,212)	(2,376,083)	(2,202,157)
Other operating income, net	22	355,964	220,677	161,040
Income (Loss) from operations		(10,738,598)	2,850,464	2,256,370
Finance income	23	239,492	31,793	753,728
Finance expense	23	(1,868,787)	(2,442,862)	(1,501,635)
Gain on sale of subsidiary	9	-	-	4,133,654
Other non-operating income (expense), net	24, 26	(17,650)	(1,170,396)	445,158
Income (Loss) before income tax		(12,385,543)	(731,001)	6,087,275
Benefit from (Provision for) income tax	11	3,896,963	(181,107)	(1,287,883)
Profit (Loss) for the year		(8,488,580)	(912,108)	4,799,392
Earnings (Loss) per share - basic and diluted	19	(12.28)	(1.32)	6.94

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 period ended 31 December 2014
(All amounts in thousand Philippine Peso)

	Notes	2014	2013	2012
Profit (Loss) for the year		(8,488,580)	(912,108)	4,799,392
Other comprehensive income (loss):				
Items that may not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits, net of tax	25	(220,595)	191,101	60,711
Items that may be subsequently reclassified to profit or loss				
Increase (Decrease) in fair value of available-for-sale financial assets	12	(13,488)	(70,268)	101,245
Total comprehensive income (loss) for the year		(8,722,663)	(791,275)	4,961,348

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 period ended 31 December 2014
(All amounts in thousand Philippine Peso)

Notes	Share capital 17	Share premium 17	Treasury stock 17	Retained earnings 18	Other reserves		Total equity
					Share-based reserve 25	Fair value reserve 12	
Balances at 1 January 2012	758,885	7,437,829	(507,106)	5,725,069	-	233,192	13,647,869
Comprehensive income							
Profit for the year	-	-	-	4,799,392	-	-	4,799,392
Other comprehensive income							
Increase in fair value reserve of available-for-sale financial assets	-	-	-	-	-	101,245	101,245
Remeasurement gain on retirement benefits (net of tax amounting to P26,019)	-	-	-	60,711	-	-	60,711
Total comprehensive income	-	-	-	4,860,103	-	101,245	4,961,348
Transactions with owners							
Cash dividends	-	-	-	(4,863,980)	-	-	(4,863,980)
Share-based compensation	-	-	-	-	108,016	-	108,016
Total transactions with owners	-	-	-	(4,863,980)	108,016	-	(4,755,964)
Balances at 31 December 2012	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

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 2014
(All amounts in thousand Philippine Peso)

	Notes	2014	2013	2012
Cash flows from operating activities				
Income (Loss) before income tax		(12,385,543)	(731,001)	6,087,275
Adjustments:				
Provision for inventory losses	7	2,825,684	29,749	69,650
Depreciation and amortization	10, 12	2,299,297	1,883,106	1,774,900
Interest and finance charges	23	1,250,786	1,175,902	1,382,343
Accretion expense	23	221,690	113,647	107,745
Unrealized foreign exchange loss (gain), net	23	179,292	76,454	(71,225)
Pension expense	25	167,440	175,454	203,219
Provision for (reversal of) impairment of receivables	21	114,022	(459)	(45,593)
Share-based compensation	25	73,832	79,046	108,016
Unrealized mark-to-market loss (gain), net	23	59,525	11,343	(35,203)
Provision for legal case, net	16	56,214	56,214	14,619
Loss on disposal of property and equipment	22	16,582	78,782	122,513
Write-off of accounts receivable	6, 21	12,338	29,565	36,649
Gain on sale of subsidiary	9	-	-	(4,133,654)
Cost of claim settlement	26	-	1,283,395	-
Interest income	23	(19,688)	(31,793)	(20,229)
Operating income (loss) before working capital changes		(5,128,529)	4,229,404	5,601,025
Decrease (increase) in current assets other than cash		7,688,394	(4,146,673)	(7,558,066)
Increase (decrease) in liabilities other than provisions, dividends payable, short-term borrowings and loans payable		5,213,330	(4,748,362)	(545,578)
Cash generated from (used in) operations		7,773,195	(4,665,631)	(2,502,619)
Taxes paid		-	-	(96,535)
Pension contributions paid	25	(412,907)	(442,263)	(542,921)
Net cash from (used in) operating activities		7,360,288	(5,107,894)	(3,142,075)
Cash flows from investing activities				
Decrease (increase) in other assets		431,341	(297,565)	1,270
Interest received		19,688	(371)	7,625
Decrease (increase) in long-term receivables, rentals and investments, net		19,664	32,550	(44,017)
Proceeds from sale of property and equipment		4,336	175,058	17,333
Additions/Charges from provisions for ARO, remediation and demolition costs	16	(95,478)	31,929	(79,528)
Additions to program and software, property and equipment	10, 12	(6,025,114)	(1,860,020)	(2,767,876)
Proceeds from sale of subsidiary	9	-	-	4,055,374
Settlement of claims by local company	26	-	(1,283,395)	-
Net cash from (used in) investing activities		(5,645,593)	(3,201,814)	1,190,181
Cash flows from financing activities				
Net proceeds from (settlements of) short-term borrowings	14	(13,987,000)	9,220,800	2,241,200
Proceeds from long-term loans payable	15	12,000,000	-	11,000,000
Cash dividends paid	18	(422)	(474,865)	(7,028,949)
Interest and finance charges paid		(1,170,326)	(1,189,679)	(1,365,172)
Net cash from (used in) financing activities		(3,157,748)	7,556,256	4,847,079
Net increase (decrease) in cash for the year		(1,443,023)	(753,452)	2,895,185
Cash at the beginning of the year		6,161,150	6,924,552	4,026,011
Effect of exchange rate changes on cash		3,520	(9,950)	3,356
Cash at the end of the year	5	4,721,647	6,161,150	6,924,552

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 2014 and 2013 and for each of the three years in the period ended 31 December 2014
(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 is 67% owned by Shell Overseas Investments BV (SOIBV), a corporation registered under the laws of Netherlands and 33% 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 it 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 2014, the Company has 359 shareholders (2013 - 359 and 2012 - 362), 333 of whom hold at least 100 shares of the Company's common shares (2013 - 337 and 2012 - 337).

The Company has its principal office 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 765 regular employees as at 31 December 2014 (2013 - 741 and 2012 - 747).

The financial statements have been authorized for issue by the Company's Board of Directors on 24 March 2015 upon endorsement by the Board Audit Committee on 16 March 2015.

Note 2 - 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.

2.1 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 4.

