



May 9, 2008

Ms. Justina F. Callangan

Director, Corporate Finance Department
Securities & Exchange Commission
EDSA, Greenhills
Mandaluyong City

Atty. Pete M. Malabanan

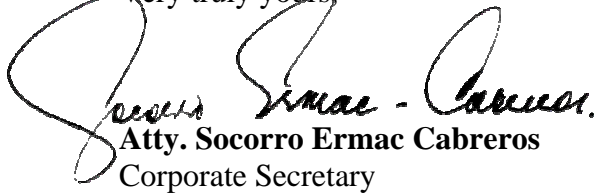
Head, Disclosure Department
Philippine Stock Exchange
PSE Center, Exchange Road
Ortigas, Pasig City

Madam/Sir:

We are herewith submitting our Preliminary Information Statement in compliance with the SRC rules by the Commission in relation to the revised disclosure rules of the PSE.

Thank you.

Very truly yours,



Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
Davao Tel : 082-302-5998 Fax: 082- 235-8888

Manila Office: Unit A, 7th Flr. ACT Tower, Sen. Gil Puyat Ave., Salcedo Village, Makati City 1227, Philippines
Manila Telefax: 02-750-1686
www.phoenixphilippines.com

COVER SHEET

A	2	0	0	2	0	7	2	8	3
---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

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

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

(Company's Full Name)

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

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

Dennis A. Uy

Contact Person

(082) 233-0168

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year Ending

SEC 20-IS
FORM TYPE

6

Month

last Thursday

XX

Day

Annual Meeting

--

Secondary License Type, if applicable

--	--	--

Dept. Requiring this Doc

--

Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings

--	--	--	--	--	--

Domestic

--	--	--	--	--	--

Foreign

To be accomplished by SEC Personnel Concerned

--	--	--	--	--	--	--	--	--	--

File Number

--

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

--

Cashier

--

Remarks = pls. use black ink for scanning purposes



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

The Annual Stockholders' Meeting of P-H-O-E-N-I-X Petroleum Philippines, Inc. will be held on the following date and place:

**MONDAY, 16 JUNE 2008, 2:00P.M.,
Mindanao-Borneo Room, Marco Polo Hotel
Davao City**

The agenda for the Meeting shall be, as follows:

1. Call to Order
2. Determination of Quorum
3. Annual Report of President
4. Ratification and Confirmation of Acts and Resolutions of the Board of Directors
5. Proposed Amendment of Article II, Section 8 and Article III, Section 4 of the By-laws
6. Approval of the Declaration of Stock Dividends
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Registration for the Meeting begins at 1:00 P.M.. For purposes of the Meeting, stockholders of record as of 22 May 2008 are entitled to notice of and to vote at the Meeting. If you will not be able to attend the Meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Corporate Secretary at Phoenix Bulk Plant, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines, no later than 06 June 2008. Corporate stockholders should also provide a notarized secretary's certificate attesting to the appointment of the corporation's proxy for the Meeting as well as the execution and delivery of the proxy form.

THE COMPANY IS NOT SOLICITING PROXIES.

Davao City, Philippines, 09 May 2008.


SOCORRO ERMAC CABREROS
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
Davao Tel : 082-302-5998 Fax: 082- 235-8888

Manila Office: Unit A, 7th Flr. ACT Tower, Sen. Gil Puyat Ave., Salcedo Village, Makati City 1227, Philippines
Manila Telefax: 02-750-1686
www.phoenixphilippines.com

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☒ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter: **P-H-O-E-N-I-X PETROLEUM
PHILIPPINES, INC.**

3. Country of Incorporation: **Philippines**

4. SEC Identification Number: **A200207283**

5. BIR Tax Identification Code: **006-036-274**

6. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga
Lanang, Davao City 8000**

7. Registrant's telephone number, including area code: **(082) 233-0168**

8. Date, time and place of the meeting of security holders:

June 16, 2008, 2:00 p.m.
Sarangani Room, Marco Polo Hotel
Davao City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 23, 2008**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Shares, Php1.00 par value	144,205,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes **X** No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

- (a) Date : **June 16, 2008**
 Time : **2:00 p.m.**
 Place : **Sarangani Room, Marco Polo Hotel**
 Davao City

Mailing **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
Address: **Office of the Corporate Secretary**
 Stella Hizon Reyes Road, Bo. Pampanga
 Lanang, Davao City 8000

- (b) Approximate date on which the Information Statement is first to be sent or given to security holders: **May 23, 2008**

Item 2. Dissenter's Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and in case of merger or consolidation. Such appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon

that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no matters to be discussed during the Annual Meeting which will trigger a dissenter's right of appraisal.

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

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Meeting, other than election to office.
- (b) No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Voting Securities

As of March 30, 2008, the total number of shares outstanding and entitled to vote are 143,696,000 shares.

- (b) Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Meeting is May 22, 2008.

(c) Voting Rights

In the election of directors, stockholders of record as of May 22, 2008 shall be entitled to vote in person or by proxy, as many votes as there are directors elected. If he will vote thru a proxy, the New By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Meeting.

A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Meeting.

In the election of directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Section 24, Article III of the Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners and Management as of March 31, 2008

(1) Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2008, the following are the owners of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

Title of Class of Securities	Name/Address of Record Owners and Relationship with the Company	Name of Beneficial Owners/ Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Phoenix Petroleum Holdings, Inc. Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Majority Shareholder	Record Owner is also beneficial owner	Filipino	78,500,000*	54.63%
Common	PCD Nominee Corporation ¹ (Filipino)	Record Owner is not the beneficial	Filipino	38,595,800	26.86%

¹ The PCD Nominee, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares.

	37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	owner			
Common	Udenna Corporation (Formerly Udenna Holdings Corporation) Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Shareholder	Record Owner is also the beneficial owner	Filipino	19,749,995	13.74%

**Shares are held under escrow for a period of one year.*

(2) Security Ownership of Management

As of March 31, 2008, the security ownership of management is as follows:

Title of Class of Securities	Name/Address of Record Owners and Relationship with the Company	Name of Beneficial Owners/ Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Directors					
Common	Dennis A. Uy Penthouse Valero Tower, 122 Valero St., Salcedo Village, Makati City	Record owner is the beneficial owner	Filipino	618,000	0.40%
Common	Dennis A. Uy &/or Cherylyn C. Uy Penthouse Valero Tower, 122 Valero St., Salcedo Village, Makati City	Record owner is the beneficial owner	Filipino	170,000	0.12%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	Record owner is the beneficial owner	Filipino	100,001	0.07%
Common	Socorro T. Ermac Cabreros	Record owner is the beneficial owner	Filipino	5,001	0.00%

Title of Class of Securities	Name/Address of Record Owners and Relationship with the Company	Name of Beneficial Owners/ Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
	223 V. Mapa St., Davao City				
Common	Jose Manuel R. Quimson 28 Osmeña St., Xavierville Subd., Loyola Heights, Katipunan, Quezon City	Record owner is the beneficial owner	Filipino	1	0.00%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City	Record owner is the beneficial owner	Filipino	50,001	0.03%
Common	Ricardo S. Pascua 16 Solar St., Bel-Air III, Makati City	Record owner is the beneficial owner	Filipino	1	0.00%
Common	Monico V. Jacob 7 th Flr. Philippine First Bldg, 6764 Ayala Ave., Makati City	Record owner is the beneficial owner	Filipino	1	0.00%
Senior Management					
Common	Nicholas D. Dy Insular Village Phase II, Lanang, Davao City	Record owner is the beneficial owner	Filipino	745,000	0.52%
Common	Sandra Elecerio Parra Guadalupe Village, Lanang, Davao City	Record owner is the beneficial owner	Filipino	5,000	0.00%
Common	Alberto D. Alcid Doña Socorro St., Belisario Heights Subd., Lanang, Davao City	Record owner is the beneficial owner	Filipino	5,000	0.00%

Title of Class of Securities	Name/Address of Record Owners and Relationship with the Company	Name of Beneficial Owners/ Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Edgardo A. Alerta Arellano St., Davao City	Record owner is the beneficial owner	Filipino	20,000	0.01%
Common	Rebecca Pilar C. Caterio Margarita Village, Bajada, Davao City	Record owner is the beneficial owner	Filipino	6,000	0.00%

(e) Change in Control

The Company is not aware of any arrangements that may result in a change of control in the Company since the beginning of its fiscal year.

Item 5. Directors and Executive Officers

(a) The incumbent members of the Board of Directors and the executive officers of the Company are as follows:

Office	Name	Age	Citizenship
Directors			
Chairman	Domingo T. Uy	62	Filipino
Director/President and Chief Executive Officer	Dennis A. Uy	34	Filipino
Director/Vice President	Jose Manuel R. Quimson	59	Filipino
Director/Corporate Secretary and Asst. Vice President for Corporate Legal	Socorro T. Ermac-Cabreros	43	Filipino
Director	J.V. Emmanuel A. de Dios	42	Filipino
Independent Director	Ricardo S. Pascua	59	Filipino
Independent Director	Monico V. Jacob	62	Filipino
Other Executive Officers			
Chief Operating Officer	Nicholas D. Dy	57	Filipino
Vice President for Human Resources and Shared Services	Sandra B. Elecerio	43	Filipino
Asst. Vice President for	Edgardo A. Alerta	54	Filipino

Sales in Mindanao			
Asst. Vice President for Lubes and Chemicals	Alberto D. Alcid	53	Filipino
Asst. Vice President for Engineering and Maintenance	Alexander A. Lumbuan	43	Filipino
Manager, Davao Depot Operations and Logistics	Alejandro U. Suan	45	Filipino
Comptroller	Chryss Alfonsus V. Damuy	35	Filipino
Treasury Manager	Rebecca Pilar C. Caterio	36	Filipino
Credit and Collection Manager	Romil D. Langones	37	Filipino

Directors

The incumbent members of the Board of Directors of the Company are elected during the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until their successors have been appointed or elected and qualified. The following is the list of the members of the Board of Directors, and their business experiences during the past five (5) years:

Domingo T. Uy

Chairman

Domingo T. Uy, Filipino, 62 years old, is a co-founder and has been a member of the Board of Directors of PPPI since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. Likewise, he is the Chairman of Granscor Corporation, a holding company of the Uy brothers engaged in real estate, mining and commodities trading. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development, and Aquamines, Philippines, a firm engaged in prawn farming. Mr. Uy is currently involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association, Davao Chapter.

Dennis A. Uy

President and Chief Executive Officer

Dennis A. Uy, Filipino, 34 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is currently the Chairman of the Board of Directors of Phoenix Petroleum Holdings, Inc., the holding company of PPPI and Udenna Corporation, the ultimate parent company of PPPI. Mr. Uy is also the President and Chief Executive Officer of Udenna Management & Resource Corp. and its

subsidiaries namely: Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation (UDEVCO), Value Leases Inc. and Udenna Foundation, Inc. In addition, he was an Independent Director of Transpacific Broadband Group, International, a publicly-listed firm. Mr. Uy is also a Member of the Management Association of the Philippines (MAP), the American Chamber of Commerce, Davao Chapter, the Davao City Chamber of Commerce and a Business Sector representative to the Chinatown Development Council in Davao. He was also Past-President of Apo Golf & Country Club and was a Director of Elias Lopez Sports Foundation. Mr. Uy holds a Bachelor of Science Degree in Business Management from the De La Salle University.

Jose Manuel R. Quimson
Vice President

Jose Manuel R. Quimson, Filipino, 59 years old, is Vice President of PPPI and concurrently the General Manager of Petroterminals Philippines, Inc., a wholly-owned subsidiary of PPPI. He was elected to the Company's Board of Directors on February 15, 2007. He is also the Vice President & Chief Operating Officer of Chelsea Shipping Corp. Currently, Mr. Quimson is a member of the Board of Directors of the Udenna Corporation and its subsidiaries. Previously, he was President of Petrotrade Philippines, Inc. a company providing bunkering services to international vessels. Mr. Quimson was also Vice Chairman of Herma Shipyard, Inc., a company engaged in the business of ship building, repair, port terminal services and fabrication. He also worked as President of Transman Shipping Corporation, operators of cargo vessels for inter-island shipping and the Transport Managers, Inc. a company engaged in customs brokerage, freight forwarding, general transport and heavy lift handling. Mr. Quimson was also the Managing Director of Delbros Group of Companies, where he started his professional career in 1970 as Financial Analyst. Mr. Quimson has more than 30 years of work experience in the shipping industry. He is a graduate of the MBA Program of the Ateneo de Manila University Graduate School of Business in 1972 and completed the first year of the MBM Program at the Asian Institute of Management. He holds a Bachelor of Arts Degree from the Ateneo De Manila University.

Atty. Socorro T. Ermac-Cabreros
Corporate Secretary and Asst. Vice President for Corporate Legal

Socorro T. Ermac-Cabreros, Filipino, 43 years old, is currently Asst. Vice President for Corporate Legal of PPPI. She was elected Director and appointed Corporate Secretary of PPPI on February 15, 2007. She is likewise appointed as Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City where she handled and managed the various legal cases of the branches in Southern Mindanao particularly in the areas of General Santos City and the provinces of Davao del Norte and Davao Oriental. Atty. Ermac-Cabreros has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for

the Province of Davao del Norte after engaging in the private practice of law. She holds a Bachelor of Science Degree Major in Behavioral Science from Maryknoll College Foundation, Inc. and finished her law degree at the Ateneo de Davao University College of Law. She is also an active member of the Integrated Bar of the Philippines, and was the immediate past Vice President for the Davao City Chapter. Atty. Ermac-Cabreros has over 15 years experience in the practice of law rendering legal opinions and consultation and handling and management of criminal, civil and administrative cases including investigation, litigation and prosecution.

Atty. J.V. Emmanuel A. De Dios

Director

J.V. Emmanuel A. De Dios, Filipino, 42 years old, was initially elected as Independent Director of the Company on February 15, 2007. He was elected as a regular director last March 7, 2008. He was recently appointed as President of Nido Petroleum Philippines, Inc. and was Chairman of the Philippine National Oil Company, Exploration Corporation. Prior to PNOC-EC, Atty. De Dios was the Undersecretary of the Philippine Department of Energy where he supervised the Department's Planning Bureau and Administration, and Downstream Oil and Gas Industry. He was also an Associate of Romulo Mabanta Buenaventura Sayoc & De Los Angeles Law Office where he practiced Corporate, Commercial, Energy and Securities Law. Atty. De Dios also worked under former Chief Justice Hilario G. Davide, Jr. as a Senior Law Clerk where he engaged in legal research and drafting decisions. He also took time to be a Contributor of the Philippine Daily Star, responsible for reporting on the U.S. System of legal education and law practice. Atty. De Dios was also a professor at the St. Scholastica's College and a Senior Instructor at the University of the Philippines where he taught cost accounting and business law. He is an active member of the Integrated Bar of the Philippines where he served as Director for the KAMANAVA Chapter. He is also a member of the Council of Advisers at the Harvard Law School Club of the Philippines. Atty. De Dios took his Master of Laws at the Harvard Law School and completed his Bachelor of Laws at the Ateneo de Manila University School of Law. He holds a Bachelor of Science degree in Business Administration from the University of the Philippines.

