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		3	1
Month			Day	

Fiscal Year Ending

SEC 17-Q
FORM TYPE

last Thursday

6	XX
Month	Day

Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended: March 31, 2008

2. SEC identification number: A200207283

3. BIR Tax Identification No. 006-036-274

4. Exact name of issuer as specified in its charter: **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

5. Province, country or other jurisdiction of incorporation or organization: Davao City, Philippines.

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
   Postal Code: 8000

8. Issuer's telephone number, including area code: (082) 233-0168

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

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

Title of each class	Number of Shares Outstanding
COMMON	143,696,000

Amount of Debt Outstanding as of December 31, 2007: P 845,716,211

11. Are any or all of the securities listed on the Stock Exchange? Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein: Philippine Stock Exchange 145,000,000

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports): Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [✓] No [ ]

TABLE OF CONTENT

Particulars/Description	Page
Part I - Financial Statements	**1 – 44**
Item 1 - Financial Statements	
Balance Sheets	1 – 2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statements of Cash Flow	5 - 6
Notes to Financial Statements	7 – 38
Item 2 - Management Discussion and Analysis of Financial Condition and Results of Operations	39 - 43
Part II - Other Information	**44**
Signatures	**45**

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
MARCH 31, 2008 AND DECMBER 31, 2007
(Amounts in Philippine Pesos)

	Notes	March 31, 2008 (Unaudited)		December 31, 2007 (Audited)	
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	4	**P**	**132,318,291**	**P**	**114,178,77**
Trade and other receivables	5		**560,142,417**		**360,649,61**
Inventories	6		**63,769,441**		**178,059,55**
Due from related parties	18		**67,862,755**		**35,599,07**
Restricted deposits	7		**41,561,730**		**44,751,82**
Other current assets	8		**35,550,936**		**29,422,47**
Total Current Assets			**901,205,571**		**762,661,32**
NON-CURRENT ASSETS					
Property and equipment – net	9		**522,621,925**		**413,703,39**
Other non-current assets	10		**16,786,837**		**15,839,79**
Total Non-current Assets			**539,408,762**		**429,543,18**
TOTAL ASSETS		**P**	**1,440,614,332**	**P**	**1,192,204,50**

LIABILITIES AND EQUITY	Notes	March 31, 2008 Unaudited	December 31, 2007 (Audited)
CURRENT LIABILITIES			
Loans and borrowings	11	P 181,533,183	P 362,605,399
Trade and other payables	12	567,885,632	175,134,843
Total Current Liabilities		749,418,815	537,740,242
NON-CURRENT LIABILITIES			
Loans and borrowings	11	96,297,396	87,882,299
Total Liabilities		845,716,211	625,622,541
EQUITY			
Capital stock	19	145,000,000	145,000,000
Additional paid-in capital	19	227,114,249	227,114,249
Treasury shares	19	(8,570,800)	(5,639,300)
Retained earnings		231,354,672	200,107,018
Total Equity		594,898,121	566,581,967
TOTAL LIABILITIES AND EQUITY		P 1,440,614,332	P 1,192,204,508

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 THE THREE MONTHS ENDED MARCH 31, 2008 AND March 31, 2007
(Amounts in Philippine Pesos)

	Notes		March 31 2008		March 31 2007
REVENUES					
Sale of goods – net		**P**	**772,058,120**	**P**	**451,544,569**
Fuel Service and Storage Income			**23,696,428**	**P**	**7,756,617**
Interest Income			**2,001,936**	**P**	**60,931**
			797,756,484		**459,362,117**
COST AND EXPENSES					
Cost of Sales	13,14		**719,357,971**		**402,124,186**
Selling and Administrative Expenses	14		**47,150,858**		**26,535,581**
			766,508,829		**428,659,767**
INCOME BEFORE TAX AND PREACQUISITION LOSS			**31,247,655**		**30,702,350**
PRE-ACQUISITION LOSS					
INCOME BEFORE TAX			**31,247,655**		**30,702,350**
TAX INCOME (EXPENSE)	16		**-**		**-**
NET INCOME	20	**P**	**31,247,655**	**P**	**30,702,350**
Basic earnings per share	20	**P**	**0.22**	**P**	**0.26**

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2008 AND MARCH 31, 2007
(Amounts in Philippine Pesos)