(a) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2014:

- *Amendment to PAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.* This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements.
- *Amendment to PAS 36, 'Impairment of assets', on the recoverable amount disclosures for non financial assets.* This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in PAS 36 by the issue of PFRS 13. The amendment did not have a significant effect on the Company's financial statements.
- *Amendment to PAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.* This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under PAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the Company's financial statements.
- *Philippine Interpretation IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of PAS 37, 'Provisions'.* The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subjected to significant levies, the impact on the financial statements is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material and not relevant to the Company.

(b) New standards, amendments and interpretations 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 2014, 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, except the following 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.

There are no other standards, amendments or interpretations that are effective after 1 January 2014 that are expected to have a material impact on the Company.

2.2 Cash

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

2.3 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.

2.3.1 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.

(a) 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.

(i) 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 5), trade receivables (Note 6), other current receivables (except for claims from government and miscellaneous receivables) (Note 6), loans to an entity under common shareholdings, market investment loans and other long-term receivables (Note 9).

(ii) 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 12).

(b) 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. The classification depends on the purpose for which the financial liabilities were acquired.

(i) 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 foreign exchange 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.

(ii) Other financial liabilities

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 13), payable to related parties (Note 24), dividends payable (Note 24), short-term borrowings (Note 14), loans payable (Note 15) and cash security deposits (Note 16).

2.3.2 Recognition and measurement

(a) 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.

(b) 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 carried 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.

2.3.3 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 2.4).

2.3.4 Impairment of financial assets

(a) 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 statements 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 comprehensive 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.

(b) 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.

2.3.5 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.

2.3.6 Offsetting 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 2014 and 2013, there are no financial assets and financial liabilities that were offset.

2.4 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 12) which is measured at fair value at 31 December 2014 and 2013 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.

2.5 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.

2.6 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.

2.7 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 2014 and 2013, the Company has no provision for impairment of input VAT (See Note 4.2.b).

2.8 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 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.

The Company reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

2.9 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.

2.10 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 12).

2.11 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 statements 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 9). 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 ventures are accounted for at cost following the provisions of PAS 28 on exemptions in using equity method. At consolidation level, joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

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.

2.18 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.

2.19 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.

2.20 Foreign currency transactions and translations

(a) 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.

(b) 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.

2.21 Revenue and expense recognition

(a) 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.

(i) 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 and rebates are recognized and measured based on approved contracts and agreements with customers. The Company does not grant reward points to 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.

(ii) 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.

(iii) 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.

(iv) 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.

(b) Costs and expenses

Costs and expenses are charged to operations as incurred.

2.22 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.

2.23 Employee benefits

(a) 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 statements of income.

(b) 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.

(c) 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.

(d) 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.

2.24 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.

2.25 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 30).

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.

2.26 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.

Note 3 - Financial risk management

3.1 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.

3.1.1 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.

(a) 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 2014, 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 P375 million (2013 - P486 million; 2012 - P480 million) lower/higher, as a result of foreign exchange gains/losses on translation of US dollar-denominated trade 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 27.

(b) 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 2014, 2013 and 2012, 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 2014, 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 P312 million (2013 - P326 million; 2012 - P261 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.

(c) Price risk

The Company is not significantly exposed to price risk on equity securities 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.

3.1.2 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 5.

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 6.

3.1.3 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 2015 is as follows:

	2015
Opening cash balance for the year	4,721,647
Net cash from operating activities	1,024,784
Capital expenditures	(3,469,457)
Net cash used in other investing activities	35,475
Net cash used in financing activities	(3,663,488)
Ending cash balance for the year	4,648,961

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 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
At 31 December 2013					
Short-term borrowings	35,537,000	-	-	-	35,537,000
Future interest payment	136,852	79,604	160,977	53,070	430,503
Loans payable	-	-	-	11,000,000	11,000,000
Dividends payable	10,090	-	-	-	10,090
Accounts payable and accrued expenses	14,100,095	-	-	-	14,100,095
	49,784,037	79,604	160,977	11,053,070	61,077,688

Availability of funding to settle the Company's payables are ensured since the Company has unused credit lines of P40.9 billion as at 31 December 2014 (2013 - P35.7 billion and 2012 - P37.6 billion) and undrawn borrowing facilities at floating rate amounting to P40.9 billion (2013 - P24.8 billion and 2012 - P27.4 billion), which is expiring within one year.

The Company has a P10.2 billion credit facility with STCE, which does not have an expiration date.

3.2 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.

(a) 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.

(b) 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.

The gearing ratios at 31 December are as follows:

	Notes	2014	2013
Total loans and borrowings	15, 16	44,550,000	46,537,000
Less: cash	5	4,721,647	6,161,150
Net debt		39,828,353	40,375,850
Total equity		3,504,806	12,213,981
Total capital		43,333,159	52,589,831
Gearing ratio		92%	77%

In 2013, the Company temporarily incurred higher borrowings mainly due to payment arising from a settlement of a claim by a local company (Note 26.d) and higher working capital requirements as a result of the unplanned refinery shutdown in November 2013. In 2014, oil prices dropped-off by half within a period of three months, the rapid decline resulted in inventory price losses (Note 7) that adversely impacted the gearing ratio despite absolute decline in borrowings.

The Company is not subject to externally imposed capital requirement.

3.3 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, 2014 and 2013.

	Notes	2014	2013
Financial assets			
Loans and receivables			
Cash	5	4,721,647	6,161,150
Receivables	6	10,229,547	12,361,129
Loans to TRI, a related party	9	379,678	494,678
Market investment loans	9	83,817	57,566
Long-term receivables	9	25,293	36,115
Available-for-sale financial assets	12	262,206	293,807
Total financial assets		15,702,188	19,404,445
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued expenses	13	19,779,926	14,100,095
Dividends payable	24	9,668	10,090
Short-term borrowings	14	21,550,000	35,537,000
Loans payable	15	23,000,000	11,000,000
Total financial liabilities	64,339	64,339,594	60,647,185

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:

(a) 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.

(b) 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.

(c) 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.

(d) Loans payable

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

Note 4 - 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.

4.1 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 2.5. The carrying amount of receivables and other information are disclosed in Note 6.

(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. The Company suffered significant loss due to continuous decline in crude oil prices that started during the last quarter of the year (Note 7). Using thirty (30) days average stock reserve period, subsequent losses on major products after balance sheet date is estimated at P568.9 million. The carrying amount of inventories and other information are disclosed in Note 7.

(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 at 31 December 2014 and 2013 is 3% and the amount is recognized as accretion cost or income in the statement of income.

The Company has set total outstanding provision of P819 million (2013 - P823 million) to cover the required environmental remediation covering specific assets, based on external evaluation and study and total outstanding provision of P1.6 billion (2013 - P1.5 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 16.

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 10). 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 25, 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	
	2014	2013
Discount rate		
Increase by 0.50%	(213,464)	(191,208)
Decrease by 0.50%	231,957	213,732
Salary increase rate		
Increase by 0.50%	223,113	193,904
Decrease by 0.50%	(207,434)	(175,244)

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.