Ricardo S. Pascua

Independent Director

Ricardo S. Pascua, Filipino, 59 years old, was elected Independent Director of the Company on February 15, 2007 and currently serves in the same capacity for various corporate and foundation boards. He retired from active employment but sits as Chairman of the Board of Readyfoods Manufacturing Corporation, a manufacturer of ready-to-eat foods. Mr. Pascua is also the Chairman of the Facilities and Property Management Technologies, Inc., the Biometrix Technology Philippines Corporation, which distributes IP-based security and communications systems. Prior to his retirement, Mr. Pascua was the Vice Chairman, President and Chief Executive Officer of the Metro Pacific Corporation, where he was tasked to refocus Metro Pacific as a

premier property holding and development company in the Philippines. He was the Executive Director of the First Pacific Company Limited involved in setting overall group policy and strategic direction. As part of his investment oversight duties, he served in companies such as SMART Communications, Inc., the United Commercial Bank in San Francisco, CA, the First Pacific Bank in Hong Kong, and the 1st eBANK in Manila. Mr. Pascua oversaw the preparation and initial execution of the Master Development Plan when he was Vice Chairman, President and Chief Executive Officer of Fort Bonifacio Development Corporation, now known as the Bonifacio Land Corporation. Mr. Pascua completed his Master in Business Management from the Asian Institute of Management. He graduated with a Bachelor of Arts Degree Major in Economics, Cum Laude, from the Ateneo de Manila University.

Monico V. Jacob
Independent Director

Monico V. Jacob, 62 years old, was elected as Independent Director of the Company on March 7, 2008. He is at present the President and Chief Executive Officer of the STI Education Services Group, a network of over 100 colleges and educational centers in the Philippines. Concurrently, Mr. Jacob also sits as Chairman and Managing Partner of CEOs, Inc., a business and management consultancy Firm; Chairman of Global Resource for Outsourced Worker, Inc., a professional placement company for healthcare and ICT workers. His areas of specialty are in energy, corporate law, corporate recovery and rehabilitation work. Prior to his current engagements, Mr. Jacob was Chairman and Chief Executive Officer of Petron Corporation. As Chairman, he presided over its privatization and implemented and led the partnership of the government with Saudi Aramco in Petron. He also presided over the Initial Public Offering (IPO) of Petron shares which has since been hailed as the most successful IPO offering in the country. He retired from Petron at the close of the Ramos presidency in July 1998. He was also Chairman and CEO of Philippine National Oil Company (PNOC) and all of its subsidiaries. As Chairman of the PNOC, he presided over the privatization of the PNOC Dockyard and Engineering Corporation. Prior to government, Mr. Jacob was Partner of the law firm of Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. He is a member of the following group: Management Association of the Philippines (MAP) of which he was President for 1998; Board of FINEX; Integrated Bar of the Philippines. Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Executive Officers

The following is a list of other executive officers and their business experiences during the past five (5) years:

Nicholas D. Dy, Filipino, 57 years old, is the Chief Operating Officer of PPPI and concurrent General Manager of PFL Petroleum Management, Inc., a wholly-owned

subsidiary. Mr. Dy was initially hired as management consultant of the company. Previous to that, he was a consultant for JP Latex and Ayala Corporation for the Carmen Bulk Water Supply Project. He worked with Ayala Corporation from 1981 to 2002 and was seconded to Pure Foods Corporation as Vice president and, later on, Senior Vice President for the Visayas-Mindanao Operations of the Poultry, Feeds & Livestock Division from 1995 to 2002. From 1981 to 1995, he was Vice President and General Manager for the Ayala Agricultural Development Corporation. He was also a Quality Control Head of Del Monte Fresh Produce, where he started his professional career. Mr. Dy has more than 30 years of management experience. He holds a degree of Bachelor of Arts from the Xavier University and completed his Master in Business Management at the Asian Institute of Management in 1973.

Sandra B. Elecerio, Filipino, 43 years old, is the Vice President for Human Resources and Shared Services of PPPI. Prior to joining the Company, she was the Country Human Resources Director of SITEL Philippines, a global contact center and a wholly-owned subsidiary of SITEL Corporation U.S. She was also the Human Resources Director of a Philippine healthcare company, the Asian Hospital and Medical Center. As the Assistant Vice President for Human Resources of Belle Corporation, she handled the human resources requirements of the company and its affiliates, notably the Tagaytay Highlands International Golf Club, Inc. She was also the Personnel Manager of the EDSA Shangri-La Hotel and was the Personnel Officer of Steniel Manufacturing Corporation. She started her professional career as a Staff Auditor of SGV & Co./Ernst & Young Co. in 1986. Ms. Elecerio-Parra is a Certified Public Accountant and is a member of the Philippine Institute of Certified Public Accountants since 1986. She graduated with a Bachelor of Science Degree in Commerce Major in Accounting, Cum Laude from the Ateneo de Davao University in 1985. She also holds a Certificate in Labor Laws from the University of Sto. Tomas.

Edgardo A. Alerta, Filipino, 54 years old, is the Assistant Vice President for Sales in Mindanao. Prior to PPPI, Mr. Alerta served as Municipal Councilor of the Municipality of Matanao, Davao Del Sur, Philippines. He worked with Pilipinas Shell Petroleum Corporation for 15 years where he started as a Marketing Sales Executive and later progressed to District Sales Manager. He also worked as a Technical Services Engineer of Getty Oil Philippines and was an Energy Examiner of the Department of Energy. Mr. Alerta, who is a registered Mechanical Engineer, has more than 25 years work experience in the energy and petroleum industries from the government and multinational corporations. He holds two degrees in Engineering: Bachelor of Science Degrees Major in Mechanical Engineering and Electrical Engineering from the Cebu Institute of Technology.

Alberto D. Alcid, Filipino, 53 years old, is the Assistant Vice President for Lubes and Chemicals of PPPI. Mr. Alcid started his professional career in the petroleum industry with Caltex Philippines, Inc. as a Sales Representative. He later became the Regional Manager for the Visayas and Mindanao where he strengthened the market position of Caltex in those regions. He was later promoted as the National Manager for Lubes and

Greases of Caltex Philippines where he lead the integration of the manufacturing and marketing operations of lubes and greases and strengthened the market position of the brand in the retail, commercial and high street trades. Mr. Alcid holds a Bachelor of Science Degree Major in Mechanical Engineering from the De La Salle University.

Alexander A. Lumbuan, Filipino, 43 years old, is the Assistant Vice President for Engineering and Maintenance of PPPI. Previously, he was the Engineering and Operations Manager of NDT Philippines. He also worked as Inspection Services Consultant for the V-5 Construction Company. Mr. Lumbuan was the Designer Consultant of the Davao Oil Terminal Corporation and, at one time, he was the Group Operations and Engineering Manager of the Unioil Group of Companies. He also worked as Plant Manager for Union Refinery Corporation and was the Supervisor of the Pandacan Terminal Maintenance under Petron Corporation. Mr. Lumbuan started his professional career as a Maintenance Engineer for Basin Dredging and Development Corporation in 1989. Mr. Lumbuan holds a Bachelor of Science Degree in Mechanical Engineering at the Central Colleges of the Philippines and acquired his Diploma in Industrial Engineering from the University of the Philippines in 1991. Mr. Lumbuan is a Licensed Mechanical Engineer.

Alejandro U. Suan, Filipino, 45 years old, is currently the Manager of the Davao Depot Operations and Logistics of PPPI. Prior to his employment with the Company, he worked with Paramina Earth Technologies, Inc. where he started as General Foreman and later progressed to General Manager. Mr. Suan also worked for Atlas Mining, Inc. in both Mining Operations and Marketing and Sales. He holds a Bachelor of Science Degree in Mining Engineering from the Cebu Institute of Technology and is a registered Mining Engineer. Mr. Suan has over 18 years work experience in the mining industry.

Chryss Alfonsus V. Damuy, Filipino, 35 years old, is the Comptroller of PPPI. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Rebecca Pilar C. Caterio, Filipino, 36 years old, is currently the Treasury Manager of the PPPI. Previously, she was the Controller of Lapanday Packaging Inc., a company engaged in the manufacturing of cartons and in the production of fresh pineapple and vegetable. She was also the Accounting Manager of Fresh Asia Produce Company International Corporation, a company which is also owned by the Lapanday Group and is primarily engaged in the trading and marketing of bananas. Ms. Caterio started her professional career with the SGV & Co. as a Staff Auditor. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants

(PICPA) since 1993. Ms. Caterio holds a Bachelor of Science Degree in Commerce, Major in Accounting from the Ateneo De Zamboanga.

Romil D. Langones, Filipino, 37 years old, is the Credit and Collection Manager of PPPI. Previously, he worked with Banco de Oro Universal Bank as its Senior Account Manager for its Southern Mindanao operations. He also worked as Account Manager for the United Coconut Planters Bank and as Savings Account and General Bookkeeper of the Cooperative Bank of Davao. Mr. Langones started his professional career as an Accounting Assistant of Zuellig Pharma, Inc.. He completed his Bachelor of Science Degree in Accountancy in the Ateneo De Davao University in 1992 where he was an academic scholar.

Directorships in Other Reporting Companies

The following are directorships held by the directors and executive officers in other reporting companies during the last five (5) years:

Name of Director

Name of reporting company

Position held

Nominations of Directors and Independent Directors

The following are nominated for re-election to the Board of Directors at the forthcoming Annual Meeting:

1. Domingo T. Uy
2. Dennis A. Uy
3. Jose Manuel R. Quimson
4. Socorro T. Ermac-Cabreros
5. J.V. Emmanuel A. de Dios
6. Ricardo S. Pascua (Independent Director)
7. Monico V. Jacob (Independent Director)

Messrs. Ricardo S. Pascua and Monico V. Jacob were nominated Independent Directors by Dennis A. Uy. Mr. Dennis A. Uy is not related to either Mr. Pascua or Mr. Jacob by consanguinity or affinity and has no professional or business dealings with them. Messrs. Pascua and Jacob are neither officers nor substantial stockholders of the Company. They have always possessed the qualifications and none of the disqualifications of independent directors.

The members of the Nomination Committee are: Atty. J.V. Emmanuel A. de Dios, Dennis A. Uy and Domingo T. Uy

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code and the Company's New By-laws and Manual of Corporate Governance.

(b) Significant Employees

There are no significant employees or personnel who are not executive officers but are expected to make a significant contribution to the business of the Company.

(c) Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

(d) Involvement in Certain Legal Proceedings

To the best of the Company's knowledge there has been no occurrence during the past five (5) years of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- (i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- (ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- (iv) Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

(e) Certain Relationships and Related Transactions

The Company's related parties include its parent company, subsidiaries, stockholders, the Company's key management and others as described below.

Rentals

The Company has an operating lease agreement from Udenna Corporation, a related party. Total rent expense incurred during the years 2007 and 2006 is about P2.8 million and P2.1 million, respectively.

Contract of Affreightment

The Company entered into a Contract of Affreightment with Chelsea Shipping Company, a related party, to haul the Company's petroleum supplies.

Due to and Due from Related Parties

The Company grants and obtains advances to and from its parent company, subsidiaries and other related companies for working capital purposes.

Item 6. Compensation of Directors and Executive Officers

The Company's executives are regular employees and are paid a compensation package of twelve (12)-months pay. They also receive performance bonuses similarly to those of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation.

There are no other arrangements for which the members of the Board of Directors are compensated.

The aggregate compensation paid or incurred during the last three (3) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are as follows:

Compensation of Executive Officers and Directors (in thousand Pesos)				
Name	Principal Position	Salaries (in ₱)	Bonuses / 13 th Month / Other Income (in ₱)	Total (in ₱)
Domingo T. Uy	Chairman			
Dennis A. Uy	President and Chief			

	Executive Officer			
Nicholas D. Dy	Chief Operating Officer			
Sandra B. Elecerio	Vice President for Human Resources and Shared Services			
Edgardo A. Alerta	Assistant Vice President for Sales in Mindanao			
Alberto D. Alcid	Assistant Vice President for Lubes and Chemicals			
Jose Manuel R. Quimson	General Manager of Manila Operations			
Alexander A. Lumbuan	Assistant Vice President for Engineering and Maintenance			
Alejandro U. Suan	Manager of the Davao Depot Operations and Logistics			
Socorro T. Ermac-Cabreros	Corporate Secretary and Director of Corporate Legal			
Chryss Alfonsus V. Damuy	Comptroller			
Rebecca Pilar C. Caterio	Treasury Manager			
Romil D. Langones	Credit and Collection Manager			
Total 2007				₱ 21,587
Total 2006				₱ 6,867
Total 2005				₱ 1,473
Estimates in 2008				₱ 21,600

Item 7. Independent Public Accountants

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2007 and 2006. The financial statements of the Company for the year ended December 31, 2005 were audited by Lorenzo-Gomez & Co. Said external auditors have no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Punongbayan & Araullo will be recommended for re-appointment at the scheduled Annual Meeting. Representatives of the firm are expected to be present at the Annual Meeting and 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.

Punongbayan & Araullo was first appointed external auditor of the Company in 2006. The Company is compliant with SEC Memorandum Circular No. 8, Series of 2004 (Rotation of External Auditors). The certifying partner for the examination of the Company's financial statements for the year/s 2007 is Mr. Ramilito L. Nañola

Audit Fees

The following table sets out the aggregate fees billed for each of the last three fiscal years for professional services rendered by the Company's external auditors.

In ₱ thousands		For the years ended December 31			
Particulars	Nature	2005	2006	2007	2008
Entia Accounting Office	Audit of FS for increase in capital stock		20.0		
Francia Auditing Firm	Audit of FS for the year 2004 / 2005	10.0	6.0		
Francia Auditing Firm	Audit of FS for increase in capital stock		5.0		
Lorenzo Gomez & Co., CPAs	Audit of FS for the year 2005		3.0		
Punongbayan and Araullo	Audit of FS for the year 2006			440.0	
Punongbayan and Araullo	Audit of FS for the year 2007 – Parent and Subsidiaries				725.0
Total		10.0	34.0	440.0	725.0

Audit Committee

Under the Company's By-laws, the Audit Committee is responsible for, among others, the setting-up of an internal audit department and considers the appointment of an internal auditor as well as the independent external auditor, the audit fees and any question of resignation or dismissal, and the review of the quarterly, half-year and annual financial statements before their submission to the Board of Directors.

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Internal Audit systems are currently being formalized. For year end 2007, it is the Board of Directors that set the audit policies in accordance with Philippine Accounting Standards and Philippine Financial Reporting Standards.

The members of the Audit Committee of the Company are as follows: Atty. J.V. Emmanuel A. de Dios, Ricardo S. Pascua and Domingo T. Uy

Changes In and Disagreements With Accountants

The Company has not had any disagreement with its previous and current external auditor / independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 8. Compensation Plans

No action is to 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 proposed issuance of 30% stock dividends of the Company shall be submitted to the stockholders at the Annual Meeting for their approval.

The Company's dividend policy is to declare at least 30% of its prior year's net income as dividends, whether in stock or in cash, payable out of its unrestricted retained earnings subject to statutory limitations.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital among other factors.

No dividend was declared in 2007.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

The audited financial statements of the Company as of December 31, 2007 are attached as Annex "A" to this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 14. Reclassification of Accounts

Certain accounts in the 2006 and 2005 consolidated financial statements have been reclassified to conform to the 2007 financial statement presentation and classification.