	Note	March 31, 2008 (Unaudited)	MARCH 31, 2007 (Unaudited)
CAPITAL STOCK	20		
Balance at beginning of year		P 145,000,000	P 116,000,000
Additional issuance during the year		29,000,000	-
Balance at end of year		145,000,000	116,000,000
ADDITIONAL PAID-IN CAPITAL	20	227,114,249	-
TREASURY SHARES	20	(8,570,800)	-
DEPOSITS ON FUTURE STOCK SUBSCRIPTIONS	20	-	-
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year		200,107,018	77,748,252
Net income		31,247,655	30,702,350
Balance at end of year		231,354,672	108,450,602
TOTAL EQUITY		P 594,898,121	P 224,450,602

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of Phoenix Petroleum Holdings Inc.)
CONSOLIDATED CASH FLOW STATEMENTS
For the Three Months Ended March 31, 2008 and March 31, 2007,

		March 31, 2008		March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	31,247,655	P	30,702,350
Adjustments for:				
Depreciation and amortization		10,891,350		5,885,752
Interest expense		4,116,023		874,252
Interest income	(	2,001,936)	(	60,931)
Operating income before working capital changes		44,253,093		37,401,423
Increase in:				
Trade and other receivables	(	199,492,800)	(	50,659,631)
Inventories		114,290,118	(	12,107,096)
Other current assets	(	2,938,371)	(	1,554,613)
Restricted deposits				14,185,232
Increase in loans and borrowings	(	171,375,437)		32,190,603
Increase in trade and other payables		392,703,705	(	67,356,526)
Cash generated from (used in) operations		177,440,308	(	47,900,608)
Interest paid	(	4,116,023)	(	874,252)
Net Cash From (Used in) Operating Activities		173,324,284	(	48,774,861)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions of property and equipment	(	119,809,880)	(	16,724,813)
Interest received		2,001,936		60,931
Decrease (increase) in other non-current assets	(	947,044)		124,692
Net Cash Used in Investing Activities	(	118,754,988)	(	16,539,190)

	March 31, 2008	March 31, 2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage payable borrowings (repayments)	**(1,281,682)**	**4,517,575**
Net decrease (increase) in due to/from related parties	**(32,216,595)**	**(4,137,143)**
Increase in treasury shares	**(2,931,500)**	
Net Cash From Financing Activities	**(36,429,777)**	**380,432**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,139,519**	**(64,933,619)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**114,178,772**	**90,965,420**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P 132,318,291**	**P 26,031,801**

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
(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 March 31, 2008 and 2007, respectively.

The Parent Company is 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 its 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 primarily 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.

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)
- Petrologistix Services Corporation (PSC) , and
- P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)

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 its 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 its 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 its commercial operations.

PPFI 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 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

The registered office of the Parent Company, PPFI 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.

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 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).

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 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 23.

(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 22.

(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

<u>2007</u>

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

<u>2008</u>

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 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, non-contributory 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.

(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 21.

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 P519.8 million and P413.7 million as of March 31, 2008 and December 31, 2007, 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 three months ended March 31, 2008 and year ended December 31, 2007.

(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).

(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. (see Note 15.2).

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	March 31, 2008	December 31, 2007
Cash on hand and in banks	**24,682,438**	53,178,771
Short-term placements	**107,635,852**	61,000,000
	132,318,289	114,178,771

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:

	March 31, 2008	December 31, 2007
Trade receivables	**279,420,079**	265,548,927
Other receivables	**280,722,338**	95,100,690
	560,142,417	360,649,617
	560,142,417	360,649,617

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 March 31, 2008 and December 31, 2007.