4.2 Critical judgments in applying the Company's accounting policies

(a) Impairment of long-lived assets

Long-lived assets (Notes 10 and 12) 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 assets at CGU level at 31 December 2014 and 2013.

(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 11).

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 8).

(c) Joint arrangements

The Company holds 33.33% of the voting rights of a joint arrangement with other local oil companies over the Pandacan depot (Note 9). 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.

(d) Assessing contingencies

The Company is currently involved in various legal proceedings including a number of tax cases (Note 28). 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 16.a and 28).

Note 5 - Cash

The account at 31 December 2014 and 2013 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:

	2014	2013
Universal banks	3,561,634	5,593,633
Commercial banks	1,160,013	567,517
	4,721,647	6,161,150

Note 6 - Receivables, net

The account as at 31 December consists of:

	Notes	2014	2013
Trade receivables			
Third parties		9,886,399	11,339,775
Related parties	24	557,813	1,142,242
Provision for impairment of trade receivables from third parties		(214,665)	(215,376)
		10,229,547	12,266,641
Non-trade receivables from related parties	24	-	13,707
Current portion of long-term receivables	9	-	80,781
Other receivables			
Claims from government agencies			
Duty drawback and other claims		2,125,359	1,753,761
Specific tax		1,142,831	1,235,767
Miscellaneous		849,782	981,579
		4,117,972	3,971,107
Provision for impairment of other receivables		(342,925)	(668,210)
		3,775,047	3,302,897
		14,004,594	15,664,026

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 and other receivables are denominated in the following currencies:

	2014	2013
Philippine peso	13,560,259	15,565,561
US dollar	998,634	971,851
Other currencies	3,291	10,200
	14,562,184	16,547,612

The Company holds collateral as security for trade receivables from third parties in 2014 valued at P4.2 billion (2013 - P4.3 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:

Past due	2014	2013
Less than 30 days	363,127	158,252
31 - 60 days	113,978	50,897
61 - 90 days	15,789	10,717
91 - 180 days	87,518	6,072
	580,412	225,938

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 2013		197,232	723,700	920,932
Provisions (Reversals)	21	18,144	(18,603)	(459)
Write-offs		-	(36,887)	(36,887)
At 31 December 2013		215,376	668,210	883,586
Provisions (Reversals)	21	(711)	(48,416)	(49,127)
Write-offs		-	(276,869)	(276,869)
At 31 December 2014		214,665	342,925	557,590

For the year ended 31 December 2014, total trade receivables written-off directly to statement of income amounted to P12.34 million (2013 - P29.6 million and 2012 - P30.7 million) based on the Company's assessment of recoverability (Note 21).

(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)	2014	2013
A	1,975,365	1,898,045
B	2,456,362	3,738,044
C	2,915,120	3,103,402
D	1,744,475	2,158,970
Total trade receivables	9,091,322	10,898,461

- 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 poor financial status and balance is secured with post-dated checks and other collaterals.
- D - Customers with a medium risk of default or are otherwise deemed 'No Credit' customers. The receivable, however, is 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, non-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 2014 and 2013.

Note 7 - Inventories, net

The account as at 31 December consists of:

	Note	2014	2013
Crude oil and finished products	20	18,830,491	28,183,489
Materials and supplies		354,112	363,325
At cost		19,184,603	28,546,814
Provision for inventory write-down		(2,820,947)	(15,618)
Provision for inventory obsolescence		(27,309)	(16,978)
At net realizable value		16,336,347	28,514,218

Cost of inventories included as part of cost of sales amounted to P225 billion (2013 - P187 billion and 2012 - P178 billion) (Note 20).

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 2013		76,716	10,024	86,740
Provisions	20	29,749	-	29,749
Write-offs		(83,893)	-	(83,893)
At 31 December 2013		22,572	10,024	32,596
Provisions	20	2,825,684	-	2,825,684
Write-offs		-	(10,024)	(10,024)
At 31 December 2014		2,848,256	-	2,848,256

Write-offs in 2014 mainly pertains 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 P2.8 billion (2013 - P15.6 million) (Note 20). The significant decline in the Company's net realizable value was a result of the continuing decline in oil prices, which started during the last quarter of the year.

Note 8 - Prepayments and other current assets

The account as at 31 December consists of:

	Note	2014	2013
Input VAT, net of output VAT		7,916,878	6,478,026
Prepaid corporate income tax		2,599,338	1,477,824
Advances to an entity under common shareholdings	24	762,000	449,231
Advance rentals		555,791	369,289
Prepaid specific tax		172,655	292,915
Prepaid insurance		9,778	226,892
Prepaid duties and taxes		8,651	83,619
Others		135,097	154,070
		12,160,188	9,531,866

Note 9 - Long-term receivables, rentals and investments, net

The account as at 31 December consists of:

	Notes	2014	2013
Loans to an entity under common shareholdings	24	379,678	575,459
Current portion	6	-	(80,781)
		379,678	494,678
Advances to an entity under common shareholdings	24	163,447	100,000
Provision for impairment of long-term receivables from related parties		(163,447)	-
		379,678	594,678
Advance rentals	26	850,070	661,613
Market investment loans (a)		83,817	57,566
Investments in associates (b)		43,676	49,638
Other long-term assets (b)		7,221	9,809
		984,784	778,626
Long-term receivables (c)		44,868	55,990
Provision for impairment of long-term receivables		(19,575)	(19,875)
		25,293	36,115
		1,389,755	1,409,419

(a) Market investments loans

Market investment loans consist of unsecured promissory notes collectible from third party customers on various dates up to year 2016 with interests ranging from 9% to 18%. These balances are fully performing since it relates to a number of customers with whom there is no recent history of default.

*(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's share in asset held-jointly as at 31 December 2014 amounting to P7.2 million (2013 - P7.8 million) is presented as part of other long-term assets. These balances were presented net of liabilities which are not considered material.

ii. Associates

In 2011, the Company purchased 44% interest in Bonifacio Gas Corporation at an acquisition price of P34 million from Shell Gas (LPG), Inc. (SGLPI).

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
2014					
Bonifacio Gas Corporation, associate	44%	125,850	46,839	79,011	25,574
Kamayan Realty Corporation, associate	40%	17,747	2,305	15,442	123,750
2013					
Bonifacio Gas Corporation, associate	44%	116,934	31,205	85,729	29,144
Kamayan Realty Corporation, associate	40%	15,077	1,171	13,906	13,906
2012					
Bonifacio Gas Corporation, associate	44%	131,289	60,384	70,905	19,355
Kamayan Realty Corporation, associate	40%	18,521	1,654	16,867	3,059

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.

iii. Subsidiary

In 2012, the Company completed the sale of its only subsidiary, SGLPI (a company incorporated and registered in the Philippines engaged in marketing and trading of liquefied petroleum products), to a local company. The Company recognized a P4.1 billion gain from the transaction, which was presented as a separate line item in the Company's statement of income. Dividend income received from SGLPI in 2012 amounted to P445.1 million (Note 24).