D. OTHER MATTERS**Item 15. Action with Respect to Reports and Other Proposed Action**

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except for the (i) ratification and confirmation of all acts and resolutions of the Board of Directors; (ii) approval of the proposed issuance of 30% stock dividends; and (iii) the proposed amendment of Article II, Section 8 and Article III, Section 4 of the New By-laws of the Company .

Item 16. Matters Not Required to be Submitted

There is no action 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*Amendment of New By-laws*

At the scheduled Annual Meeting of the Company, the following proposed amendments to the New By-laws of the Company shall be submitted to the stockholders for approval:

1. Article II, Section 8

Article II, Section shall be amended to read:

“Section 8. **Closing of Transfer Books or Fixing of Record Date** – For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, or for any other purpose, the Board of Directors may provide that the stock and transfer books be closed for a stated period, ~~but not to exceed in any case twenty (20) days immediately preceding such~~ and during said period no registration of transfers of stock shall be made. In lieu of closing the stock and transfer book, the Board of Directors may fix in advance a certain date as the record date for any such determination of stockholders.

In case no record date is fixed and the stock and transfer book has not been officially closed, the date on which notice of the annual meeting is mailed, or on which the resolution of the Board of Directors declaring a dividend is adopted, as the case may be, shall be considered the record date for such determination of stockholders. Once a determination of stockholders entitled to vote at any meeting has been made, such determination shall be applied to any adjournment thereof.”

2. Article III, Section 4

Article III, Section 4 shall be amended to read:

“Section 4. **Meetings** – Regular meetings of the Board of Directors shall be held ~~once a month~~ quarterly on such dates and at places as may be designated by the Chairman of the Board, or upon the request of a majority of the members of the Board of Directors.”

Item 18. Other Proposed Action

The proposed issuance of stock dividends of the Company shall be presented to the stockholders for approval.

Item 19. Voting Procedures

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the issuance of 30% stock dividends. The affirmative vote of stockholders representing the outstanding capital stock of the Company shall be necessary for the approval of the amendments to the New By-laws.

Stockholders of record are entitled to one (1) vote per share. There is no manner of voting prescribed in the New By-Laws of the Company. Hence, voting may be done by *viva voce*, raising of hands or by balloting.

The following items will be included in the agenda for the meeting:

1. Call to Order
2. Determination of Quorum
3. Annual Report of President and Chief Operating Officer
4. Ratification and Confirmation of Acts and Resolutions of the Board of Directors
5. Proposed Amendment of Article II, Section 8 and Article III, Section 4 of the By-laws
6. Approval of the Declaration of Stock Dividends
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

SIGNATURE

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 Davao City on 9 May 2008.

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



SOCORRO ERMAC CABREROS
Corporate Secretary

MANAGEMENT REPORT

A. Consolidated Audited Financial Statements

The Company's consolidated financial statements for the year ended December 31, 2007 are incorporated herein by reference.

B. Information Concerning Disagreements with Accountants on Accounting and Financial Disclosure

The Company has not had any disagreement with its previous and current external auditor / independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

C. Management's Discussion and Analysis or Plan of Operations

The following is a discussion and analysis of the Company and its Subsidiaries' financial performance for the years ended December 31, 2007, 2006 and 2005. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. **In the discussion of financial information, any reference to "the Company" means the Parent Company (PPPI) and its Subsidiaries.**

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2007, 2006 and 2005.

The Company's financial statements were audited by Punongbayan & Araullo for 2007 and 2006 and Lorenzo-Gomez & Co. for 2005, in accordance with Philippine Financial Reporting Standards.

In ₱ thousands, except for Per Share amounts	As of and for the years ended December 31		
	2005	2006	2007
Income Statement Data:			
Revenues.....	679,736	1,493,683	2,376,817
Cost of sales.....	643,011	1,330,317	2,097,438
Net income.....	3,720	74,262	122,359
Balance Sheet Data:			
Current Assets.....	101,043	413,351	762,661
Non-current Assets.....	61,058	94,293	429,543

Total Assets	162,101	507,644	1,192,204
Total Liabilities.....	138,615	313,896	625,622
Stockholders' Equity.....	23,486	193,748	566,582
Earnings per Share.....	0.37	3.10	0.94
Book Value per Share.....	2.35	1.67	3.93

REVIEW OF 2007 VERSUS 2006

Results of Operations

Revenues

The Company generated total revenues of ₱2.377 billion in 2007, a 59% increase over 2006's ₱ 1.494 billion, primarily due to substantial increases in sales and distribution of petroleum products and income from fuel service and storage.

- Sales on trading of petroleum products increased by 58% from ₱ 1.47 billion in 2006 to ₱ 2.32 billion in 2007 resulting principally from a wider distribution network, introduction of new product lines for the Phoenix Lubricant products and expanded institutional customer base. The number of operating Phoenix Fuels Life retail stations increased to thirty-three (33) at the end of December 2007 against twenty (20) in 2006. An additional thirty-one (31) other stations were in various stages of completion as of end 2007.
- Income from fuel service and lease of its storage facilities rose from ₱ 27 million in 2006 to ₱ 48 million in 2007 primarily due to higher volume stored and withdrawn.
- Interest income from money market placements increased to ₱ 13 million in 2007 from ₱1 million in 2006 mainly due to higher amount of deposit placements following the issuance of new shares of stock through the Parent Company's Initial Public Offering on July 11, 2007.

Costs and Expenses

The Company incurred total costs and expenses of ₱2.262 billion in 2007, a 59% increase against 2006's ₱1.419 billion.

Cost of sales in 2007 stood at ₱ 2.1 billion, 58% increase from 2006's ₱ 1.33 billion relative to the substantial increase in the sales of petroleum products in 2007 versus 2006.

Increasing volume as well as the intensive expansion and growth of the Company's business operations resulted in higher Selling and Administrative Expenses.

Net Income

As a result of the foregoing, the Company's net income increased to ₱ 122 million in 2007 from ₱ 74 million in 2006.

Tax due

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

The tax income reported in 2007 amounting to ₱ 4.35 million substantially refers to deferred tax income of subsidiaries relating to net operating loss carry over (NOLCO).

Financial Condition

Total resources of the Company as of December 31, 2007 amounted to ₱ 1.192 billion, a growth of 135% as compared to ₱ 508 million as of December 31, 2006. The improvement in its financial position reflected the soundness of the Company's strategic directions as well as its overall outstanding performance.

Cash and cash equivalents increased by 26% from ₱90.9 million as of December 31, 2006 to ₱114.2 million as of December 31, 2007 due to proceeds from issuance of additional shares of stock and additional paid-in capital through the Initial Public Offering on July 11, 2007.

The Company posted stronger liquidity position with Current Assets amounting to ₱762.7 million as of December 31, 2007, up from ₱413.4 million as of December 31, 2006.

Trade and other receivables increased to ₱ 361 million as of December 31, 2007 versus ₱ 208 million as of December 31, 2006 as volume of sales soared.

Inventories increased substantially by four times, from ₱ 44 million as of December 31, 2006 to ₱ 178 million as of December 31, 2007 in relation to the increase in sales volume as well as the strategic decision to take a long position on inventory following the increasing price trends of the commodity in the international market.

Due from related parties decreased by 36% from ₦ 56 million as of December 31, 2006 to ₦ 36 million as of December 31, 2007 due to collection of advances, granted in support of initiatives geared towards seizing business opportunities to strengthen the Company's competitive position in the industry.

Restricted deposits increased to ₦45 million as of December 31, 2007 from ₦14 million as of December 31, 2006 due to additional restricted compensating deposits with the Company's commercial banks for additional credit line facilities.

Other current assets increased to ₦29 million as of December 31, 2007 from ₦1 million as of December 31, 2006 due to higher input value added tax net of output tax related to higher procurement of inventories and capital expenditures in 2007. Also, increase in prepaid advance rental for lease of various properties for retail stations.

As of December 31, 2007, the Company's property and equipment, net of accumulated depreciation, increased to ₦414 million compared to ₦93 million as of December 31, 2006 as the Company executed its expansion programs. The financial commitments were primarily in the establishment of additional petroleum retail network, acquisition of land/ construction of depot and terminaling facilities, increase in lorry and refueller tankers to support its logistical requirements and roll-out of the nationwide distributorship network of its Lubricants & Chemicals Division.

Other non-current assets increased to ₦16 million as of December 31, 2007 from ₦0.92 million as of December 31, 2006 due mainly to deferred tax assets of subsidiaries relating to net operating loss carry over and goodwill recognized at date of acquisition of subsidiaries.

Loans and borrowings under current liabilities primarily consist of liabilities under letters of credit and trust receipts and current portion of installment payable and mortgage payable. Liabilities under letters of credit and trust receipts increased by 135% from ₦140 million as of December 31, 2006 to ₦330 million as of December 30, 2007 due to higher volume of sales as well as the Company's strategic decision to take a longer position on inventory. Installment payable and mortgage payable refers to the acquisition of land in strategic locations and service vehicles.

Trade and other payables increased by 4%, from ₦169 million as of December 31, 2006 to ₦175 million as of December 31, 2007 as a result of higher volume of sales.

Loans and borrowings under non-current liabilities substantially refer to installment payable on the acquisition of land and mortgage payable for acquisition of service vehicles. This stood at the level of ₦ 88 million as of December 31, 2007. The purchase of land in strategic locations is for the

construction of depot and terminal facilities in line with the Company's expansion moves. The amount is primarily due to Bacnotan Industrial Park Corporation, from which the Company bought some 35,000 square meters of land and payable over a period of Five (5) years payable until March 1, 2012.

Total Stockholders' Equity increased to ₱ 567 million as of December 31, 2007 from ₱ 194 million as of December 31, 2006 due to higher profits and issuance of new shares of stock.

Cashflow

Net Cash outflow from operating activities in 2007 amounted to ₱ 6.1 million as a result of management's strategic decision to invest in inventories and move aggressively to increase sales.

Cash flow used in investing activities amounted to ₱ 236 million. This reflects the Company's additional investments and expansion in Phoenix Fuels Life petroleum retail network, acquisition of land for construction of depot and terminaling facilities, increase in lorry and refueller tanker to support its logistic needs, and roll-out of the nationwide distributorship network of its Lubricants & Chemicals Division.

Cash provided from financing activities amounted to ₱ 266 million primarily coming from the proceeds from issuance of new shares of stocks during the Parent Company's Initial Public Offering in July 2007, additional borrowing for and collection of advances from related parties.

REVIEW OF 2006 VERSUS 2005

Results of Operations

Revenues

The Company generated total revenues of ₱1.49 billion in 2006, a 120% increase over 2005's ₱ 680 million, primarily due to substantial increases in sales of petroleum products and income from fuel service and storage.

- Sales on trading of petroleum products increased by 119% from ₱ 668 million in 2005 to ₱ 1.47 billion in 2006 resulting principally from wider distribution network. The number of Phoenix Fuels Life retail service stations increased to twenty (20) at the end of December 2006 against only five (5) in 2005.
- The Company generated ₱ 27 million from its fuel service and lease of its storage facilities in 2006 versus ₱ 11 million in 2005 due to higher volume stored and withdrawn.

- Interest income from money market placements increased to ₱ 1 million in 2006 from ₱0.512 million in 2005 attributable to higher volume of placements in 2006.

Costs and Expenses

The Company recorded cost of sales of ₱ 1.3 billion, 107% increase from 2005's ₱ 643 million as the substantial increase in the sales of petroleum products in 2006 versus 2005 led to a corresponding increase in cost of sales.

Selling and administrative expenses increased relative to the expansion and growth of the Company. Significant increases were experienced in manpower costs maintenance, advertising and depreciation expenses.

Net Income

As a result of the foregoing, the Company's net income increased to ₱ 74 million in 2006 from ₱ 3.7 million in 2005.

The Parent Company is registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act). One of the incentives under its registration is entitlement for an income tax holiday for five (5) years from November 16, 2005. The Parent Company availed of the income tax holiday starting on January 1, 2006.

Financial Condition

Total resources of the Company as of December 31, 2006 amounted to ₱ 507 million compared to ₱ 162 million as of December 31, 2005. The improvement in the financial position of the Company reflected prudent financial policies and programs.

Cash and cash equivalents increased considerably by 253% from ₱ 25.8 million to ₱ 91.0 million due to proceeds from the issuance of shares of stock last December 2006. The Company continued to be liquid with Current Assets amounting to ₱ 413 million as of December 31, 2006, up from ₱ 101 million as of December 31, 2005. Among the Current Assets, trade and other receivables experienced the significant increase, amounting to ₱ 207 million as of December 31, 2006 versus ₱ 31 million as of December 31, 2005 attributable to higher volume of sales and storage activities. Its current obligations stood only at ₱ 313 million and ₱ 139 million as of December 31, 2006 and December 31, 2005, respectively.

As of December 31, 2006, the Company's property and equipment stood at ₱ 93.4 million, net of accumulated depreciation as the Company made substantial

investments in gasoline station equipment, and office furniture and equipment totaling P40 million compared to ₱ 60.7 million, net of accumulated depreciation as of December 31, 2005. Other non-current assets increased from ₱0.372 million as of December 31, 2005 to ₱ 0.922 million as of December 31, 2006.

Mortgage payable totaled ₱ 4.7 million as of December 31, 2006, an increase of 100% due to borrowings for the acquisition of service vehicles.

Total Stockholders' Equity increased to ₱ 194 million as of December 31, 2006 from ₱ 24 million as of December 31, 2005 due to higher profits and issuance of new shares of stock.

Cashflows

Operating activities for the twelve month period in 2006 generated a net cash inflow amounting to about ₱ 91 million as a result of its substantial increase in its trading volume.

Net cash used in investing activities amounted to ₱ 39.72 Million in 2006. The Company's additional investments and expansion are concentrated on its depot, terminaling and logistical facilities and equipment as well as its Phoenix petroleum retail network.

Net cash provided by financing activities amounted to ₱ 14 Million principally from the additional equity infusions from shareholders.

REVIEW OF 2005 VERSUS 2004

Results of Operations

Revenues

The Company generated total revenues of ₱679 million in 2005, a 1,036% increase over 2004's ₱60 million due to substantial increase in sales of petroleum products. The Company opened five (5) gasoline retail service stations in 2005.

Costs and Expenses

The Company incurred cost of sales of ₱ 643 million, a 1,171% increase from 2004's ₱ 51 million as the substantial increase in the sales of petroleum products in 2005 versus 2004 led to a corresponding increase in cost of sales.

Selling and administrative expenses likewise increased relative to the higher sales. Bulk of the increase is manpower cost, depreciation and representation expenses.

Tax Expense

The Company paid income taxes of ₦ 1.7 million in 2005 compared to ₦0.37 million in 2004 due to higher taxable income.

Net Income

As a result of the foregoing, the Company's net income increased by 372% from ₦ 0.788 million in 2004 to ₦ 3.7 million in 2005.

Financial Condition

As of December 31, 2005, total resources of the Company stood at ₦ 162 million, an increase of 65% over 2004's ₦ 98 million.

Cash and cash equivalents increased by 32% from ₦ 19.6 million to ₦ 25.8 million due to issuance of new shares of stock.