Some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets includes non-past due, and none is impaired, details are as follows:

	March 31, 2008	December 31, 2007
Current	**P 151,057,673**	P 157,466,033
Not more than one month	**55,024,639**	54,279,726
More than one month but not more than two months	**79,051,654**	20,243,220
More than two months but not more than four months	**27,616,461**	33,559,948
	P 279,420,079	P 265,548,927

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:

	March 31, 2008	December 31, 2007
Fuel	**P27,927,839**	P146,222,710
Lubricants	**35,841,602**	31,836,849
	P63,769,441	P178,059,559

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 trusteed 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 March 31 is shown below:

	March 31, 2008	December 31, 2007
Net input value added tax	**24,809,167**	23,084,399
Prepayments	**10,539,986**	5,599,973
Creditable withholding tax	**201,783**	738,103
	35,550,936	29,422,475

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of March 31, 2008 and December 31, 2007 are shown below:

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Other Equipment	Land	Construction in Progress	Total
March 31, 2008									
Cost	P 64,637,447	P 18,384,234	P 61,024,078	P 41,449,529	P 81,050,237	P 34,141,315	P 135,465,352	P 159,989,752	P 596,141,944
Accumulated depreciation and amortization	(20,010,727)	(4,846,731)	(17,199,262)	(13,339,034)	(14,081,925)	(4,042,340)	-	-	(73,520,019)
Net Carrying amount	P 44,626,720	P 13,537,503	P 43,824,816	P 28,110,494	P 66,968,312	P 30,098,975	P 135,465,352	P 159,989,752	P 522,621,925
January 1, 2008									
Cost	P 51,041,187	P 17,726,956	P 62,402,292	P 38,398,442	P 57,914,015	P 28,231,061	P 134,853,747	P 85,764,364	P 476,332,064
Accumulated depreciation									-
and amortization	(12,786,672)	(3,962,829)	(17,199,262)	(12,310,693)	(12,017,482)	(4,351,731)	-	-	(62,628,669)
Net Carrying amount	P 38,254,515	P 13,764,127	P 45,203,030	P 26,087,749	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,364	P 413,703,395
January 1, 2007									
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 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	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 93,370,359

A reconciliation of the carrying amounts at the beginning and end of of March 31, 2008 and December 31, 2007 property and equipment is shown below:

Balance at January 1, 2008, net of accumulated depreciation and amortization	P 38,254,515	P 13,764,127	P 45,203,030	P 26,087,749	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,364	P 413,703,395
Additions/Reclassification	13,596,260	657,278	(1,378,214)	3,051,087	23,136,222	5,910,254	611,605	74,225,388	119,809,880
									-
Depreciation charged for the year	(7,224,055)	(883,902)	(0)	(1,028,341)	(2,064,443)	309,391	-	-	(10,891,350)
Balance at March 31, 2008 net of accumulated depreciation and amortization	P 44,626,720	P 13,537,503	P 43,824,816	P 28,110,494	P 66,968,312	P 30,098,975	P 135,465,352	P 159,989,752	P 522,621,925
									-
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 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	P 38,254,515	P 13,764,127	P 45,203,030	P 26,087,749	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,364	P 413,703,395

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

10. OTHER NON-CURRENT ASSETS

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

	March 31, 2008	December 31, 2007
Deferred tax assets	**P3,574,700**	P4,813,793
Goodwill	**9,344,134**	9,344,134
Others	**2,874,688**	1,681,866
	P 15,793,522	P 15,839,793

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 ofMarch31:

	March 31, 2008	December 31, 2007
Current		
Liabilities under trust receipts	**P 132,595,262**	P 329,652,673
Mortgage payable	**28,363,468**	2,415,793
Installment payable	**20,574,453**	30,536,933
	P 181,533,183	P 362,605,399
Non-current		
Mortgage payable	**12,150,863**	3,675,334
Installment payable	**84,878,429**	84,206,965
	P 97,029,292	P 87,882,299

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 the first quarter of 2008 and 2007 amounted to P4,116,023 and P6,246,974, 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:

	March 31, 2008	December 31, 2007
Trade payable	**519,477,675**	142,647,397
Accrued expenses	**24,349,300**	19,248,131
Other payable	**24,011,573**	13,239,315
	567,838,548	175,134,843

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:

	March 31, 2008	March 31, 2007
Inventory at beginning of year	**178,059,559**	43,542,512
Net purchases	**605,067,853**	414,231,282
Goods available for sale	**783,127,412**	457,773,794
Inventory at end of year	**63,769,441**	55,649,608
	719,357,971	402,124,186