(c) Long-term receivables

As at 31 December 2014, long-term receivables of P183 million (2013 - P19 million) was impaired and fully provided.

Movements in provision for long-term receivables are as follow:

	Note	Related parties	Other long-term receivables	Total
At 1 January 2013		-	20,225	20,225
Write-offs	21	-	(350)	(350)
At 31 December 2013		-	19,875	19,875
Provisions	21	163,447	-	163,447
Reversal		-	(300)	(300)
At 31 December 2014		163,447	19,575	183,022

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 2014 and 2013, 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 loans to TRI, 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 2.4).

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

Note 10 - 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	Total
Cost							
At 1 January 2013	13,879,529	23,940,540	852,430	166,839	1,388,323	1,414,519	41,612,188
Acquisitions	200,076	275,515	8	15,489	-	1,368,933	1,860,020
Asset retirement obligation	-	-	-	-	163,780	-	163,780
Disposals/write off	(177,625)	(176,372)	(273)	(11,281)	(127,200)	-	(492,751)
Transfers/Adjustments	362,161	571,608	672	-	(451)	(933,991)	-
At 31 December 2013	14,214,140	24,611,306	852,837	181,047	1,424,452	1,840,461	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)
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
Accumulated depreciation and amortization							
At 1 January 2013	(8,177,342)	(17,131,576)	(806,278)	(149,941)	(786,175)	-	(27,051,312)
Depreciation and amortization (Notes 20 and 21)	(401,698)	(1,134,022)	(18,491)	(11,417)	(141,766)	-	(1,707,394)
Disposals	138,457	151,842	273	8,629	103,490	-	402,691
Transfers/Adjustments	(12,485)	12,422	-	-	63	-	-
At 31 December 2013	(8,453,068)	(18,101,334)	(824,496)	(152,729)	(834,388)	-	(28,386,015)
Depreciation and amortization (Notes 20 and 21)	(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)
Net book values							
At 31 December 2013	5,761,072	6,509,966	28,341	38,318	593,054	1,849,461	14,777,222
At 31 December 2014	6,378,268	6,678,659	65,531	44,054	424,204	5,040,013	18,630,729

The balance of property and equipment as at 31 December 2014 includes fully depreciated assets still in use amounting to P8.7 billion (2013 - P8 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 P1.5 billion as at 31 December 2014 and 2013. 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% (Note 16).

Note 11 - 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:

	2014	2013
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	6,127,294	2,123,961
Deferred tax assets to be recovered within 12 months	57,138	-
	6,184,432	2,123,961
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(890,504)	(12,817)
Deferred tax liabilities to be settled within 12 months	-	(622,450)
	(890,504)	(635,267)
Deferred tax assets, net	5,293,928	1,488,694

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

	2014	2013
Deferred income tax assets (liabilities)		
Provision for inventory losses	854,477	9,779
Unamortized contribution for past service cost, net	403,781	436,512
Asset retirement obligation	389,086	276,505
Provision for remediation costs	245,660	246,924
Operating lease - effect of straight lining	174,822	177,223
Provision for impairment of receivables	119,306	64,613
Claims for tax credits/duty drawbacks	102,878	200,463
Unrealized mark-to-market (gains) loss	40,971	(12,817)
Share-based compensation	22,547	24,763
Unrealized foreign exchange gains	16,167	(1,686)
Retirement benefit obligation	(199,700)	(220,601)
Prepaid duties and taxes	(690,804)	(400,163)
Other provisions	527,858	493,558
	2,007,049	1,295,073
NOLCO	3,068,924	-
MCIT	217,955	193,621
Deferred income tax assets, net	5,293,928	1,488,694

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

	2014	2013
At 1 January	1,488,694	1,480,186
Charged (Credited) to profit and loss	3,686,359	(103,212)
Charged (Credited) to other comprehensive income	94,541	(81,901)
MCIT	24,334	193,621
At 31 December	5,293,928	1,488,694

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 2014 and 2013 are fully realizable.

The MCIT can be applied against the Company's regular income tax within the next three years immediately following the taxable year in which the MCIT was incurred. The Company recognized MCIT of P24 million in 2014 and P194 million in 2013 which will expire in 2017 and 2016, respectively.

NOLCO can be carried over as a deduction from gross taxable income for three consecutive taxable years immediately following the year of such loss. During the year, the Company recognized deferred income tax of P3 billion on NOLCO amounting to P10.3 million which will expire in 2017.

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

	2014	2013	2012
Current	(210,604)	77,895	981,218
Deferred	(3,686,359)	103,212	306,665
	(3,896,963)	181,107	1,287,883

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

	2014	2013	2012
Income tax (benefit) at statutory income tax rate at 30%	(3,715,663)	(219,300)	1,826,183
Income tax effect of:			
Non-deductible expenses	37,161	29,065	416,531
Limitation on deductible interest expense	508	1,149	634
Income subject to capital gains tax	-	351,119	(1,240,096)
Dividend income	-	-	(136,268)
Interest income subjected to final tax	(1,523)	(3,447)	(1,923)
Income subjected to 8% final tax	(7,585)	(12,908)	(14,950)
Non-taxable income	743	-	-
(Benefit from) Provision for income tax before final taxes	(3,686,359)	145,678	850,111
Final taxes on interest and other charges	(210,604)	35,429	437,772
(Benefit from) Provision for income tax at effective tax rate	(3,896,963)	181,107	1,287,883

Note 12 - Other assets, net

The account as at 31 December consists of:

	Note	2014	2013
Pension asset	25	665,668	735,337
Available-for-sale financial assets (a)		262,206	293,807
Program softwares (b)		14,333	134,326
Others		23,311	23,312
		965,518	1,186,782

(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 2.4). Details of the account at 31 December are as follows:

	2014	2013
Cost	11,525	29,638
Fair value adjustments recognized directly in other comprehensive income		
1 January	264,169	334,437
Change during the year	(13,488)	(70,268)
31 December	250,681	264,169
	262,206	293,807

(b) Program softwares

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

	Notes	2014	2013
At cost			
1 January		880,285	880,285
Reclassifications from property and equipment AUC		14,914	-
Disposal		(6,412)	-
31 December		888,787	880,285
Accumulated amortization			
1 January		(745,959)	(570,247)
Amortization for the year	20, 21	(134,587)	(175,712)
Disposal		6,092	-
31 December		(874,454)	(745,959)
Net book value		14,333	134,326

Note 13 - Accounts payable and accrued expenses

The account as at 31 December consists of:

	Notes	2014	2013
Trade payables			
Third parties		5,649,659	4,857,122
Related parties	24	8,841,787	6,870,308
		14,491,446	11,727,430
Non-trade payables from related parties	24	861,914	430,318
Other payables			
Project-related costs and advances		1,813,613	712,626
Rent and utilities	26	1,079,304	23,903
Employee benefits		629,765	245,205
Advertising and promotions		168,302	331,886
Duties and taxes		112,996	191,667
IT-related costs		46,929	91,013
Interest	14, 15	41,145	16,208
Supply and distribution		6,346	5,933
Others		641,162	515,573
		19,892,922	14,291,762

Note 14 - Short-term borrowings

The account as at 31 December consists of unsecured short-term loans from various local commercial banks intended to fund crude and product importations and working capital requirements. The loans mature on various dates within one year after balance sheet date.