The Company's liquidity position improved with Current Assets amounting to ₦ 101 million as of December 31, 2005 from ₦ 38 million as of December 31, 2004. Inventories increased substantially by 605% from ₦ 5.8 million as of December 31, 2004 to ₦ 40.9 million as of December 31, 2005 attributable to higher volume of sales. Current obligations amounted to ₦ 138.6 million and ₦ 25 million as of December 31, 2005 and December 31, 2004, respectively.

The Company made substantial investments in additional storage tanks, retail service station equipment and refueller trucks which led to higher amount of property and equipment of ₦ 60.7 million as of December 31, 2005 versus ₦ 40.5 million as of December 31, 2004. Other non-current assets declined from ₦ 19.4 million as of December 31, 2004 to ₦ 0.372 million as of December 31, 2005 due to the return of rental deposits.

The stockholders of the Company made advances for working capital purposes amounting to ₦ 70 million as of December 31, 2004. As of December 31, 2005, the balance of these advances amounted to ₦ 9 million.

Total Stockholders' Equity increased to ₦ P23.5 million as of December 31, 2005 from ₦ 2.6 million as of December 31, 2004 due to profits and equity infusion from shareholders including deposits from future subscription.

Cash Flows

Operating cashflows resulted into a net inflow amounting to ₦ 60 Million as a result of availment of credit line facilities in relation to the Company's gradual increase in sales volume.

Net cash used in investing activities amounted to ₱ 9.02 Million in 2005. This reflects the Company's additional investments on logistics facilities and equipment as well as build up of it five (5) Phoenix petroleum retail network.

Net cash outflow from financing activities amounted to ₱ 45.1 Million principally due to payment of borrowings from shareholders.

Top Five (5) Key Performance Indicators

The Company's top five (5) key performance indicators and how they are computed are listed below:

	2007	2006	2005
Current Ratio ¹	1.42	1.32	0.73
Debt to Equity ²	1.10	1.62	5.90
Return on Equity ³	32%	68%	29%
Net Book Value Per Share ⁴	3.93	1.67	2.35
Earnings Per Share ⁵	0.94	3.10	0.37

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Net income divided by average total stockholders' equity

4 - Total stockholders equity divided by the total number of shares issued and outstanding

5 - Net income after tax divided by weighted average number of outstanding common shares

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

D. Description of the General Nature and Scope of the Business of the Company's Business and its Subsidiaries

P-H-O-E-N-I-X Petroleum Philippines, Inc. was incorporated in the Philippines on May 8, 2002 and is 54% owned by PPHI, a company likewise organized in the Philippines. On August 7, 2006, the Philippine Securities and Exchange Commission ("SEC") approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc."

The Company is registered with the Board of Investments (BOI) effective November 16, 2005 as a New Industry Participant with New Investment in storage, marketing and

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

On July 11, 2007, the Company went public, making available twenty-five per cent (25%) of its total outstanding shares of One Hundred Forty-Five Million (145,000,000) to the public. The Company thus became the first petroleum company to list in the Philippine Stock Exchange (PSE) after the passage of the Republic Act (RA) 8479 in 1998. The aforementioned law encourages petroleum companies to be listed with the PSE.

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products on a wholesale basis, operation of oil depots and storage facilities, and allied services mainly in Southern Philippines. Its products and services are distributed and marketed under the “PHOENIX Fuels Life™” trademark.

Its operations are divided between Trading, Terminaling and Hauling Services. Under Trading, the Company offers its refined petroleum products and lubricants to retailers and commercial/industrial customers. The Company has a network of thirty-three (33) opened retail service stations as of December 31, 2007. Thirty-one (31) additional retail service stations were under various stages of completion as of end December 2007. The retail service stations are classified as Company-Owned, Company-Dealer-Operated (CODO) or Dealer-Owned, Dealer-Operated (DODO).

The Company’s Terminaling and Hauling Services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City and Cotabato City. Starting 2005, Cebu Pacific designated the Company as its exclusive logistics partner in these locations.

Subsidiaries

At present, PPPI has five (5) subsidiaries, namely:

- **Petroterminals Philippines Corp.** (“Petroterminals”) was established last March 26, 2007 to conduct and carry on the business of manufacturing, processing, trading and delivery of petroleum and other chemical products and to engage in the business of operating oil depots and storage facilities.
- **Petrologistix Services Corporation** (“Petrologistix”) is a logistics and trucking company established on January 31, 2007. Its main business purpose is the delivery, hauling and transport of various petroleum products and other logistical services. Currently, Petrologistix serves PTT Philippines Corp. in Northern Luzon and the logistics needs of the Company in its Luzon operations and PFL Petroleum Management, Inc. , a subsidiary

- **P-h-o-e-n-i-x Global Mercantile, Inc.** ("PGMI") was incorporated on July 31, 2006. It is the exclusive Philippine Distributor of Emarat Lubricants, a major petroleum company based in the United Arab Emirates. In October 2007, the commercial operation on the importation and distribution of lubricants was transferred to PPPI.
- **PFL Petroleum Management Inc.** ("PFL or PPMI") was incorporated last January 31, 2007 and is currently engaged in the management of six (6) retail stations owned by PTT Philippines Corporation.
- **P-H-O-E-N-I-X Philippines Foundation, Inc.** ("Phoenix Foundation") was organized on July 3, 2007 primarily for the purposes of supporting and participating in social and charitable projects, activities geared toward the development, protection, alleviation, education or empowerment of the needy and less fortunate members of society. Phoenix Foundation likewise supports and participates in activities which are aimed toward the promotion of sports and takes active role in the protection, conservation and preservation of our natural environment. Phoenix Foundation is the Corporate Social Responsibility arm of the Company

Operating Highlights

Marketing

The Company was extremely successful in its marketing activities. Total sales volume, excluding services, of refined petroleum products increased to 68 million liters (35,000 barrels) or 36% against sales volume in 2006. More significantly, the volume sold through its retail network doubled, affirming a key strategic move of the Company. In three years of commercial operations, the Company estimates that it has now approximately 19% share of stations and a 6.8% share of market in the Davao region.

The Company continued its unrelenting pursuit of its cornerstone strategies: branding and expanding its retail network. While the Company opened only its 33rd retail service station by end December 2007, an equal number were under various stages of completion. As of end March 2008, the Company has opened its 46th retail service station and 18 more retail service stations are expected to be in operation within April-Early May 2008.

The Company continued its brand building efforts through a selective advertising campaign. It also launched its first promotional campaign involving all its retail outlets:

The Company continued to introduce new product lines in the market. In addition to its lubricant lines, the Company launched car care products to serve the motorists' needs. 2007 was a foundation-building year for the Company's Lubricants & Chemical Division. Its successful entry paved the way for the Company to capture significant market shares in the highly competitive Southern Mindanao market in a mere one year

of operation. As of March 2008, the Company estimates that the Phoenix brand have as much as 3.4% and 4.2% market share in the 2T and Diesel engine lubricants categories, respectively.

The Company's Into-plane services also expanded as Cebu Pacific Airways appointed the Company as its logistics provider for General Santos City in addition to existing areas served.

Supply and Operations

The Company continued to strengthen its supply chain. While it continued to source its refined petroleum products mainly from its existing suppliers, i.e. PTT Philippines Corporation and Total Philippines Corporation, relationships with new suppliers were opened. The Company now procures its lubricants and base oil requirements through local suppliers as well as imports from United Arab Emirates and Singapore.

With the apparent shortage of marine tankers, the Company made a significant step to assure a seamless supply chain. In May 2007, the Company entered into a Contract of Affreightment with Chelsea Shipping Corp. (CSC), an affiliate. CSC operates eleven (11) vessels, seven (7) of which it owns, and services the shipping requirements of other companies including PTT Philippines Corporation, Cebu Pacific Airways and Total Bulk Corporation. The said contract allows CSC to plan for the shipping needs of the Company and make available such vessels as may be necessary at the appropriate time and at competitive rates. With this easy access to a critical logistical support, potential supply disruptions due to scarcity of marine tankers are minimized.

To provide for its ever-increasing volumes and business activities, the Company is currently expanding its Davao Depot facilities, increasing its original capacities by 100%. In addition, the Company has finalized the design for the expansion of its pier facilities, which will enable the Company to accommodate larger vessels. The Company also added to its fleet of lorry tankers to ensure efficient delivery of the rising volume of its growing number of clientele.

The Company pursued its plans to establish depot facilities in strategic locations in the country. Petroterminals Philippines Corporation (PPC), a subsidiary, acquired 35,000 square meters of land in the Batangas Union Industrial Park, where it is in the process of installing a liquid storage capability. This facility will serve as the Company's hub of operations in Southern Luzon. Also, through PPC, the Company acquired a property in New Washington, Aklan where facilities for Jet A-1 fuel storage are currently being constructed.

Other Significant Operational Highlights

In an unceasing effort to improve its operations, the Company embarked into two major efficiency-enhancing programs.

Quality Management Systems

In June 2007, the Company applied for an ISO 9001: 2000 accreditation. ISO 9000 is a family of standards for quality management systems. The scope of the quality system, intended for its Davao bulk plant and aviation fuel tank truck operations, included "Receiving, Storage and Distribution of Petroleum Fuels".

On February 1, 2008, the Company received its accreditation from Bureau Veritas.

Information Technology

In July 2007, The Company upgraded its information system to a SAP-based (Systems Applications and Products in Data Processing) integrated computer system automating its transaction processing from the time products are procured until they are delivered to clients. This covers procurement management, billing management, inventory management and financial reporting system.

Disbursement of IPO Proceeds/Major Capital Expenditures

The Company had a Gross Proceeds of ₱284,200,000.00 from its Initial Public Offering. After costs related to the issuance of new shares, the net proceeds stood at ₱256,114,249.00. The aforementioned proceeds supported the following Capital Expenditures:

- Phoenix Service Stations - ₱108,251,807.00 or 42% of Net Proceeds
- Depot/Terminal Expansion- 53,621,967.00 or 21% of Net Proceeds
- Logistics Support Facilities- 26,683,220.00 or 10% of Net Proceeds
- SAP Computerization- 11,158,183.00 or 4% of Net Proceeds
- Service Vehicles- 4,663,599.00 or 2% of Net Proceeds
- 2008 Carry-over 51,735,473.00 or 20% of Net Proceeds

The following major projects were on-going as of end December 2007:

- Acquisition of land and construction of Liquid Storage Facilities in Batangas Union Industrial Park and New Washington, Aklan;
- Expansion of Storage and receiving facilities in Davao;
- Construction of Phoenix Service Stations. Thirty-one (31) additional retail service stations were under various stages of completion.

Human Resources

The Human Resources (HR) embarked on a series of programs which helped establish the Company's Vision, Mission and Core Values, guiding principles, policies and processes thereby helping build the organization's capability to achieve its business plans and objectives.

(i) Organization Development

HR reviewed and redesigned the Company's lean, flat organization structure, which continued to allow the Company the flexibility to function and coordinate within different business units and across subsidiaries at the speed in which the company was growing. Correspondingly, HR initiated efforts for all employees to appreciate and understand the new organization structure through the establishment of the Position Classification System. HR communicated to each employee the corresponding job levels and reporting relationships across the different business units.

(ii) Competency Enhancement

This was done through the conduct of strategic planning and leadership workshops for all managers and supervisors. Participants were encouraged to think innovatively and creatively, while making reference to the Company's Vision, Mission and Core Values (VMV). The Company's leadership competencies are anchored in its VMV.

(iii) Performance Management

With the end view of motivating employees, HR designed and implemented a performance management system that was directly linked to the company's business plans and objectives. The thrust was to link corporate plans and strategies to measurable and individual goals and objectives. HR designed the Performance Management and Career Development Program (PACE-Pro) with the view of objectively managing work performance and expectations while providing a systematic approach for development and career plans of individuals. Employees were made aware of how their work performance would be measured, how competencies can be improved as well as the consequences and rewards that go with the performance results. The PACE-Pro is a strategic HR tool with the goal of establishing a Pay-for-Performance culture in the organization.

(iv) Employee Welfare

In a concerted effort to become a competitive and reputable employer in the business community, the Company made a policy decision to institutionalize health and welfare benefits to its employees. HR designed and implemented a health and welfare package that was competitive, practical and applicable to all areas of assignments. The impact of the healthcare benefits was significantly felt following major cases of employee hospitalization. The significance of this gesture was not lost on the PPPI family: the Company showed that in spite of its growth

from a small family business to a publicly-listed company, the Company continues to make the welfare of its people a primordial concern.

(v) Employee Relations

By fostering open communication, family spirit and employee well-being, HR organized teambuilding activities which included Phoenixtreme Quest, a highly competitive, team-based and task-oriented event for all employees, the Kiddie Halloween Party where the children from the rank and file and all the way up to the President participated, and the Annual Christmas Party, where employees performed in the much awaited group and individual singing and dancing talent competition.

Corporate Social Responsibility

The Phoenix Foundation, in conjunction with the Office of the Vice Mayor of Davao, became a major sponsor in the Feeding Program and Gift-Giving for Davao Lumads. About 1,000 families benefited from the event. Even as a young company, the Company and its employees reached out to the less fortunate in an event which was a strong reminder to care for our heritage, our culture and our people. The event was a manifestation of PPPI's Vision, Mission and Core Values.

While Davao-based personnel had immersion activities with the Lumads, the Engineering personnel in Luzon participated in a GAWAD KALINGA "TATAG" - Shelter program by helping build houses and technical training for underprivileged families in Camacho Nangka, Marikina. The Company also hired personnel from GAWAD KALINGA (GK) sites to support the GAWAD KABUHAYAN - Work Program of GK.

In Batangas Union Industrial Park, the Company's subsidiary, Petroterminals Philippines Corporation, supported the "PAWIKAN" conservation program spearheaded by the BUIP management.

Health, Safety and Environment

The Company recognizes that the pursuit of meeting society's needs and development and use of natural resources must be done in an environmentally sound manner. Simultaneously, protecting health and safety of its employees, business partners and the community, is of an equally primordial concern. To meet these responsibilities, the Company manages its business according to these principles:

- Operate our facilities and handle petroleum products in a manner that protects the environment and the safety and health of our employees and the public;
- Make safety, health and environmental considerations essential in our planning and development of processes;

- Develop systems that will use energy efficiently;
- Counsel customers, transporters and others in the safe use, transportation and disposal of petroleum products and waste materials;
- Commit to reduce overall emissions and waste generation;
- Advise government officials, customers, its employees and the public information on significant industry related safety, health and environmental hazards and to recommend protective measures; and
- Sharing experiences and offering assistance to others who handle, use, transport or dispose of similar petroleum products and waste.

In 2007, the Company conducted various training courses to enhance its employees' awareness in HSE. Among the programs conducted were:

- Basic Occupancy for Safety and Health
- Pollution Control Officers training and accreditation courses
- Petroleum product knowledge and safety
- Fire prevention and awareness program
- Basic Fire Fighting
- 5 S - Japanese Art of Good Housekeeping Practice

These courses are now integrated as part of the standard training programs for dealers, contractors and customers.

Compliance to engineering and related government standards/codes is considered in each and every aspect of the design and construction of various storage/distribution facilities, retail stations and other related building/structures.

The "GUIMARAS OIL SPILL INCIDENT" has been basis in the conceptualization of oil spill management program. Environment friendly oil absorbents are specified in the oil spill recovery system in the event of "accidental" spills. Equipment like work boats, spill booms, specialized oil recovery and containment systems are in the process of being acquired. Bioremediation methodology will be employed as a mitigating measure for recovered sludge and other solids.