14. OPERATING EXPENSES BY NATURE

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

	March 31, 2008	March 31, 2007
Salaries and employees' benefits	11,380,807	6,860,047
Depreciation and amortization	10,891,350	5,885,752
Trucking charges	2,038,968	1,092,315
Fuel, oil and lubricants	3,008,554	1,755,870
Advertisements and promotion	1,117,981	978,800
Rent	1,968,983	1,231,628
Office supplies	437,486	334,519
Interest	4,116,023	874,252
Repairs and maintenance	844,872	1,644,925
Travel and transportation	1,693,267	965,804
Professional fees	1,360,863	960,857
Utilities	849,375	727,984
Taxes and licenses	573,911	865,975
Representation	598,404	667,990
Insurance	371,368	402,427
Bank charges	532,390	199,668
Security fees		330,839

	577,999	
Miscellaneous	3,849,233	713,863
Dues and Subscription	356,482	42,065
Service Fee	582,541	
	47,150,858	**26,535,581**

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

	March 31, 2008	March 31, 2007
Cost of Sales	**719,357,971**	**402,124,186**
Selling and administrative expenses	**47,150,858**	**26,535,581**
	766,508,829	**428,659,767**

15. RETIREMENT BENEFIT OBLIGATION

15.1 Employee Benefits

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

	March 31, 2008	March 31, 2007
Salaries and wages	**9,492,986**	5,242,816
13th month pay and bonuses	**506,163**	323,635
Employee welfare and other benefits	**1,381,658**	1,293,596
	11,380,507	6,860,047

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		985,862
	P	1,813,750

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		32,575
Balance at end of year	P	1,813,750

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

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

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 (ITH) 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 ITH;

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. 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:

18.1 Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. Total rent expense incurred during the first quarter 2008 and years 2007 and 2006 amounted to P0.7 million, 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.

18.2 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 March 31, 2008 and 2007 is as follows:

		March 31, 2008		**December 31 2007**
Advances to parent company:				
Balance at beginning of year	**P**	**22,498,464**	P	14,347,683
Additions		**31,903,197**		114,989,652
Collections		**-**		(106,838,871)
Balance at end of year	**P**	**54,401,661**	P	22,498,464
Advances to related parties:				
Balance at beginning of year	**P**	**13,100,612**	P	41,386,680
Additions		**306,212**		48,920,207
Collections		**-**		(77,206,275)
Balance at end of year	**P**	**13,406,824**	P	13,100,612
Total advances to related parties:		**2008(1st Quarter)**		**2007**
Balance at beginning of year	**P**	**35,599,076**	P	55,734,363
Additions		**32,209,409**		163,909,858
Collections		**-**		(184,045,146)
Balance at end of year	**P**	**67,808,485**	P	35,599,075
Advances from related parties:				
Balance at beginning of year		-	P	140,200
Repayments		**-**		(140,200)
Additions		**-**		-
Balance at end of year		**-**		-

18.3 Key Management Personnel Compensations

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

	March 31 2008	March 31 2007
Salaries and wages	3,483,158	1,870,875
	3,483,158	1,870,875

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

Common shares – P1 par value	March 31, 2008		March 31, 2007	
	Shares	Amount	Shares	Amount
Authorized:				
Balance at beginning of year	400,000,000	400,000,000	400,000,000	400,000,000
Increase during the year	-	-	-	-
Balance at end of year	400,000,000	400,000,000	400,000,000	400,000,000
Issued and Outstanding:				
Balance at beginning of year	145,000,000	145,000,000	116,000,000	116,000,000
Issued during the year	-	-		
Balance at end of year	145,000,000	145,000,000	116,000,000	116,000,000

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	1st Quarter 2007	March 31, 2007
Net income	P 31,247655	P 30,702,350
Divided by weighted average number of outstanding common shares	143,696,000	116,000,000
	P 0.22	P 0.26

The Parent Company does not have dilutive shares as of March 31, 2008 and March 31, 2007. Accordingly, no diluted earnings per share was computed by the Company.

21. COMMITMENTS AND CONTINGENCIES

21.1 Capital Commitments

As of March 31, 2007, the Parent Company has a network of 46 opened retail service stations. An additional of 24 other retail service stations are scheduled to be operational by June 30, 2008 making the number of operating service station to seventy (70).

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.

21.2 Letters of Credits

As of March 31, 2008 and 2007, the Group has unused letters of credit amounting to P314.00 million and P317.0 million respectively.

21.3 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 consolidaterd 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.

22. 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.

22.1 Foreign Currency Risk

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

22. 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.