The average annual interest rate on local borrowings for 2014 was 1.79% (2013 - 2.77% and 2012 - 4.01%). Total interest expense charged to operations in 2014 arising from short-term loans amounted to P381.7 million (2013 - P669.5 million and 2012 - P806.9 million) (See Note 23).

There are no borrowings related to acquisition, construction or production of a qualifying asset in 2014, 2013 and 2012.

Note 15 - Loans payable

In January 2014, the Company entered into a loan agreements with Bank of the Philippine Islands (BPI) and Metropolitan Bank & Trust Company (MBTC). Details of the loan agreements are as follows:

Amount	Interest	Terms
BPI P5,000,000	2.7632% as at 31 December effective until next repricing	Payable after thirty-six (36) months reckoned from the drawdown date on 10 January 2014. Principal is payable in lump sum at maturity date. Interest is repriced every three (3) months.
MBTC P7,000,000	0.0421% as at 31 December effective until next repricing	Payable after thirty-six (36) months reckoned from the drawdown date on 29 January 2014. Principal is payable in lump sum at maturity date. Interest is repriced every three (3) months.

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 follow:

Amount	Interest	Terms
P11,000,000	2.8947% as at 31 December effective until next repricing.	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 repriced every three (3) months.

As at 31 December 2014, the P11 billion loan is presented as part of current liabilities as it becomes due and demandable within 2015.

Total interest expense charged to operations in 2014 arising from these loans amounted to P696.4 million (2013 - P322.84 million and 2012 - P305.96 million) (See Note 23).

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 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 3.1.3 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 2.4).

Note 16 - Provisions and other liabilities

The account as at 31 December consists of:

	Notes	2014	2013
Provision for legal cases (a)		1,561,022	1,504,808
Asset retirement obligation (b)	10	1,611,137	1,480,711
Provision for remediation and demolition costs (c)		818,867	823,081
Operating lease	26	693,086	1,110,853
Cash security deposits		379,744	333,806
Other liabilities		155,618	80,571
		5,219,474	5,333,830

(a) Provision for legal case

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	2014	2013
1 January		1,504,808	1,448,594
Provisions, net	22	56,214	56,214
31 December		1,561,022	1,504,808

(b) Asset retirement obligation

Movements in the provision for asset retirement obligation follow:

	Note	2014	2013
1 January		1,480,711	1,328,950
Additions		28,935	163,780
Accretion	23	188,610	78,628
Charges		(87,119)	(90,647)
31 December		1,611,137	1,480,711

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 6 years as at 31 December 2014 (2013 - 7 years). These are stated at present value at 31 December using a discount rate of 3%.

(c) Provision for remediation and demolition costs

Movements in the provision for remediation and demolition costs follow:

	Note	2014	2013
1 January		823,081	829,266
Accretion	23	33,080	35,019
Charges		(37,294)	(41,204)
31 December		818,867	823,081

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 5%.

Note 17 - Capital stock

Capital stock and treasury shares as at 31 December 2014, 2013 and 2012 consist of:

	Number of shares	Amount
Authorized capital stock, common shares at P1 par value per share	1 billion	1,000,000
Issued shares	758,885,514	758,885
Treasury shares	(67,614,089)	(507,106)
Issued and outstanding shares	691,271,425	251,779

On 24 February 2015, the BOD approved the proposed increase in capitalization by P18 billion. This would consequently increase authorized capital stock and its corresponding rights.

Note 18 - Retained earnings; Dividends

Cash dividends declared in 2014, 2013 and 2012 follow:

Date of declaration	Per share	2014	2013	2012
16 April 2013	0.69	-	475,812	-
17 April 2012	7.04	-	-	9,143
17 April 2012	7.04	-	-	4,854,837
		-	475,812	4,863,980

No dividends were declared during 2014. Included in the balance of 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 19 - Earnings per share

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

	Note	2014	2013	2012
Earnings available to stockholders:				
Profit (Loss) for the year		(8,488,580)	(912,108)	4,799,392
Weighted average number of shares	17	758,885,514	758,885,514	758,885,514
Treasury shares	17	(67,614,089)	(67,614,089)	(67,614,089)
		691,271,425	691,271,425	691,271,425
Earnings (Loss) per share, basic and diluted		(12.28)	(1.32)	6.94

Note 20 - Cost of sales

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

	Notes	2014	2013	2012
Crude and product costs	7, 24	208,027,852	170,992,490	160,942,052
Duties and specific tax		6,593,207	5,442,979	5,700,114
Logistics and transshipment		5,604,636	4,572,396	4,454,862
Manufacturing expenses		2,621,261	2,962,156	107,702
Freight and wharfage		994,294	1,945,351	5,694,825
Depreciation and amortization	10, 12	830,083	787,023	728,383
Salaries and other employee benefits		722,840	516,415	483,233
		225,394,173	187,218,810	178,111,171

The more significant components of manufacturing expenses consist of insurance, transport costs, supplies and rentals.