Furthermore, the Company hired seasoned professionals in the petroleum and related industry to ensure HSE is not compromised from the conceptualization to implementation of its business endeavors. Investment on the upgrade of fire protection, oil spill prevention and recovery system and other related safety and environment projects were started in the last quarter of 2007 and programmed to be operational by 2008.

Business

- (i) Principal's products or services and their markets and distribution method:

The Company's main line of business is the trading of refined petroleum products, lubricants and other chemical products on a wholesale basis, operation of oil depots and storage facilities, and allied services mainly in Southern Philippines. The Company's ultimate markets are motorists, companies using petroleum products and lubricants as well as airline companies in need of specialized services.

It sells refined petroleum products through its network of retail service stations, carrying the "Phoenixfuels life" brand name. Its retail service stations are located mainly in the Davao Regions and Southern Mindanao. The Company also directly serves commercial and industrial accounts.

The Company also distributes lubricants and chemicals. It is the exclusive distributor of the Emarat Brand, a major petroleum company based in the United Arab Emirates. The Company also produces its own blend of lubricants and sells these under the Phoenix brand name.

The Company provides storage space for the Jet fuel supply of Cebu Pacific Airways (CPA) for the latter's requirements for their Davao, Cagayan de Oro, Cotabato and General Santos flights. In addition, the Company is the exclusive service provider for CPA in these locations.

- (ii) Percentage distribution of sales or revenues:

The Company had a Total Revenue of ₱ 2.377 billion in 2007 of which ₱ 2.316 billion or 97.4% was accounted for by the sales of refined petroleum products and ₱ 0.048 billion was accounted for by fuel service and storage income.

- (iii) New products or services:

In addition to its lubricant lines, the Company introduced car care products into the market including car fresheners, tire black, and others.

- (iv) Competition:

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Caltex, and the new industry players with presence in Southern Mindanao such as Unioil, Jetti and Flying V. While the three major players control about 83% of the Philippine market, the primary target of the Company is Mindanao where it has gained a foothold.

The Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations of its service station retail network. As of December 31, 2007, the Company has a network of 33 retail stations and has approximately a 19% share of stations within the Davao Region.

(v) Sources and availability products and the names of principal suppliers

The Company currently procures its petroleum products locally. Its main suppliers are PTT Philippines Corporation as well as Total Philippines Corporation. The necessary infrastructures are being built to allow the Company to embark on a direct importation program.

The Company however imports some of its lubricants from the United Arab Emirates, being the exclusive Philippine distributor of the Emarat brand.

(vi) Transactions with and/or dependence on related parties.

The Company has transactions with related parties as follows:

- UDENNA Corporation.

Lease of properties to which UDENNNNA Corporation owns or has rights to. These leases are elaborated further on the section on Leased Properties;

- Chelsea Shipping Corporation (CSC).

The Company has a Contract of Affreightment with CSC to haul the Company's petroleum supplies. CSC serves other clients including PTT Philippines Corporation, Cebu Pacific Airways and Total Bulk Corporation.

(vii) Patents, trademarks, licenses, franchises

The Company has pending applications with the Bureau of Trademarks for its PHOENIX Fuels Life TM brand, which is being positioned as the brand of choice in Mindanao. Branding is a cornerstone of the Company's marketing program.

(viii) Total number of employees

The Company has a total of 133 employees as of December 31, 2007. This is broken down as follows: Chairman, President and Chief Executive Officer, 3 Vice Presidents, 5 Assistant Vice Presidents, 12 Managers, 41 Supervisory, Professional, Technical and Confidential employees, and 70 Rank and File employees.

There are no labor unions in the Company and its subsidiaries nor were there any labor cases filed against the Company and its subsidiaries.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, vacation, sick and emergency leaves to all its regular employees.

Major Risks Involved

Risk Factors

The Company recognizes, assesses and manages certain risks that could materially and adversely affect its business, financial condition, results of operations and prospects.

An integral part of its risk management process involves the establishment of a Credit Committee, Pricing Committee, an Internal Audit Department, and organization of special teams to conduct financial analysis, planning and evaluation of company projects/plans and other business activities. Monthly Business Unit reviews are conducted to identify risks, threats and opportunities, and to ensure that concerned units manage or promptly address identified risks.

Major Risks

The Company manages the following major risks relative to its business, industry and area of operations:

Volatility of prices of fuels

Oil prices, which have been and are expected to continue to be volatile and subject to a variety of factors beyond the Company's control could affect the Company's profitability, liquidity and sales volume.

Intense competition

Competitive pressures from the majors and all other independent/new players could lead to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. The Company's competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized regional companies.

Material disruptions in the availability or supply of fuel

As a trading concern, the Company largely depends on its ability to find stable source of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel

purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market. In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

Reliance on third parties to fulfill their obligations on a timely basis

The Company, at certain levels, depends on some third party providers for various aspects of its business. As such, it runs the risk that suppliers and service providers may fail to honor their contractual obligations. The Company relies on suppliers of fuel to regularly provide it with inventory. Shipping companies and charter tankers are contracted to transport fuel oil, diesel oil and blend components from suppliers' facilities to service centers. The failure of these third parties to fulfill their obligations or to perform the services they have agreed to provide could affect the Company's relationships with its customers or may lead to our not being able to honor its own contractual obligations to other parties.

Regulatory risk

Risk can arise from changes in government policies and regulations that may limit the Company's ability to do business or require it to incur substantial additional costs or otherwise materially adversely affect business, results of operation or financial condition

Risk Management and Mitigants

Price volatility. The Company generally observes "just-in-time" inventory purchases and thus, is not materially affected by price fluctuations.

Competition. The liberalization of the oil industry has paved way for new entrants/independents to competitively position itself in the markets they serve. The Company has focused its retail network presence in the Mindanao market and has consistently gained significant market share in the said area.

Supply disruptions. At present, the Company has a Supply Contract with PTT Philippines, Inc. which guarantees supply of fuels on annual contract basis. All other supply requirements are sourced from various other suppliers. To address this concern, the Company will be directly importing its products by 2009.

Reliance on third parties. Bulk of the Company's marine tanker requirements is served by an affiliate, Chelsea Shipping Corporation which prioritizes the Company's oil transport requirements.

Regulatory risk. To keep itself updated of developments in the industry relative to policies and regulations, the Company has set-up a Corporate Affairs department to maintain lines of communications with government bureaus and

to identify potential risk factors and proactively respond to these factors to protect company interest.

Description of Property

The Company's properties consist mainly of its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot. These properties except for petroleum products are free and clear of liens, encumbrances and other charges, and are not subject of any mortgage or other security arrangement.

Under the terms of agreements covering the liabilities under trust receipts, certain inventories of petroleum products released to the Company are held in trust for the bank. The Company is accountable to the bank for the trustee inventories or their sales proceeds.

Leased Properties

Lease with Udenna Corporation

The Company's headquarters, where substantially all of its operations are conducted, are currently located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City. PPPI is currently sub-leasing an area of approximately of Sixteen Thousand (16,000) square meters, more or less, from Udenna Corporation which has an existing lease contract with the Heirs of Stella Hizon Reyes for 25 years starting from March 20, 2002 to March 19, 2027.

Following are the relevant terms of the lease contracts with Udenna Corporation:

- The current contract of lease has a term of three (3) years commencing from January 2007 to December 2009.
- The Company shall pay Udenna Corporation a monthly rental at the rate of P 237,877.89 inclusive of VAT and withholding tax. The rate shall be subject to a 10% increase every year.
- The leased premises shall be used exclusively by the Company for its storage of petroleum and fuel products and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the Lessor.
- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.

- Udenna shall have the right to pre-terminate the lease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Corporation one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

Leased Properties for Company-owned, Dealer-operated (CODO) Stations

In addition to the lease covering the premises where the Company's headquarters is located, the Company has existing lease contracts with several landowners for the establishment of Phoenix Fuels Life Retail Stations. As of March 31, 2008, the Company has signed Lease Agreements for Twenty-three (23) sites where CODO stations are established/being constructed/will be constructed. These are located in the following areas:

Locations	Number of Stations
North Cotabato	1
Davao City	12
Davao del Norte	3
Davao Oriental	1
Gen. Santos/South Cot	5
Bukidnon	1
Total	<hr/> 23

Generally, the Contracts of Lease uniformly provides for the following:

- The lease shall be for a term of fifteen years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.
- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. It may include convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a retail station and for no other purpose without the written consent of the Lessor.
- The Company is permitted to assign or sublet the leased premises upon the written approval of the Lessor, provided that it is leased to a single party to operate retail station, corner store and coffee shop as a whole.

Leased Properties for Dealer-owned, Dealer-operated (DODO) Stations

As of March 31, 2008, the Company signed Lease Agreements with Forty-Nine (49) DODO stations, including those where construction are yet to start. In a DODO arrangement, the Dealer legitimately owns or possesses the real property where the Phoenix Fuels Life Retail Station is established. The Company gains rights to the property by virtue of a lease agreement, which lease is duly incorporated in the Dealership Agreement executed between the landowner/dealer and the Company.

As of March 31, 2008, the Company had such agreements in the following locations:

Locations	Number of Stations
Davao Oriental	1
Davao City	10
Davao del Norte	7
Davao del Sur	8
Comval	3
Gen. Santos/South Cot	4
Surigao del Sur	1
North Cotabato	8
Sultan Kudarat/	1
Maguindanao	2
Agusan del Sur	2
Bukidnon	2
Total	<hr/> 49

Purchase of Real Properties in New Washington, Aklan

As part of its expansion program, the Company purchased two adjoining real properties in New Washington, Aklan consisting of a total of 8,348 square meters, more or less. The area is intended for storage facilities primarily for jet A-1 fuel and other petroleum products to cater and serve the needs of the Company's clients.

E. Directors and Executive Officers of the Company

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers, their principal occupation or employment, the name and principal business of any organization by which such directors and executive officers are employed.

F. Market Price, Shareholder and Dividend Information

Market price of and Dividends on Registrant's common equity shares and Related Stockholders Matters

The Company's common shares were listed and traded at the Philippine Stock Exchange ("PSE") starting on July 11, 2007. The high and low sale prices of each period are hereunder shown:

Period	Highest Close		Lowest Close	
	Price	Date	Price	Date
First Quarter	N/A	N/A	N/A	N/A
Second Quarter	N/A	N/A	N/A	N/A
Third Quarter	P13.75	07-13-2007	P6.60	09-13-2007
Fourth Quarter	P8.60	10-16-2007	P6.50	11-22-2007

As of December 31, 2007, the market capitalization of the Company, based on the closing price of P7.10, was approximately P1,029,500,000.00.

(1) Top 20 Stockholders** As of March 31, 2008

	Stockholders Name	No. of Common Shares	Percentage of Ownership (%)*
1	Phoenix Petroleum Holdings, Inc.	78,500,000	54.63
2	PCD Nominee Corporation (Filipino)	38,595,800	26.85
3	Udenna Corporation (Formerly Udenna Holdings Corporation)	19,749,995	13.74
4	Udenna Management & Resources Corp.	5,000,000	3.48
5	Paul Gerard B. Del Rosario	1,751,200	1.22
6	Dennis A. Uy	618,000	0.40
7	PCD Nominee Corporation (Non-Filipino)	223,000	0.16
8	Dennis A. Uy &/or Cherylyn C. Uy	170,000	0.12
9	Domingo T. Uy	100,001	0.07
10	Orlando T. Lansangan	20,000	0.01
11	Leo M. Bernaldez	8,000	0.00
12	Socorro Ermac Cabrerros	5,001	0.00

13	Sandra Elecerio Parra	5,000	0.00
14	Leopoldo B. Bugal	2,000	0.00
15	Dulce Maria S. Oliva	1,000	0.00
16	Elnora N. Turner	1,000	0.00
17	Philip Turner	1,000	0.00
18	J.V. Emmanuel A. De Dios	1	0.00
19	Ricardo S. Pascua	1	0.00
20	Jose Manuel R. Quimson	1	0.00
21	Monico V. Jacob	1	0.00

* based on the total shares (net of treasury shares) as of March 31, 2008 of 143,696,000

** disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of March 31, 2008

(2) Dividends

The Company's dividend policy is to declare at least 30% of its prior year's net income as dividends, whether in stock or in cash, payable out of its unrestricted retained earnings subject to statutory limitations.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital among other factors.

No dividend was declared in 2007.

On March 11, 2008, the Board approved the declaration and payment from the unrestricted retained earnings of the Company as of December 31, 2007, of cash dividends to all stockholders of record of the Company as of May 30, 2008 at the rate of P0.10 per common share. The Payment date shall be on June 26, 2008.

On May 8, 2008, the Board of Directors likewise approved the declaration of 30% stock dividends. Record and Payment dates shall be announced later.

(3) Recent Sale of Unregistered Securities

The Company has not sold or transferred any securities that are not registered under the Code nor did it issue any additional securities in exchange for any properties, services and other securities.

(4) Re-acquisition/buy-back of its Own Securities

On September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities, the program commenced on second week of October 2007. It will conclude upon exhaustion of the approved allotment subject to the proper disclosure to the SEC and the PSE.

The funds allocated for the repurchase of the shares was taken from the company's unrestricted retained earnings. The program was basically designed to boost up and/or improve the shareholders value through the repurchase of the shares whenever the same is trading at a value lower than its actual corporate valuation. The program did not involve any funds allotted for the company's impending expansion projects/investments nor any of those allotted for payment of obligations and liabilities.

Description of Share

The Company's shares consist of common shares with a par value of P1.00 per share. As of December 31, 2007 and March 31, 2008, total outstanding common shares with voting rights are 144,205,000 shares and 143,696,000 shares, respectively.

Stock Options Plan

The Company has an existing proposal for Employee Stock Options Plan subject to approval of the Board of Directors in the next regular board meeting. Hence, at the present, there is no approved Employees Stock Option Plan.

G. Compliance with Leading Practices on Corporate Governance

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of seven (7) members, two (2) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein which the relevant corporate issues may be raised for discussion and voted by the members of the Board.

Last March 7, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

Last January 30, 2008, the Company through the Corporate Secretary has submitted a document certifying the attendance of the members of the Board of Directors in all regular meetings for the year 2007 as well as the compliance to the provisions of the Manual of Corporate Governance prescribed by the SEC as adopted by the Company.

H. Undertaking to provide Without Charge a Copy of the Company's Annual Report on SEC Form 17-A

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2007 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, STELLA HIZON REYES ROAD, BO. PAMPANGA, LANANG, DAVAO CITY, PHILIPPINES 8000.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS



The management of P-H-O-E-N-I-X Petroleum Philippines, Inc. is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2007, 2006 and 2005. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. Management likewise discloses the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls, and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.

Signature _____

Name of the Chairman of the Board

DOMINGO T. UY

Signature _____

Name of President

DENNIS A. UY

Signature _____

Name of Comptroller

CHRYSS ALFONSUS V. DAMUY

PHOENIX PETROLEUM PHILIPPINES INC.