22.3 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:

	Notes	**March 31, 2008**	December 31, 2007
Cash and cash equivalents	4	P 129,878,638	P 111,771,621
Trade and other receivables	5	566,142,417	360,649,617
Due from related parties	19	67,862,755	35,599,076
Restricted deposits	7	41,561,730	44,751,820
Rental deposits		35,550,936	1,681,866
		P 901,205,571	P 554,454,000

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 P440,318 and 1,999,334 in March 31, 2008, 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 March 31, 2008 and 2007, 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.

22.4 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 March 31, 2008, the Group's liabilities have contractual liabilities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 160,958,730	P 20,574,453	P 96,297,396
Trade and other payables	564,893,795	3,114,753	-
	P 725,652,525	**P 23,689,206**	**P 96,297,396**

This compares to the maturity of the Group's financial liabilities as of December 31, 2007, as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 347,139,362	P 15,466,037	P 87,882,299
Trade and other payables	175,134,843	-	-
	P 522,274,205	**P 15,466,037**	**P 87,992,299**

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.

23. 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.

	March 31, 2008	**December 31, 2007**
Total Liabilities	**P 845,716,211**	P 625,622,541
Total equity	**594,898,121**	566,581,967
Debt-to-equity ratio	**1.24**	1.11

Item II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparable discussion on Material Changes in Results of Operations for the Six Months' Period Ended March 31, 2008 vs. March 31, 2007

Revenues

The Company generated total revenues of ₱798 million in 2008 which is 74% higher than its 2007 level of ₱459 million, primarily due to substantial increase in sales volume of petroleum products and revenues from fuels service and storage.

Sales revenues from trading and distribution of petroleum products increased by about 71% from ₱452 million in 2007 to ₱772 million in 2008 resulting principally from a wider distribution network and expanded institutional customer base. The Company had forty six (46) operating Phoenix Fuels Life retail service stations as of March 31, 2008 compared to twenty-one (21) retail stations as of March 31, 2007. The company will continue to open more stations during the year and expects to have an additional 24 more stations by June 2008, bringing the total to seventy (70) retail service stations.

The Company generated ₱24 million from its fuels service and lease of its storage facilities in 2008 versus ₱8 million in 2007 due to higher volume stored and withdrawn.

Cost and expenses

The Company's recorded cost of sales of ₱719 million, an increase of 79% from its 2007 level of P402 million primary due to the substantial increase in the sales volume of petroleum products as well as the increasing prices.

Selling and administrative expenses increased as a result of the increasing volume and the ongoing expansion and growth of the Company's business operations.

Net Income

The Company's net income rose to ₱31.2 million in the first quarter of 2008, a 2% increase from its 2007 1st quarter level of P30.7 million.

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

Financial Condition
(As of March 31, 2008 versus December 31, 2007)

Total resources of the Company as of March 31, 2008 was at ₱1.441 billion, a growth of 20.9% over the P1.192 billion of December 31, 2007.

Cash and cash equivalents increased by 16% from ₱ 114.2 million to ₱132.3 million due net cash generated from operations.

The Company's liquidity position continued to be strong with Current Assets amounting to ₱557.2 million as of June 30, 2007, up from ₱413.4 million as of December 31, 2007.

Trade and other receivables increased by 55%, from ₱361 million as of December 31, 2007 to ₱560 million as of March 31, 2008 attributable to the higher volume of sales and selling prices. ????

Inventories decreased by 64%, from ₱178 million as of December 31, 2007 to ₱64 million as of March 31, 2008 resulting from timing of shipment arrival which arrived April 02, 2008, after the cut-off.

Due from related parties increased to ₱67.9 million as of March 31, 2008 versus ₱35.6 million as of December 31, 2007 or by P32 million as the Company intensified its efforts, including those through its affiliate companies, to strengthen its competitive position. The Company also continued to pursue other business opportunities.

Other current assets increased by 21%, from ₱29 million as of December 31, 2007 to ₱36 million as of March 31, 2008 or ₱ 6million due to accumulation of Input VAT on capital expenditures with in ongoing expansion of the Company.

As of March 31, 2008, the Company's property and equipment, net of accumulated depreciation, increased to ₱523 million compared to P414 million as of December 31, 2007 as a result of the Company's continuous expansion of its Phoenix Fuels Life retail service network, terminal and depot facilities, logistics and other support structures.