Note 21 - 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		
		2014	2013	2012	2014	2013	2012
Outside services		1,639,347	2,182,087	1,735,430	531,041	629,639	577,734
Depreciation and amortization	10, 12	1,342,849	927,630	868,650	126,365	168,453	177,867
Rentals	26	1,307,875	1,266,926	1,188,408	83,191	70,462	75,973
Compensation, pension cost and employee benefits	24, 25	1,277,130	995,009	1,341,316	148,400	161,954	347,346
Repairs and maintenance		1,088,788	233,104	414,944	33,403	30,432	41,207
Advertising and promotions		606,288	580,534	511,337	133,506	45,008	69,370
Travel and transportation		141,226	180,390	173,946	32,273	9,580	35,193
Communication and utilities		136,331	172,152	152,485	445,898	443,561	375,871
Write-off/Impairment (Reversal) of receivables	6, 9	127,107	29,106	4,001	(747)	-	(12,945)
Insurance		61,186	8,084	1,424	204,179	385,401	304,017
Miscellaneous		7,875	48,162	48,111	11,703	131,593	210,524
		7,736,002	6,624,184	6,440,052	2,049,212	2,376,083	2,202,157

Note 22 - Other operating income, net

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

	Notes	2014	2013	2012
Retailer fee, rental income and franchise commission		330,083	279,069	247,970
Royalties	24	68,822	66,207	71,814
Loss on disposal of property and equipment	10	(16,582)	(78,782)	(122,513)
Commissions		(31,798)	(15,720)	(19,815)
Provision for legal cases, net	16	(56,214)	(56,214)	(14,619)
Provision for remediation and demolition cost		-	(59,765)	(19,069)
Others, net		61,653	85,882	17,272
		355,964	220,677	161,040

The more significant components of the 'Others, net' account in the table above consist of concession fees and contracting commissions.

Note 23 - Finance income (expense), net

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

	Notes	2014	2013	2012
Finance income				
Realized foreign exchange gain	27	219,804	-	627,071
Interest income	5, 9	19,688	31,793	20,229
Unrealized foreign exchange gain	27	-	-	71,225
Unrealized mark-to-market gain	24	-	-	35,203
		239,492	31,793	753,728
Finance expense				
Interest and finance charges	13,14,15	(1,250,786)	(1,175,902)	(1,382,343)
Accretion expense	16	(221,690)	(113,647)	(107,745)
Unrealized foreign exchange loss	27	(179,292)	(76,454)	-
Realized mark-to-market loss	24	(149,274)	-	-
Unrealized mark-to-market loss		(59,525)	(11,343)	-
Bank charges	14, 15	(8,220)	(5,467)	(11,547)
Realized foreign exchange loss	27	-	(1,060,049)	-
		(1,868,787)	(2,442,862)	(1,501,635)
		(1,629,295)	(2,411,069)	(747,907)

The notional principal amount of the forward contract as at 31 December 2014 amounted to P220 million. The fair values of the related asset amounting to P1.7 million is booked under receivables and the related liability amounting to P173.1 million is booked under accounts payable and accrued expenses in the balance sheet.

Note 24 - 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 2014 are as follows:

(a) Entities under common shareholdings

	Notes	Transactions	Receivables (Payables)	Terms and conditions
Purchases of goods and services	13	154,075,877	(9,591,144)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee. See (i), (ii) and (iv).
Leases	13	172,519	(27,924)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee. See (iii).
Sales	6	8,540,097	557,813	Receivable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any security.
Royalty fee (v)	22	68,822	-	Payable balances are to be settled in cash within 30 days from month end.
Loans extended by the Company (vi)	9	-	379,678	Principal is due for collection in cash once the property of TRI associated to this loan is sold. Interest of 3% - 7% is being collected in various quarterly installments up to February 2029. The receivable balance is not covered by any security.
Interest on loans extended by the Company	6	13,454	-	
Advances extended by the Company (iv)	9	6,216	163,447	Advances of the Company to FPIC are recovered through offsetting over an approximated period of twenty-four (24) months against future FPIC billings for services rendered thru the WOPL and BOPL. These advances are not covered by any security. Full provision was recognized for the balance in 2014.
Admin billings (vii)	13	(91,954)	(84,633)	The non-trade payable balances to be settled in cash and are due within 15 days from month end. These are non-interest bearing and are not covered by any security.
Pension	25			
Contributions to the plan		412,907	-	Contributions to the plan and investing transactions of the plan are approved by the Retirement Plan Board of Trustees.
Plan assets - investments		-	25,831	
Transfer of obligations due to transfer of employees		5,528	-	
Advances	8	370,000	762,000	Advances pertain to assistance extended by the Company to the Retirement Fund. The balance is collectible in the next reporting period through direct contribution of the Fund to the Company's plan assets. The balance is non-interest bearing and is not covered by any security.

(b) Parent company

	Note	Transactions	Payable	Terms
Dividends declared	18	-	(9,668)	Dividends are usually paid within 12 months from reporting date.

(c) Key management personnel

	Note	Transactions	Balances	Terms
Current				
Salaries and other short term employee benefits		95,910	-	
Non-current				
Post-employment benefits	25	7,016	39,412	The terms and arrangements of these non current employee benefits are summarized in the related notes.
Share-based compensation		16,003	-	

The transactions and outstanding balances of the Company with related parties for the comparative figures as at and for the years ended 31 December 2013 and 2012 are presented in the table below. The terms and arrangements presented for 2014 also apply to the transactions and balances for 2013 and 2012.

(a) Entities under common shareholdings

		2013		2012	
	Notes	Transactions	Receivables (Payables)	Transactions	Receivables (Payables)
Purchases of goods and services	13	148,730,459	(7,273,455)	153,524,313	(13,796,969)
Leases	13	125,583	(27,171)	132,674	(23,008)
Sales	6	8,622,605	1,142,242	9,392,669	1,910,077
Royalty fee (v)		397,989	-	355,746	-
Loans extended by the Company (vi)	9	-	575,459	-	575,459
Interest on loans extended by the Company	6	13,707	13,707	16,972	16,972
Advances extended by the Company (iv)	8, 9	-	157,231	100,000	180,802
Admin billings (vii)		84,370	-	127,573	160,891
Pension	25				
Contributions to the plan		442,263	-	542,921	-
Plan assets - investments		-	270,763	-	308,335
Transfer of obligations due to transfers of employees		40,754	-	32,646	-
Advances	8	392,000	392,000	-	-

(b) Parent company

		2013		2012	
	Note	Transactions	Payable	Transactions	Payable
Dividends declared	18	486,376	(10,090)	3,264,821	(9,143)

(c) Subsidiary

		2013		2012	
	Notes	Transactions	Balances	Transactions	Balances
Dividends received	9	-	-	445,158	-

(d) Key management personnel

	Note	2013		2012	
		Transactions	Balances	Transactions	Balances
Current					
Salaries and other short-term employee benefits		100,789	-	93,687	-
Non-current	25				
Post-employment benefits		8,523	21,670	23,915	-
Share-based compensation		32,716	-	40,387	-