Phoenix B-8 Dept. Luning, Davao City 8000 • Tel. (8362) 2330118 Fax: (8362) 236888 • www.phoenixphilippines.com



Punongbayan & Araullo

Report of Independent Auditors

The Board of Directors
P-H-O-E-N-I-X Petroleum Philippines, Inc.
and Subsidiaries
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

We have audited the accompanying consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2007 and 2006, and the consolidated income statements, statements of changes in equity and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes. The financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. for the year ended December 31, 2005 were audited by other auditors whose report, dated March 31, 2006, expressed an unqualified opinion on those statements.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries as of December 31, 2007 and 2006, and of their consolidated financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: 
Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 0986666, January 4, 2008, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 9, 2008

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 114,178,773	P 90,965,420
Trade and other receivables	5	360,649,617	207,765,925
Inventories	6	178,059,559	43,542,512
Due from related parties	19	35,599,076	55,734,363
Restricted deposits	7	44,751,820	14,185,232
Other current assets	8	<u>29,422,475</u>	<u>1,157,672</u>
Total Current Assets		<u>762,661,320</u>	<u>413,351,124</u>
NON-CURRENT ASSETS			
Property and equipment - net	9	413,703,395	93,370,359
Other non-current assets	10	<u>15,839,793</u>	<u>922,918</u>
Total Non-current Assets		<u>429,543,188</u>	<u>94,293,277</u>
TOTAL ASSETS		<u><u>P 1,192,204,508</u></u>	<u><u>P 507,644,401</u></u>

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Loans and borrowings	11	P 362,605,399	P 143,683,413
Trade and other payables	12	175,134,843	168,756,093
Due to related parties	19	-	140,200
Total Current Liabilities		537,740,242	312,579,706
NON-CURRENT LIABILITIES			
Loans and borrowings	11	87,882,299	1,316,443
Total Liabilities		625,622,541	313,896,149
EQUITY			
Capital stock	20	145,000,000	116,000,000
Additional paid-in capital	20	227,114,249	-
Treasury shares	20	(5,639,300)	-
Retained earnings		200,107,018	77,748,252
Total Equity		566,581,967	193,748,252
TOTAL LIABILITIES AND EQUITY		<u>P 1,192,204,508</u>	<u>P 507,644,401</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(With Comparative Figures for 2005)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES				
Sale of goods - net		P 2,315,981,493	P 1,465,481,108	P 667,950,663
Fuel service and storage income		48,250,811	27,149,668	11,274,295
Interest income		12,584,885	1,052,395	511,545
		<u>2,376,817,189</u>	<u>1,493,683,171</u>	<u>679,736,503</u>
COST AND EXPENSES				
Cost of sales	13,14	2,097,437,575	1,330,317,443	643,010,957
Selling and administrative expenses	14	165,232,699	89,103,670	31,308,229
		<u>2,262,670,274</u>	<u>1,419,421,113</u>	<u>674,319,186</u>
INCOME BEFORE TAX AND PREACQUISITION LOSS		114,146,915	74,262,058	5,417,317
PRE-ACQUISITION LOSS		<u>3,861,745</u>	<u>-</u>	<u>-</u>
INCOME BEFORE TAX		118,008,660	74,262,058	5,417,317
TAX INCOME (EXPENSE)	16,18	<u>4,350,106</u>	<u>-</u>	(<u>1,696,685</u>)
NET INCOME	21	<u>P 122,358,766</u>	<u>P 74,262,058</u>	<u>P 3,720,632</u>
Earnings per share	21	<u>P 0.94</u>	<u>P 3.10</u>	<u>P 0.37</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(With Comparative Figures for 2005)
(Amounts in Philippine Pesos)

	<u>Note</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
CAPITAL STOCK	20			
Balance at beginning of year		P 116,000,000	P 10,000,000	P 2,500,000
Additional issuance during the year		<u>29,000,000</u>	<u>106,000,000</u>	<u>7,500,000</u>
Balance at end of year		<u>145,000,000</u>	<u>116,000,000</u>	<u>10,000,000</u>
ADDITIONAL PAID-IN CAPITAL	20	<u>227,114,249</u>	-	-
TREASURY SHARES	20	(<u>5,639,300</u>)	-	-
DEPOSITS ON FUTURE STOCK SUBSCRIPTIONS	20	<u>-</u>	<u>-</u>	<u>10,000,000</u>
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		77,748,252	3,486,194	(234,438)
Net income		<u>122,358,766</u>	<u>74,262,058</u>	<u>3,720,632</u>
Balance at end of year		<u>200,107,018</u>	<u>77,748,252</u>	<u>3,486,194</u>
TOTAL EQUITY		<u>P 566,581,967</u>	<u>P 193,748,252</u>	<u>P 23,486,194</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(With Comparative Figures for 2005)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 118,008,660	P 74,262,058	P 5,417,317
Adjustments for:				
Depreciation and amortization	9	32,740,544	16,270,399	8,496,604
Interest income		(12,584,884)	(1,052,395)	(511,545)
Interest expense	14	6,246,974	3,021,158	1,596,698
Operating income before working capital changes		144,411,294	92,501,220	14,999,074
Increase in:				
Trade and other receivables		(152,883,692)	(176,499,777)	(19,741,751)
Inventories		(134,517,047)	(2,614,966)	(35,120,961)
Restricted deposits		(30,566,588)	(14,185,232)	-
Decrease (increase) in other current assets		(28,264,803)	1,900,716	(13,134,093)
Increase in loans and borrowings		189,304,178	49,182,057	85,041,694
Increase in trade and other payables		6,380,432	140,682,572	29,973,402
Cash generated from (used in) operations		(6,136,226)	90,966,590	62,017,365
Cash paid for income taxes	18	(1,682)	-	(1,696,685)
Net Cash From (Used in) Operating Activities		(6,137,908)	90,966,590	60,320,680
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions of property and equipment	9	(238,329,682)	(40,217,076)	(28,645,660)
Interest received		12,584,884	1,052,395	511,545
Decrease (increase) in other non-current assets		(10,566,769)	(550,529)	19,111,411
Net Cash Used in Investing Activities		(236,311,567)	(39,715,210)	(9,022,704)

Forward

	<u>Notes</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Additional paid-in capital	20	227,114,249	-	-
Proceeds from issuance of shares of stock	20	29,000,000	96,000,000	7,500,000
Net decrease (increase) in due to/from related parties		19,995,087	(74,969,418)	(61,000,000)
Interest paid		(6,246,974)	(3,021,158)	(1,596,698)
Increase in treasury shares	20	(5,639,300)	-	-
Net increase (decrease) in mortgage payable		1,439,766	(4,086,782)	-
Proceeds from deposits on future stock subscriptions		-	-	10,000,000
Net Cash From (Used in) Financing Activities		<u>265,662,828</u>	<u>13,922,642</u>	(<u>45,096,698</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
		23,213,353	65,174,022	6,201,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		<u>90,965,420</u>	<u>25,791,398</u>	<u>19,590,120</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		<u>P 114,178,773</u>	<u>P 90,965,420</u>	<u>P 25,791,398</u>

Supplemental Information on Noncash Investing and Financing Activities

In 2007, the Group acquired land amounting to P134,853,747 through installment. The outstanding installment payable as of December 31, 2007 amounted to P114,743,898 (see Note 11).

In 2006, the Company acquired certain service vehicles amounting to P8.7 million through loans covered by chattel mortgages from local banks. Outstanding Mortgage Payable of the Company as of December 31, 2006 amounted to P4.6 million (see Note 11).

In 2006, deposits on future stock subscriptions amounting to P10.0 million were converted to common stock (see Note 20).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(With Comparative Figures for 2005)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 54% owned by P-H-O-E-N-I-X Petroleum Holdings Inc. (PPHI), a company organized in the Philippines, as of December 31, 2007.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on July 11, 2007 and is presently engaged in trading of petroleum products on wholesale basis and operating of oil depots, storage facilities and allied services.

PPHI was incorporated in the Philippines on May 31, 2006 but has not yet started commercial operations. PPHI's primary purpose is to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises.

The ultimate parent of the Group is Udenna Corporation, which was organized to purchase, acquire, take over and manage all or any parts of the rights, assets, business and property, undertake and assume all the liabilities of others; and to engage in the distribution, selling, importation, installation of pollution control devices, units and services, all other pollution control devices, units and services, and all other pollution control related products and emission test servicing.

In 2007, the Parent Company opened 13 additional service stations and it now has a total of 33 service stations operating as of December 31, 2007. As of December 31, 2007, there are 31 service stations under construction.

The Parent Company holds 100% interest on the following subsidiaries:

- Petroterminals Philippines, Corp. (PPC),
- P-F-L Petroleum Management, Inc. (PPMI)
- P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI), and
- Petrologistix Services Corporation (PSC)

All the subsidiaries were organized and incorporated in the Philippines.

PPC was created to conduct and carry on the business of manufacturing, processing, trading and delivery of petroleum and other chemical products and to engage in the business of operating oil depots and storage facilities. PPC was registered with the Securities and Exchange Commission (SEC) on March 26, 2007 and has not yet started commercial operation.

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

PGMI is currently engaged in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI was registered with the SEC on July 31, 2006 and started commercial operations on January 1, 2007.

PSC was created primarily to engage in providing hauling, trucking services, and other logistics services. PSC was registered with the SEC on January 31, 2007 and has not yet started commercial operations.

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

PPC, PPMI and PSC's registered office, which is also their principal place of business, is located at Penthouse, Valero Tower, 122 Valero St., Salcedo Village, Makati City.

The financial statements of the Parent Company and Subsidiaries (the Group) for the year ended December 31, 2007 (including the comparatives for the years ended December 31, 2006 and 2005) were authorized for issue by the Group's President and Chief Executive Officer on April 9, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis. The measurement bases are more fully described in the accounting policies in the succeeding page.

(b) Transition to PFRS in 2005

In compliance with the pronouncements of the FRSC and the regulations of the SEC, the Parent Company adopted all the relevant PFRSs for the first time in its financial statements for the year ended December 31, 2005, with January 1, 2004 as its transition date.

The transition from the previous generally accepted accounting principles in the Philippines to PFRS was made in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*.

The Parent Company's adoption of these new and revised Philippine Accounting Standards (PASs) and PFRSs did not result in material adjustments to the financial statements of the current and prior years, except for the disclosure of additional information and details relating to certain accounts and transactions as required under the new accounting standards.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.12).

(d) Reclassification of Accounts

Certain accounts in the 2006 and 2005 consolidated financial statements have been reclassified to conform to the 2007 financial statement presentation and classification.

2.2 Impact of New Standards, Amendments and Interpretations to Existing Standards

(a) Effective in 2007 that are Relevant to the Group

In 2007, the Group adopted for the first time the following new and amended PFRS which are mandatory for accounting periods beginning on or after January 1, 2007.

PAS 1 (Amendment)	:	Presentation of Financial Statements
PFRS 7	:	Financial Instruments: Disclosures
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 10	:	Interim Financial Reporting and Impairment

Discussed below are the impact on the consolidated financial statements of these new accounting standards.

- (i) PAS 1 (Amendment), *Presentation of Financial Statements*. PAS 1 introduces new disclosures on the Group's capital management objectives, policies and procedures in each annual financial report. The amendments to PAS 1 were introduced to complement the adoption of PFRS 7. The new disclosures that became necessary due to this change in PAS 1 can be found on Note 24.
- (ii) PFRS 7, *Financial Instruments: Disclosures*. PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, particularly:
 - a sensitivity analysis, to explain the Group's market risk exposure with regard to its financial instruments; and,
 - a maturity analysis that shows the remaining contractual maturities of financial liabilities.

PFRS 7 replaced PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. All disclosures relating to financial instruments, including all comparative information, have been updated to reflect the new requirements. The new disclosures that became necessary due to the Group's adoption of PFRS 7 are presented in Note 23.

- (iii) Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*. This Philippine Interpretation prohibits the reversal through profit and loss at a subsequent balance sheet date of any impairment losses recognized on goodwill and financial assets carried at cost at an interim period.

The first time application of these standards, amendments and interpretations has not resulted in any prior period adjustments of cash flows, net income or balance sheet line items.

(b) *Effective in and Subsequent to 2007 but not Relevant to the Group*

2007

PFRS 4 (Amendment)	:	Insurance Contracts
Philippine Interpretation IFRIC 7	:	Applying the Restatement Approach under PAS 29, <i>Financial Reporting in Hyper Inflationary Economies</i>
Philippine Interpretation IFRIC 8	:	Scope of PFRS 2
Philippine Interpretation IFRIC 9	:	Re-assessment of Embedded Derivatives

2008

Philippine Interpretation IFRIC 12	:	Service Concession Arrangements
Philippine Interpretation IFRIC 13	:	Customer Loyalty Programmes

2009

PAS 23 (Revised 2007)	:	Borrowing Costs
-----------------------	---	-----------------

(c) *Effective Subsequent to 2007 that are Relevant to the Group*

There are new and amended standards and Philippine Interpretation that are effective for periods subsequent to 2007. The following new standards are relevant to the Group which the Group will apply in accordance with their transitional provisions.

2008

Philippine Interpretation IFRIC 14	:	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
------------------------------------	---	---

2009

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PFRS 8	:	Operating Segments

Below is a discussion of the possible impact of these accounting standards.

- (i) Philippine Interpretation IFRIC 14, *PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective from January 1, 2008). This Philippine Interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It standardizes practice and ensures that entities recognize an asset in relation to a surplus on a consistent basis. The Group is currently evaluating the impact of this Interpretation on its consolidated financial statements and determined that adoption of this Philippine Interpretation will not materially affect its consolidated financial statements.

- (ii) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 consolidated financial statements.
- (iii) PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009). Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment assets, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment assets, liabilities and performance based on internal management reports, adoption of this new standard will not have a material impact on the Group's consolidated financial statements.

2.3 Basis of Consolidation

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

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

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

Subsidiaries are all entities over which the Parent Company has the power to control the financial and operating policies. The Parent Company obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time that such control ceases.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiaries, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiaries prior to acquisition. On initial recognition, the assets and liabilities of the subsidiaries are included in the balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiaries at the date of acquisition. Negative goodwill represents the excess of Parent Company's share in the fair value of identifiable net assets of the subsidiaries at date of acquisition over acquisition cost (see also Note 2.9).

In 2007, the Parent Company acquired 100% ownership in the following subsidiaries:

- Petroterminals Philippines, Corp.
- P-F-L Petroleum Management, Inc.
- Phoenix Global Mercantile, Inc.
- Petrologistix Services Corporation

2.4 Financial Assets

Financial assets include cash and other financial instruments. Financial assets are assigned to the different categories by management on initial recognition, depending on the characteristics of the instrument and the purpose for which it was acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards. The financial instruments category is relevant for the way it is measured and whether any resulting income and expense is recognized in profit or loss or directly in equity.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investment readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

All financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

Currently, the Group's financial assets are cash and cash equivalents and loans and receivables (presented as trade and other receivables, due from related parties and restricted deposits in the consolidated balance sheets).

Loans and receivables (presented as Trade and other receivables in the consolidated balance sheets) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Inventories

At the consolidated balance sheet date, inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing the inventory to its present location and condition is accounted at purchase cost on the basis of moving average method.