Notes payable decreased by 56% from ₱363 million as of December 31, 2007 to ₱ 161 million as of March 31, 2008 as a result of better cash, accounts receivable and inventory management. Credit lines to suppliers also resulted to lower Letters of Credit/Trust Receipts level.

Trade and other payables increased by 224%, from ₱175 million as of December 31, 2007 to ₱568 million as of March 31, 2008 as a result of the Company's increasing volume and cost of inventory.

Total Stockholders' Equity increased to ₱595 million as of March 31, 2008 from ₱567 million as of December 31, 2007 due to growth in net income realized during the 1st three (3) months of the year.

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

Selected Financial Ratios	**Three (3) Months ended, March 31, 2008**	**Twelve months ended, December 31, 2007**
Current Ratio[1]	1.24 : 1	1.42 : 1
Debt to Equity[2]	1.42 : 1	1.1 : 1
Return on Equity[3]	5%	32%
Return on Assets[4]	2%	14%
Earnings Per Share[6]	0.22	0.94
Net Book Value Per Share[5]	4.10	3.93

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Quarter or Year Net income divided by average total stockholders' equity

4 –Quarter or Year Net income divided by average total assets

5 –Total stockholder's equity divided by the total number of shares issued and outstanding

6 – Quarter or Year Net income after tax divided by weighted average number of outstanding common shares

The preceding 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 its competitors.

Material Changes to the Company's Balance Sheet as of March 31, 2008 compared to December 31, 2007 (Increase/decrease of 5% or more)

16% increase in Cash and cash equivalents
Largely due to an increasing volume of sales level.

55% increase in Trade and other receivables
Primarily due to higher sales volume and selling prices.

64% decrease in Inventories
Due to timing of arrival of shipment coupled by the better inventory management.

91% increase in Due from related parties
Due to additional advances to Parent Company to pursue further business opportunities and improve the Company's competitive position.

21% increase in Other current assets
Due to accumulation of Input Value Added Tax on the Capital expenditures of the Company.

These subsidiary companies and its nature of business are:

a.) Petroterminal Philippines Corp. to operate the Depot facility in Calaca, Batangas

b.) Petrologistix Services Corp. to provide ground logistics services and transport petroleum products of the Company.

c) P-F-L Petroleum Management, Inc. (PPMI) , engaged in the management of six (6) PTT gasoline retail station.

d.) Phoenix Global Mercantile Inc. to handle the Distribution Agreement of Lubricants under Foreign brand.

e.) P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI), corporate social responsibility arm of the company.

26% increase in Property and Equipment
Mainly due to construction of additional Phoenix Fuels Life retail service stations, expansion of storage capacities and logistics equipment to support the Company's increasing volume and pursue strategic directions.

56% decrease in Notes payable
Due to use of suppliers' credit and improved accounts receivable management thus resulted to lower Letters of Credit/Trusts receipts.

244% increase in Trade and other payables
Due to procurement of increasing volume and costs of petroleum product through suppliers' credit.

Material changes to the Company's Income Statement as of March 31, 2008 compared to March 31, 2007 (Increase/decrease of 5% or more)

71% increase in Sale of petroleum products
Principally due to higher sales volume and higher sales value.

205% increase in Fuel service and storage income
Due to higher volume stored and withdrawn with increasing number of flights of business partner in contract.

3,186% increase in interest income
Mainly due to higher amounts of deposit placements of excess liquidity and the interest income on restricted deposits.

79% increase in cost of sales
Primarily due to increase sales in petroleum product and the corresponding increase in inventory costs.

78% increase in selling and administrative expenses
Due to ongoing expansion, increase in area of coverage, volume of activity and continuous growth of the Company

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

PART II – OTHER INFORMATION

1. On April 30, 2008, the Company inaugurated its Dumaguit, Aklan depot with a capacity of 560,000 liters to service storage and refueling requirements of various airline companies flying the route to and from Caticlan. The Company expects to have 70 retail stations operating by the end of 2nd quarter of 2008.

2. As of March 31, 2008, there are no know trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

By:

DENNIS A. UY
President and Chief Executive Officer

CHRYSS ALFONSUS V. DAMUY
Comptroller