- (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 purchases during the year amounted to P153.4 billion (2013 - P131.5 billion and 2012 - P129.2 billion). As at 31 December 2014, balances payable to SIETCO amounted to P8.5 billion (2013 - P5.9 billion and 2012 - P11.1 billion). During the year, the Company recognized mark-to-market loss of P149 million (2013 - nil; 2012 - P35 million gain), in relation to its aviation product purchases from SIETCO.
- (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, an entity 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 2014 (2013 - P1.7 billion and 2012 - P1.7 billion) (Note 21). As at 31 December 2014, balances payable to SIPC amounted to P522 million (2013 - P124 million and 2012 - P47 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 P87.5 million in 2014 (2013 - P79.6 million and 2012 - P78 million) (Note 22). As at 31 December 2014, there are no outstanding payable related to the Shell House lease (2013 - nil and 2012 - P2 million). The Company also leases from TRI, a portion of the Tabangao Refinery land area and lots for several depots located around the country. Lease term ranges from 5 to 50 years and is renewable, thereafter. Rent expense charged to operations amounted to P85 million in 2014 (2013 - P46 million and 2012 - P54.7 million). As at 31 December 2014, payable related to the refinery and lots for depots is P27.9 million (2012 - P27.2 million and 2012 - P21.6 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 2014 amounted to P2 million (2013 - P130 million and 2012 - P118 million). In 2012, the Company extended a cash advance to FPIC amounting to P163.4 million which can be recovered against future billings for services rendered thru WOPL and BOPL (Note 9). In 2014, the Company provided an allowance for this cash advance 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. The current portion of the loans as at 31 December 2014 amounted to nil (2013 - P80.8 million). In a separate Memorandum of Agreement, the Company agreed with TRI to operate, maintain and secure said facilities for a fee.
- (vii) The Company receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, personnel and other administrative costs.

Note 25 - 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 actuarial valuation of the Company's retirement plan was performed by an independent actuary at 31 December 2014, 2013 and 2012 using the projected unit credit method. The latest actuarial valuation report prepared by the independent actuary was for the year ended 31 December 2014. The principal assumptions were:

	2014	2013	2012
Discount rate	4.40%	5.30%	5.80%
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 life expectancy in years of a pensioner retiring at age 66 on the balance sheet date is 41 years for male and 34 years for female.

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

	2014	2013	2012
Pension asset	665,668	735,337	195,526
Pension expense	167,440	175,454	203,219

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

	2014	2013	2012
Present value of defined benefit obligation	(4,020,046)	(3,484,709)	(3,134,624)
Fair value of plan assets	4,685,714	4,220,046	3,330,150
Pension asset	665,668	735,337	195,526

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

	Note	2014	2013	2012
1 January		735,337	195,526	(230,906)
Pension expense		(167,440)	(175,454)	(203,219)
Actual contributions		412,907	442,263	542,921
Remeasurement gains (losses)		(315,136)	273,002	86,730
31 December	12	665,668	735,337	195,526

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

	Note	2014	2013	2012
Current service cost		206,414	186,795	187,509
Interest cost		(38,974)	(11,341)	15,010
Transferred liability during the year		-	-	700
	21	167,440	175,454	203,219

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

	2014	2013	2012
1 January	3,484,709	3,134,624	3,082,821
Interest cost	184,689	181,808	200,383
Current service cost	206,414	186,795	187,509
Benefits paid	(284,303)	(206,188)	(169,634)
Transfer of employees from/to entities under common control	(5,528)	(40,754)	(32,646)
Remeasurement (gains) losses from:			
Changes in financial assumptions	371,903	191,350	(80,253)
Experience adjustments	62,162	37,074	(53,556)
31 December	4,020,046	3,484,709	3,134,624

Changes in the fair value of the plan assets follow:

	2014	2013	2012
1 January	4,220,046	3,330,150	2,851,915
Interest income	223,663	193,149	185,373
Contributions	412,907	442,263	542,921
Benefits paid	(284,303)	(206,188)	(169,634)
Transferred from/to entities under common shareholdings, net	(5,528)	(40,754)	(33,346)
Remeasurement gains (losses) from experience adjustments	118,929	501,426	(47,079)
31 December	4,685,714	4,220,046	3,330,150

The carrying value of the plan assets as at the years ended 31 December 2014, 2013 and 2012 are equivalent to the fair values presented above and are comprised mainly of investments in equity securities and similar financial assets, which account for 89% of the total plan assets. Plan assets are comprised of:

	2014	2013	2012
Investments in debt securities			
Government securities	607,034	72,068	65,631
Loans and discounts	-	-	53,765
Investment in equity securities			
Unit investment trust funds	3,975,581	4,033,590	2,945,936
Other equity investments	13,162	12,418	10,332
Others	89,937	101,970	254,486
	4,685,714	4,220,046	3,330,150

Plan assets as at 31 December 2014 excludes an amount equivalent to P1.7 billion (2013 - P1.9 billion and 2012 - P1.9 billion) pertaining to restricted investments in shares of an entity under common shareholdings engaged in real estate leasing.

Experience adjustments on plan assets and plan liabilities for the year ended December 31:

	2014	2013	2012
Plan assets - gain (loss)	118,929	501,426	(47,079)
Plan liabilities - loss (gain)	62,162	37,074	(53,556)

Expected contribution to the plan in 2015 is P209 million.

The Company has no other transactions with the fund except for those noted above and summarized in Note 24.

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

	2014	2013
Following year	76,512	122,031
Between 2 to 3 years	434,898	372,362
Between 3 to 5 years	393,964	296,436
Over 5 years	2,087,494	1,961,091

(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. The extent to which 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 the PSPC for the period ended 31 December 2014 and 2013 are as follow:

	2014		2013	
		Weighted average fair value		Weighted average fair value
	Shares	(in U.S. Dollar)	Shares	(in U.S. Dollar)
Shares granted as at 1 January	163,255	30.38	198,115	30.38
Grants during the year	62,080	35.68	59,910	29.46
Shares delivered during the year	(54,542)	26.61	(90,720)	29.42
Cancelled/forfeited during the year	-	-	(4,050)	31.65
Shares granted as at 31 December	170,793	30.89	163,255	31.22

The total share-based compensation recognized in the statements of income during the year amounted to P74 million (2013 - P79 million; 2012 - P108 million).

Note 26 - 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 P1.9 billion for each of the three years ended 2014.
- (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 P2.0 billion for 2014 (2013 - P2.0 billion and 2012 - P1.7 billion).
- (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 amounted to P1.0 billion for each of the three years ended 2014.

The rent expenses related to these agreements and lease arrangements with an entity under common shareholdings (Note 24) are recorded as part of cost of sales in the statement of income (Note 20) 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 9); the current portion is included under 'Prepayments and other current assets' account (Note 8) in the balance sheets.

Under PAS 17, the Company recorded additional lease accruals amounting to P12 million arising from lease straight-lining for each of the three years ended 2014.