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

2.6 Property and Equipment

Property and equipment, other than land which is stated at cost less any impairment in value, are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

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

Buildings, depot and pier facilities	5-15 years
Gasoline station equipment	1-3 years
Office furniture and equipment	1-3 years
Hauling and heavy equipment	1-5 years
Other equipment	1-10 years

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is derecognized.

2.7 Financial Liabilities

Financial liabilities include loans and borrowings, trade and other payables and due to related parties, which are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as part of operating expense in the consolidated income statement.

Loans and borrowings are raised for support of short-term and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs.

Trade and other payables and due to related parties are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the consolidated balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

2.8 Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the date of the consolidated balance sheet, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. 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. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

2.9 Business Combinations

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost a business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.13) and is presented under Other non-current assets in the consolidated balance sheets (see Note 10).

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

2.10 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- (a) Sale of goods – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.
- (b) Fuel service and storage income – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered.
- (c) Interest – Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).

- (d) Franchise income – Revenue is recognize when the performance of contractually agreed task has been substantially rendered. Franchise income is presented as part of Fuel service and storage income account in the consolidated income statement.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding value-added tax (VAT) and trade discounts.

Cost and expenses are recognized in the consolidated income statement upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

2.11 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases, which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are recognized as assets and liabilities in the consolidated balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

(b) *Group as Lessor*

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

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

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

2.12 Functional Currency

(a) Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional currency.

(b) Transactions and Balances

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

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

2.13 Impairment of Non-financial Assets

The Group's property and equipment and goodwill are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro rata to the other assets in the cash generating unit.

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

2.14 Employee Benefits

Pension benefits are provided to employees through a defined benefit plan.

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

The liability recognized in the consolidated balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

2.15 Equity

Capital stock is determined using the nominal value of shares that have been issued.

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

Treasury shares are stated at the cost of re-acquiring such shares.

Retained earnings include all current and prior period results as disclosed in the consolidated income statement.

2.16 Income Taxes

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

Deferred tax is provided, using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated income statement.

2.17 Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. The Group has no dilutive potential common shares outstanding that would require disclosure of diluted earnings per share in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Judgments in Applying Accounting Policies

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

(a) Functional Currency

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

(b) Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Rent expense charged to operations amounted to P6,915,184, P3,005,065 and P1,650,000 for the years ended December 31, 2007, 2006 and 2005, respectively (see Note 14).

Rent income earned for the years 2007 and 2006 amounted to P10,329,088 and P9,304,299, respectively. The Group has no rent income in 2005. Rent income is presented as part of the Fuel service and storage income in the consolidated income statements.

(c) Provisions and Contingencies

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.8 and relevant disclosure is presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

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

(a) Useful Life of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Property and equipment net of accumulated depreciation and amortization amounted to P413.7 million and P93.4 million as of December 31, 2007 and 2006, respectively (see Note 9).

(b) Allowance for Impairment of Trade and Other Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

No provisions for impairment losses were recognized for the years ended December 31, 2007, 2006 and 2005.

(c) Realizable Amount of Deferred Tax Assets

The Group 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 asset utilized.

Deferred tax asset (included as part of Other Non-current Assets) amounted to P4,813,793 as of December 31, 2007 (see Notes 10 and 18).

(d) Retirement Benefits and Other Retirement Benefits

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 15 and include, among others, discount rates, and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit obligation amounted to P1.8 million in 2007 and nil in 2006 (see Note 15.2).

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	<u>2007</u>	<u>2006</u>
Cash on hand and in banks	P 53,178,773	P 15,842,339
Short-term placements	<u>61,000,000</u>	<u>75,123,081</u>
	<u>P 114,178,773</u>	<u>P 90,965,420</u>

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have maturity ranging from 7 to 90 days and earn effective interest ranging from 2.1% to 4.8%.

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>2007</u>	<u>2006</u>
Trade receivables	P 265,548,927	P 204,974,858
Other receivables	<u>95,100,690</u>	<u>2,791,067</u>
	<u>P 360,649,617</u>	<u>P 207,765,925</u>

All of the Group's trade and other receivables have been reviewed for indicators of impairment. There are no trade receivables found to be impaired as of December 31, 2007 and 2006.

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

	<u>2007</u>	<u>2006</u>
Not more than one month	P 54,279,726	P 55,687,304
More than one month but not more than two months	20,243,220	1,949,128
More than two months but not more than four months	<u>33,559,948</u>	<u>5,435,151</u>
	<u>P 108,082,894</u>	<u>P 63,071,583</u>

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

The carrying amounts of these short-term financial assets are reasonable approximation of their fair values.

6. INVENTORIES

This account consists of:

	<u>2007</u>	<u>2006</u>
Fuel	P 146,222,710	P 43,542,512
Lubricants	<u>31,836,849</u>	<u>-</u>
	<u>P 178,059,559</u>	<u>P 43,542,512</u>

Under the terms of agreements covering the liabilities under trust receipts, certain inventories have been released to the Group in trust for the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 11).

7. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking facilities covered by hold-out agreements. As such, these are restricted as to withdrawals. Banking facilities availed by the Group are used for the purpose of purchasing fuel and lubricant supplies from their sources.

8. OTHER CURRENT ASSETS

The composition of this account as of December 31 is shown below:

	<u>2007</u>	<u>2006</u>
Net input VAT	P 23,084,399	P 400,388
Prepayments	4,569,166	107,821
Creditable withholding tax	738,103	649,463
Cash advances subject for liquidation	414,628	-
Others	<u>616,179</u>	<u>-</u>
	<u>P 29,422,475</u>	<u>P 1,157,672</u>

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2007 and 2006 are shown below:

	<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Other Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2007,									
Cost	P 51,041,187	P 17,726,959	P 62,402,292	P 38,398,442	P 57,914,015	P 28,231,061	P 134,853,747	P85,764,364	P 476,332,067
Accumulated depreciation and amortization	(12,786,672)	(3,962,832)	(17,199,262)	(12,310,693)	(12,017,482)	(4,351,731)	-	-	(62,628,672)
Net carrying amount	<u>P 38,254,515</u>	<u>P 13,764,127</u>	<u>P 45,203,030</u>	<u>P 26,087,749</u>	<u>P 45,896,533</u>	<u>P 23,879,330</u>	<u>P 134,853,747</u>	<u>P85,764,364</u>	<u>P 413,703,395</u>
December 31, 2006,									
Cost	P 35,312,907	P 9,324,129	P 32,589,976	P 20,340,236	P 21,216,052	P 4,475,187	P -	P -	P 123,258,487
Accumulated depreciation and amortization	(8,813,335)	(1,624,841)	(5,584,254)	(5,206,885)	(6,562,475)	(2,096,338)	-	-	(29,888,128)
Net carrying amount	<u>P 26,499,572</u>	<u>P 7,699,288</u>	<u>P 27,005,722</u>	<u>P 15,133,351</u>	<u>P 14,653,577</u>	<u>P 2,378,849</u>	<u>P -</u>	<u>P -</u>	<u>P 93,370,359</u>
January 1, 2006,									
Cost	P 34,543,232	P 4,981,874	P 9,246,631	P 7,565,682	P 14,242,341	P 3,723,508	P -	P -	P 74,303,268
Accumulated depreciation and amortization	(4,691,071)	(906,051)	(1,025,086)	(1,990,734)	(3,784,930)	(1,219,857)	-	-	(13,617,729)
Net carrying amount	<u>P 29,852,161</u>	<u>P 4,075,823</u>	<u>P 8,221,545</u>	<u>P 5,574,948</u>	<u>P 10,457,411</u>	<u>P 2,503,651</u>	<u>P -</u>	<u>P -</u>	<u>P 60,685,539</u>

A reconciliation of the carrying amounts at the beginning and end of 2007 and 2006 of property and equipment is shown below:

	<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Other Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2007, net of accumulated depreciation and amortization	P 26,499,572	P 7,699,288	P 27,005,722	P 15,133,351	P 14,653,577	P 2,378,849	P -	P -	P 93,370,359
Additions	15,728,280	8,402,830	29,812,316	18,058,206	36,697,963	23,755,874	134,853,747	85,764,364	353,073,580
Depreciation charged for the year	(3,973,337)	(2,337,991)	(11,615,008)	(7,103,808)	(5,455,007)	(2,255,393)	-	-	(32,740,544)
Balance at December 31, 2007 net of accumulated depreciation and amortization	<u>P 38,254,515</u>	<u>P 13,764,127</u>	<u>P 45,203,030</u>	<u>P 26,087,749</u>	<u>P 45,896,533</u>	<u>P 23,879,330</u>	<u>P 134,853,747</u>	<u>P 85,764,364</u>	<u>P 413,703,395</u>
Balance at January 1, 2006, net of accumulated depreciation and amortization	P 29,852,161	P 4,075,823	P 8,221,545	P 5,574,948	P 10,457,411	P 2,503,651	P -	P -	P 60,685,539
Additions	769,675	4,489,287	23,343,345	16,965,075	6,973,711	751,679	-	-	53,292,772
Adjustments	-	(147,032)	-	(4,190,521)	-	-	-	-	(4,337,553)
Depreciation charged for the year	(4,122,264)	(718,790)	(4,559,168)	(3,216,151)	(2,777,545)	(876,481)	-	-	(16,270,399)
Balance at December 31, 2006 net of accumulated depreciation and amortization	<u>P 26,499,572</u>	<u>P 7,699,288</u>	<u>P 27,005,722</u>	<u>P 15,133,351</u>	<u>P 14,653,577</u>	<u>P 2,378,849</u>	<u>P -</u>	<u>P -</u>	<u>P 93,370,359</u>

Certain properties are mortgaged with local banks (see Note 11).

10. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 is shown below:

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Goodwill		P 9,344,134	P -
Deferred tax assets	18	4,813,793	-
Others		<u>1,681,866</u>	<u>922,918</u>
		<u>P 15,839,793</u>	<u>P 922,918</u>

Goodwill amounting to P9.3 million represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition.

11. LOANS AND BORROWINGS

This account consists of the following as of December 31:

	<u>2007</u>	<u>2006</u>
Current:		
Liabilities under		
trust receipts and		
letters of credits	P 329,652,673	P 140,348,495
Installment payable	30,536,933	-
Mortgage payable	<u>2,415,793</u>	<u>3,334,918</u>
	<u>P 362,605,399</u>	<u>P 143,683,413</u>
Non-current:		
Installment payable	P 84,206,965	P -
Mortgage payable	<u>3,675,334</u>	<u>1,316,443</u>
	<u>P 87,882,299</u>	<u>P 1,316,443</u>

11.1 Liabilities Under Letters of Credits and Trust Receipts

The Group avails of letter of credit and trust receipt lines with local banks to finance its purchases of inventories. These short-term trust receipts bear interests based in prevailing market interest rates at an average of 8.25%. Interest expense for 2007 and 2006 amounted to P6,246,974 and P3,021,158, respectively, and were presented as part of operating expenses in the consolidated income statements (see Note 14).

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirement. The collateral is in the form of compensating deposits and properties of a related party and a stockholder.

The carrying values of Liabilities under letters of credits and trusts receipts recognized in the consolidate balance sheets are reasonable approximation of their fair values.

11.2 Installment Payable

The installment payable represents liability to Bacnotan Industrial Park Corporation (BIPC) and a certain individual arising from the acquisition of land (see Note 9). The following are the provisions indicated in the contract to sell entered by the Group and BIPC:

- (a) The installment payable shall earn an interest of 9% per annum and are payable monthly until March 1, 2012.
- (b) The Group will be charged 2% as penalty on delayed installments due computed from the due date until full payment is made. However, if the delay in the installments due is more than 120 days from and after the due date, BIPC may at its option, elect to extra-judicially rescind the contract by written notice to the Group and without need of judicial intervention in which case BIPC shall have the right to retain 50% of the downpayment and any other payment made as liquidated damages for non-payment. Also, all improvements introduced by the Group on the land shall become properties of BIPC.

- (c) The Deed of Absolute Sale shall be executed and ownership of the land shall be transferred to the Group only upon full payment of installments payable.

The installment payable to a certain individual is payable monthly until March 2009.

11.3 Mortgage Payable

The mortgage payable represents secured loans which bear interest rates ranging from 7.6% to 11.4% per annum, and with terms ranging from 18 months to 24 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Office Furniture and Equipment (see Note 9).

12. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Trade payables		P 142,647,397	P 161,580,737
Accrued expenses		19,248,131	1,948,984
Others	15	<u>13,239,315</u>	<u>5,226,372</u>
		<u>P 175,134,843</u>	<u>P 168,756,093</u>

Due to the short duration of trade and other payables, management considers the carrying amounts recognized in the consolidated balance sheets to be a reasonable approximation of their fair values.

13. COST OF SALES

This account is composed of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Inventory at beginning of year	P 43,542,512	P 40,927,546	P 5,806,586
Net purchases during the year	<u>2,231,954,622</u>	<u>1,332,932,409</u>	<u>678,131,917</u>
Goods available for sale	2,275,497,134	1,373,859,955	683,938,503
Inventory at end of year	<u>(178,059,559)</u>	<u>(43,542,512)</u>	<u>(40,927,546)</u>
	<u>P2,097,437,575</u>	<u>P 1,330,317,443</u>	<u>P 643,010,957</u>

14. OPERATING EXPENSES BY NATURE

The details of selling and administrative expenses by nature are shown below:

	Notes	2007	2006	2005
Cost of sales:				
Fuels		P 2,051,253,972	P 1,330,317,443	P 643,010,957
Lubricants		46,183,603	-	-
Salaries and employees' benefits	15	43,898,747	15,895,572	5,019,075
Depreciation and amortization	9	32,740,544	16,270,399	8,496,604
Fuel, oil and lubricants		8,387,492	5,693,008	1,232,898
Ads and promo		8,255,498	6,970,022	1,050,204
Taxes and licenses		7,412,244	4,146,791	281,857
Office supplies		7,193,268	2,066,814	822,359
Rent		6,915,184	3,005,065	1,650,000
Utilities		6,350,572	1,797,820	1,133,358
Interest	11	6,246,974	3,021,158	1,596,698
Travel and transportation		5,720,417	2,580,270	1,300,836
Repairs and maintenance		5,320,096	10,652,681	1,217,596
Professional fees		4,038,325	2,880,189	-
Representation		3,512,357	3,546,070	2,415,013
Outside services		2,902,195	-	-
Service fee		2,800,000	-	-
Bank charges		2,454,228	2,547,400	915,875
Trucking charges		2,278,463	3,580,251	1,190,447
Insurance		2,091,100	1,075,309	1,065,668
Security fees		1,908,075	1,074,292	-
Miscellaneous		4,806,920	2,300,559	1,919,741
		<u>P 2,262,670,274</u>	<u>P 1,419,421,113</u>	<u>P 674,319,186</u>

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

	2007	2006	2005
Cost of sales	P 2,097,437,575	P 1,330,317,443	P 643,010,957
Selling and administrative expenses	<u>165,232,699</u>	<u>89,103,670</u>	<u>31,308,229</u>
	<u>P 2,262,670,274</u>	<u>P 1,419,421,113</u>	<u>P 674,319,186</u>

15. RETIREMENT BENEFIT OBLIGATION

15.1 Employee Benefits

Expenses recognized for employee benefits (see Note 14) are presented below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Salaries and wages	P 32,056,842	P 10,997,855	P 3,860,756
13 th month pay and bonuses	4,769,613	3,038,403	461,078
Employee welfare and other benefits	<u>7,072,292</u>	<u>1,859,314</u>	<u>697,241</u>
	<u>P 43,898,747</u>	<u>P 15,895,572</u>	<u>P 5,019,075</u>

15.2 Employee Retirement Benefit Obligation

The Group has an unfunded defined benefit pension plan covering all qualifying employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. The present value of the obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amount of retirement benefit obligation, which is presented as part of Trade and Other Payables (see Note 12), recognized in the consolidated balance sheet as of December 31, 2007 follows:

Present value of obligation	P 2,799,612
Unrecognized actuarial losses	<u>985,862</u>
	<u>P 1,813,750</u>

The movements in present value of the retirement benefit obligation recognized in the books are as follows:

Current service cost	P 1,781,175
Interest cost	<u>32,575</u>
Balance at end of year	<u>P 1,813,750</u>

The amount of retirement benefits expense recognized in the 2007 consolidated income statements follows:

Current service cost	P 1,781,175
Interest cost	<u>32,575</u>
Balance at end of year	<u>P 1,813,750</u>

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

Discount rate	8.32%
Expected rate of salary increase	5%

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

16. REGISTRATION WITH THE BOARD OF INVESTMENTS (BOI)

The Parent Company was registered with the BOI on November 16, 2005 as new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479 (Downstream Oil Industry Deregulation Act). Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

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

- (a) Income tax holiday (ITL) for five years from November 16, 2005 without extension or bonus year from the date of registration;
- (b) Additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US\$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITL;
- (c) Minimum duty of three percent and value added tax on imported capital equipment;
- (d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;
- (e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,
- (f) Other non-fiscal incentives, which may be applicable.

17. REGISTRATION WITH DAVAO CITY INVESTMENT INCENTIVE CODE OF 1994

The Parent Company was registered with the Davao City Investment Incentive Code of 1994 through Board Resolution Number 3 series of 2004 which was approved on April 29, 2004. As registered entity under the said ordinance, the Parent Company is granted the following:

- (a) Exemption from payment of Building permit fees, and other fees and charges;
- (b) Exemption from payment of Mayor's permit fees, local business sales taxes, and other local fees and charges imposed under existing ordinances for a period of three years to start on the first day of operations; and
- (c) Exemption from payment of the basic real property tax but excluding the barangay share for two years from the effectivity (accrual) of the property tax.

18. TAXES

The major components of tax expense for the years ended December 31, 2007 and 2005 are as follows:

	<u>2007</u>	<u>2005</u>
Current tax expense:		
Final tax (at 20%)	(P 1,682)	(P 102,309)
Regular corporate income tax (RCIT) (at 35% and 32%)	<u>-</u>	<u>(1,594,376)</u>
	(1,682)	(1,696,685)
Deferred tax income (expense):		
Deferred tax relating to net operating loss carryover (NOLCO)	<u>4,351,788</u>	<u>-</u>
	<u>P 4,350,106</u>	<u>(P 1,696,685)</u>

The reconciliation of the tax on pretax income computed at the applicable statutory rates to tax expense attributable to continuing operations is as follows:

	<u>2007</u>	<u>2005</u>
Tax on pretax loss (income)		
At 35%	P 4,348,844	(P 316,010)
At 32%	-	(1,444,618)
Adjustments for income subjected to lower income tax rate	<u>1,262</u>	<u>63,943</u>
Tax income (expense) reported in the consolidated income statements	<u>P 4,350,106</u>	<u>(P 1,696,685)</u>

The tax income for the year 2007 pertains to the subsidiaries. The tax expense covers the taxable income of the Parent Company for the year 2005. The Parent Company only availed the income tax holiday under its registration with the BOI (see Note 16) starting on January 1, 2006.

Deferred tax asset pertains to the NOLCO of the subsidiaries.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, the Group's key management and others as described below.

The following are the transactions with related parties:

19.1 Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. Total rent expense incurred during the years 2007 and 2006 amounted to P2.8 million and P2.1 million, respectively. Minimum future lease payments under operating lease with the related party amounted to P3,139,988 in 2008 and P3,453,987 in 2009.

19.2 Due to and Due from Related Parties

The Group grants advances with other related parties for working capital purposes. The advances are non-interest bearing and repayable within 12 months.

The breakdown of due from related parties as of December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Advances to PPHI:		
Balance at beginning of year	P 14,347,683	P -
Additions	114,989,652	99,247,072
Collections	(106,838,871)	(84,899,389)
Balance at end of year	<u>P 22,498,464</u>	<u>P 14,347,683</u>
Advances to other related parties:		
Balance at beginning of year	P 41,386,680	P -
Additions	48,920,206	55,954,885
Collections	(77,206,275)	(14,568,205)
Balance at end of year	<u>P 13,100,611</u>	<u>P 41,386,680</u>
Total due from related parties:		
Balance at beginning of year	P 55,734,363	P -
Additions	163,909,859	155,201,957
Collections	(184,045,146)	(99,467,594)
Balance at end of year	<u>P 35,599,076</u>	<u>P 55,734,363</u>

The breakdown of due to related parties is as follows:

Advances from related parties:			
Balance at beginning of year	P	140,200	P 19,375,255
Repayments	(140,200)	(19,375,255)
Additions		<u>-</u>	<u>140,200</u>
Balance at end of year	P	<u><u>-</u></u>	<u><u>P 140,200</u></u>

19.3 Key Management Compensation

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Salaries and wages	P 18,439,923	P 4,888,369	P 845,888
Honoraria and allowances	570,689	1,692,500	550,000
13 th month pay and bonuses	<u>2,576,032</u>	<u>285,827</u>	<u>77,250</u>
	<u>P 21,586,644</u>	<u>P 6,866,696</u>	<u>P 1,473,138</u>

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Common shares – P1 par value						
Authorized:						
Balance at beginning of year	400,000,000	10,000,000	10,000,000	P400,000,000	P 10,000,000	P 2,500,000
Increase during the year	<u>-</u>	<u>390,000,000</u>	<u>-</u>	<u>-</u>	<u>390,000,000</u>	<u>7,500,000</u>
Balance at end of year	<u>400,000,000</u>	<u>400,000,000</u>	<u>10,000,000</u>	<u>P 400,000,000</u>	<u>P 400,000,000</u>	<u>P 10,000,000</u>
Issued:						
Balance at beginning of year	116,000,000	10,000,000	2,500,000	P 116,000,000	P 10,000,000	P 2,500,000
Issued during the year	<u>29,000,000</u>	<u>106,000,000</u>	<u>7,500,000</u>	<u>29,000,000</u>	<u>106,000,000</u>	<u>7,500,000</u>
Balance at end of year	<u>145,000,000</u>	<u>116,000,000</u>	<u>10,000,000</u>	<u>P 145,000,000</u>	<u>P 116,000,000</u>	<u>P 10,000,000</u>

20.2 Increase in Authorized Capital Stock

In 2006, the SEC approved the Parent Company's application for the increase in authorized capital stock as follows:

- On June 12, 2006, the Parent Company's authorized capital stock was increased from P10,000,000 divided into 10,000,000 shares with par value of P1 per share to P50,000,000 divided into 50,000,000 shares with par value of P1 per share;
- On August 7, 2006, the Parent Company's authorized capital stock was increased from P50,000,000 divided into 50,000,000 shares with par value of P1 per share to P100,000,000 divided into 100,000,000 shares with par value of P1 per share;

- (c) On December 29, 2006, the Parent Company's authorized capital stock was increased from P100,000,000 divided into 100,000,000 shares with par value of P1 per share to P400,000,000 divided in to 400,000,000 shares with par value of P1 per share.

20.3 Additional Paid-in Capital

In 2007, the Parent Company listed its shares of stock with the PSE. Premiums received in excess of the par value during the public offering amounting to P227,114,249 were recorded under Additional Paid-in Capital in the 2007 consolidated balance sheet.

20.4 Treasury Shares

Treasury shares represent 795,000 shares of the Parent Company which were subsequently reacquired at various dates from October 2007 to December 31, 2007. The equivalent acquisition cost amounted to P5,639,300.

20.5 Deposits on Future Stock Subscriptions

In 2006, the deposits on future stock subscriptions of P10.0 million were converted to common stocks by the same amount.

21. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income	P 122,358,766	P 74,262,058	P 3,720,632
Divided by weighted average number of outstanding common shares	<u>129,231,289</u>	<u>23,979,167</u>	<u>10,000,000</u>
Earnings per share	<u>P 0.94</u>	<u>P 3.10</u>	<u>P 0.37</u>

The Parent Company does not have dilutive shares as of December 31, 2007, 2006 and 2005. Accordingly, no diluted earnings per share was computed by the Company.

22. COMMITMENTS AND CONTINGENCIES

22.1 Capital Commitments

As of December 31, 2007, the Parent Company has commitments of more than P200.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Parent Company has a network of 33 opened retail service stations as of December 31, 2007. An additional of 31 other retail service stations were under various stages of completion as of end December 2007.

In 2008, the Parent Company plans to expand further its petroleum retail service station and carry out its expansion plan to put up depot and terminalling facilities in strategic locations, complete its chain of logistical support to strengthen its foothold in the industry.

22.2 Letters of Credits

As of December 31, 2007 and 2006, the Group has unused letters of credit amounting to P317.0 million and P140.0 million respectively.

22.3 Others

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

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from its operating activities. The Group's risk management is coordinated with PPHI and its ultimate parent Company, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets.

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

23.1 Foreign Currency Risk

The Group has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency.

23.2 Interest Rate Risk

The Group has no significant exposure to interest rate risk as the Group's borrowings are generally short term and have fixed interest rates.

23.3 Credit Risk

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

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	4	P 111,771,621	P 90,011,583
Trade and other receivables	5	360,649,617	207,765,925
Due from related parties	19	35,599,076	55,734,363
Restricted deposits	7	44,751,820	14,185,232
Others		<u>1,681,866</u>	<u>922,918</u>
		<u>P 554,454,000</u>	<u>P 367,790,021</u>

As part of the Group policy, bank deposits are only maintained with reputable financial institution. For the determination of credit risk, cash do not include cash on hand and cash in bank amounting to P407,818 and P1,999,334 in 2007 and P203,837 and P750,000 in 2006. The amount excluded in the cash in bank represents the aggregate of maximum insurance in seven depository banks of the Company of P250,000 each, as provided for under Republic Act (RA) No. 9302, *Charter of Philippine Deposit Insurance Corporation*.

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

As of December 31, 2007 and 2006, all the financial assets are neither past due nor specifically impaired.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables are generally secured with postdated checks.

23.4 Liquidity Risk Analysis

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day period. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2007, the Group's liabilities have contractual liabilities which are summarized as follows:

	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 3 years</u>
Loans and borrowings	P 347,139,362	P 15,466,037	P 100,690,158
Trade and other payables	<u>175,134,843</u>	<u>-</u>	<u>-</u>
	<u>P 522,274,205</u>	<u>P 15,466,037</u>	<u>P 100,690,158</u>

This compares to the maturity of the Group's financial liabilities as of December 31, 2006, as follows:

	<u>Current</u>	<u>Non-current</u>
	<u>Within 6 months</u>	<u>1 to 3 years</u>
Loans and borrowings	P 143,683,413	P 1,316,443
Trade and other payables	168,756,093	-
Due to related parties	<u>140,200</u>	<u>-</u>
	<u>P 312,579,706</u>	<u>P 1,316,443</u>

The contractual maturities presented above reflect the gross cash flows, which may differ to the carrying values of the liabilities at the consolidated balance sheet date.

24. CAPITAL MANAGEMENT OBJECTIVE, POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

The Group's goal in capital management is to maintain a debt-to-equity structure ratio of 2.7 to 1.

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

	<u>2007</u>	<u>2006</u>
Total liabilities	P 625,622,541	P 313,896,149
Total equity	566,581,967	193,748,252
Debt-to-equity ratio	<u>1.10:1</u>	<u>1.62:1</u>



Punongbayan & Araullo

Report of Independent Certified Public Accountants to Accompany SEC Schedules Filed Separately from the Basic Financial Statements

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries **(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)**

Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (Group) for the year ended December 31, 2007, on which we have rendered our report dated April 9, 2008. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Group as of December 31, 2007 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 0986666, January 4, 2008, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 9, 2008

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2007

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>1</u>
C	Noncurrent Marketable Equity Securities, Other Long-Term Investments in Stock and Other Investments	<u>N/A</u>
D	Indebtedness of Unconsolidated Subsidiaries and Affiliates	<u>N/A</u>
E	Other Assets (Current and Non-current)	<u>2</u>
F	Long-Term Debt	<u>3</u>
G	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	<u>N/A</u>
H	Guarantees of Securities of Other Issuers	<u>N/A</u>
I	Capital Stocks	<u>4</u>

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2007

<i>Name</i>	<i>Balance at beginning of period</i>	<i>Designation</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
				<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Not current</i>	
P-H-O-E-N-I-X Petroleum Holdings, Inc.	P -	Parent company	P 22,498,464	P -	P -	P 22,498,464	P -	P 22,498,464
Udenna Management Resources Corp.	-	Affiliate	12,788,438	-	-	12,788,438	-	12,788,438
Udenna Corporation	-	Ultimate parent company	312,173	-	-	312,173	-	312,173
TOTAL	<u>P -</u>		<u>P 35,599,075</u>	<u>-</u>	<u>P -</u>	<u>P 35,599,075</u>	<u>P -</u>	<u>P 35,599,075</u>

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Other Assets (Current and Non-current)
December 31, 2007

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Other Current Assets						
Net input VAT	P 400,388	P 22,684,011	P -	P -	P -	P 23,084,399
Prepayments	107,821	4,461,345	-	-	-	4,569,166
Creditable withholding tax	649,463	88,640	-	-	-	738,103
Cash advances subject for liquidation	-	414,628	-	-	-	414,628
Others	-	616,179	-	-	-	616,179
	<u>1,157,672</u>	<u>28,264,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,422,475</u>
Other Non-current asset						
Goodwill	-	9,344,134	-	-	-	9,344,134
Deferred tax assets	-	4,813,793	-	-	-	4,813,793
Others	922,918	758,948	-	-	-	1,681,866
	<u>922,918</u>	<u>14,916,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,839,793</u>
<i>Total</i>	<u>P 2,080,590</u>	<u>P 43,181,678</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 45,262,268</u>

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2007

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Terms</i>
Mortgage payable	P -	P 2,415,793	P 3,675,334	Interest rates ranging from 7.6% to 11.4% per annum with terms ranging from 18 to 24 months
Installment payable				
Bacnotan Industrial Park Corporation (BIPC) - net of debt issue costs P103,700,778	-	19,493,813	84,206,965	Interest rate of 9% per annum and payable monthly until March 2012.
Others	-	11,043,120	-	Interest rate of 9% payable monthly until March 2009
	<u>P -</u>	<u>P 32,952,726</u>	<u>P 87,882,299</u>	

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule I - Capital Stock
December 31, 2007

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized - 400,000,000 shares						
Issued and outstanding - 145,000,000	<u>400,000,000</u>	<u>145,000,000</u>	<u>-</u>	<u>103,249,995</u>	<u>350,006</u>	<u>41,399,999</u>