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

	2014	2013	2012
Less than 1 year	3,246,615	2,979,933	3,246,615
More than 1 year but not more than 5 years	4,702,344	7,576,757	4,703,344
Over 5 years	3,974,258	5,170,735	3,974,258

- (d) In October 2013, the local company which bought the Company's shares over SGLPI in 2012 (Note 9) 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 27 - 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
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)
2012					
US dollar	53,289	365,845	(312,556)	41.05	(12,830,424)
Euro	1,136	1,441	(305)	54.53	(16,632)
Singapore dollar	-	329	(329)	33.70	(11,087)
Chinese yuan	-	1,389	(1,389)	6.61	(9,181)
UK pound	-	111	(111)	66.32	(7,362)
Japanese yen	-	3,956	(3,956)	0.48	(1,899)
Malaysian ringgit	1,275	63	1,212	13.47	16,326
Australian dollar	43	22	21	42.67	896
					(12,859,363)

Note 28 - 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.

Management believes that provision should not be recognized as at 31 December 2014, 2013 and 2012 since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong. This assessment is supported by the favorable CTA ruling during the year.

(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 13 February 2015. On 16 March 2015, PSPC filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

(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 of 31 December 2014, 2013 and 2012.

- (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 to appeal the matter before 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.

- (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 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 of Batangas filed its Petition for Review with the CTA *en banc* last 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 of Batangas to the SC. Awaiting further action from the SC.

- (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 2014, 2013 and 2012. 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. 8027 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.

In June 2006, the Manila City issued a new zoning ordinance, Ordinance No. 8119, which classifies the area of the Pandacan depot as an Overlay Planned Unit Development and required the phase out of the Pandacan oil depot within a period of 7 years. The Company and another oil company filed with the RTC of Manila, a joint complaint praying, among others for injunctive relief to stop the effectivity and implementation of Ordinance No. 8119.

On 28 April 2009, the SC denied the motion for reconsideration from its decision in the case of 'Social Justice Society, et al. vs. Honorable Jose L. Atienza Jr.,' ordering the City of Manila to enforce Ordinance No. 8027 and giving the Company, along with the two (2) other oil companies, a 90-day period to submit to the Manila Regional Trial Court of Manila, Branch 39, a comprehensive plan and relocation schedule for the transfer of the Pandacan depot out of its present site.

The Company and the two (2) other oil companies have submitted a plan which identified the criteria for determining the location for the new depot. The relocation plan is still under consideration by the RTC of Manila Branch 39.

However, on 28 May 2009, the Mayor of Manila signed his approval of Ordinance No. 8187, which repeals Ordinance No. 8027 and amends Ordinance No. 8119, allowing the continued stay of the Pandacan depot. Opponents of Ordinance No. 8187, Social Justice Society and former Mayor of Manila, et al., filed separate cases to question its validity before the SC. The Company filed its Comment-in-Intervention and Memorandum and now awaits further action by the SC.

In 2012, the City Council of Manila passed Ordinance No. 8283, which reclassifies the area where the Pandacan depot is located from being Industrial Zone into a Mixed Commercial/Residential Zone and requires the removal of the oil terminal by January 2016. The former City Mayor vetoed the Ordinance. However, the new City Mayor has publicly pronounced that he would ensure the closure of the Pandacan depot. On 29 August 2013, the Company filed a Petition for Declaratory Relief with the Regional Trial Court of Makati City to challenge the validity of Ordinance No. 8283.

On 25 November 2014, the SC decided to declare Ordinance No. 8187 unconstitutional and invalid with respect to the continuing stay of the Pandacan depots. On 5 January 2015, the Company filed its Motion for Reconsideration.

In response to the latest decision of the SC, as well as the logistical optimization required from the impact of the pipeline shutdown, the Company accelerated the depreciation of Pandacan assets in 2014. The impact of accelerating the depreciation of Pandacan assets during the year is P355 million. The total carrying amount of Pandacan assets amounted to P394 million as at 31 December 2014 (2013 - P749 million).

(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 RTC's rulings were elevated by the plaintiffs to the Court of Appeals.

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 of 31 December 2014, 2013 and 2012 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 4.1.e 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.

Note 29 - 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 30 - 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 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)
As at and for the year ended 31 December 2012					
Segment revenue					
Local	97,347,694	66,095,494	10,344,868	-	173,788,056
Export and International	-	7,894,577	7,165,013	1,064	15,060,654
Total	97,347,694	73,990,071	17,509,881	1,064	188,848,710
Segment assets	16,540,230	20,450,398	33,091,786	4,884,254	74,966,668
Segment liabilities	(5,987,797)	(4,367,579)	(15,330,245)	(35,427,794)	(61,113,415)
Property and equipment	9,200,027	1,128,965	4,221,868	16	14,550,876
Depreciation and amortization	(521,257)	(345,369)	(728,383)	(179,891)	(1,774,900)

The total sales of the manufacturing and supply segment include sales to entities under common shareholdings amounting to P7.6 billion (2013 - P8.6 billion and 2012 - P9.3 billion).

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 at 31 December 2014 consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Sale of goods	200,104,698	24,012,563
Sale of services	-	-
Sale to government	11,849,979	1,421,997
Others	-	-
	211,954,677	25,434,560
Zero-rated		
Sale of goods	26,773,855	-
Exempt		
Sale of goods	556,099	-
Total	239,284,631	25,434,560

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 2014 follow:

Beginning balance	6,618,428
Add: Current year's domestic purchases/payments for:	
Importation of goods for resale or manufacture	19,433,652
Domestic goods for resale or manufacture	5,155,716
Services lodged under other accounts	1,561,804
Services rendered by non-residents	81,021
Capital goods subject to amortization	1,394
Capital goods not subject to amortization	-
Other adjustments	592,499
Deduct: Claims for tax credit/refund	-
Total input VAT	33,444,514

(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 2014 follow:

Landed cost of imports	161,947,104
Customs duties and tariff fees paid	2,456,556

(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 P165.8 million were reimbursed by the Company as part of bank service fee.

(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 2014 are as follows:

	Paid	Charge	Balance
Petroleum products	4,393,923	4,230,671	8,624,594
Mineral products	20,482	17,892	38,374
	4,414,405	4,248,563	8,662,968

(vi) All other local and national taxes

All other local and national taxes accrued and paid for the year ended 31 December 2014 consist of:

Real property taxes	185,718
Municipal taxes/Mayor's permit	37,667
Community tax	7,035
	230,420

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 2014 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	454,236	30,631	484,867
Expanded withholding tax	691,731	91,896	783,627
Fringe benefit tax	11,163	2,212	13,375
Final withholding tax	65,385	5	65,390
	1,222,515	124,744	1,347,259

Creditable withholding tax for 2014 is P878 million, which represents balance supported with creditable withholding tax certificates as at 13 January 2015.

(viii) Tax assessments/cases

The Company's taxable year 2010 is currently under audit by the BIR. Taxable year 2011 is still open while a Letter of Authority was received for taxable year 2013.