PHOENIX
Fuels Life

April 15, 2010

Ms. Justina F. Callangan
Director, Corporate Finance Department
Securities & Exchange Commission
EDSA, Greenhills
Mandaluyong City

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
PSE Center, Exchange Road
Ortigas, Pasig City

Mdms:

Pursuant to the rules, we would like to submit herein our Company's SEC Form 17-A for year ended December 31, 2009.

Thank you and best regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

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COVER SHEET

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S.E.C. Registration Number

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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		
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(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 Form 17-A
FORM TYPE

June — Last Thursday
Month — 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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1.	For the period ended:	December 31, 2009
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	265,311,674

Amount of Debt Outstanding as of December 31, 2009:	P3,474,553,420

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 269,160,674

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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified dated within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set in this Form.

(See definition of “affiliate” in “Annex B”).

DOCUMENTS INCORPORATED BY REFERENCE

The Consolidated Financial Statements as of and for the year ended December 31, 2009 and 2008 (incorporated as reference for Item _ and ___ of SEC Form 17-A)

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PART I – BUSINESS AND GENERAL INFORMATION

1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 53% and 54% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines, as of December 31, 2009 and 2008, respectively. On August 7, 2006, the Philippine Securities and Exchange Commission 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. In February 26, 2010, the Board of Investments issued Certificate of Registration of the Calaca, Batangas storage terminal still under RA 8479, which gives the Parent Company Income Tax Holiday of five (5) years from February 2010 for the said storage, marketing and distribution activity.

On July 11, 2007, the Company went public, making available twenty-five per cent (25%) of its total outstanding shares 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 Parent Company has a total of 120 service stations, where twenty (20) service stations is in Luzon, one (1) in Visayas and ninety-nine (99) in Mindanao operating as of December 31, 2009 and there are a total of 28 service stations under different stages of construction as of December 31, 2009. 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, Cotabato City, Ozamis City and Zamboanga City. Starting 2008, Cebu Pacific designated the Company as its exclusive logistics partner in all of these locations.

Subsidiaries:

At present, PPPI has six (6) 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

- **Bacnotan Industrial Park Corporation** (BIPC) is engaged in real estate development. BIPC was registered with SEC on March 7, 1996. BIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted a license to sell parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of BIPC's project, the Phoenix Petroleum Industrial Park (Park), formerly Batangas Union Industrial Park, located at Km. 117, National Highway, Calaca, Batangas.

Operating Highlights

Marketing

The Company successfully sustained the momentum in its marketing activities. Total sales volume, excluding services, of refined petroleum products increased to 201 million liters (1.267 million barrels) or an 81% increase over sales volume in 2008. More significantly, the volume sold through its retail network increased by 78%, affirming a key strategic move of the Company of developing its own network of retail stations.

The Parent Company continued its unrelenting pursuit of its cornerstone strategies: branding and expanding its retail network. Even as the Company opened its 120th retail service station by end December 2009, a number of retail service stations were under various stages of completion. The Company has programmed the opening of additional retail service stations in more geographical locations within the year 2009.

In six years of commercial operations, the Parent Company estimates that it has now approximately 18% and 10% share of retail service stations for the Davao Region and total Mindanao respectively. Indeed, the Company continues to corner a substantial market share in the Region. It started to expand to Luzon with twenty (20) retail service stations opened as of December 31, 2009. Visayas is also a target area, with the 1st stations opened 2009 and with two (2) stations nearing completion.

Phoenix Lubricants continued on its momentum in 2009 with the appointment of additional Territory Distributors in Luzon, Visayas and Mindanao. These new territories enabled Phoenix lubricants to penetrate the high street markets in the National Capital Region, Calabarzon, Socsksargen and Zamboanga. At the same time, the significant growth in the number of Phoenix Service Stations in Mindanao to 99 contributed to the volume growth for the region and for the retail sector, giving Phoenix Petroleum a respectable 2.36% share of the Mindanao lubes market. A modest contribution to sales and earnings came from the Commercial & Industrial sector, with the successful entry into Commercial and Industrial accounts. Major successes in these three distribution channels contributed to the total growth of Phoenix lubricants in 2009 compared to 2008.

In the fourth quarter of the year of 2008, work started on the rebranding of major automotive engine oils to enhance the Brand identities for the diesel engine oil, the passenger car motor oil, and the motorcycle oil categories. The XHD diesel engine oil series was rebranded to ZOELO (keyword Zoe means "LIFE"), now the flagship product of Phoenix Petroleum lubricants. The merchandising blitz continued in the 1st quarter of 2009.

A low-tier diesel engine oil product, the DEO 40, was also launched in the 3rd quarter of 2008 to compete in the huge jeepney market. The Acceler8 gasoline engine oil was rebranded to Acceler8 Supreme. The Parent Company also launched a higher quality variant, the Acceler8 Plus, which is intended for the LPG-fed engines of taxi fleets. The 4-stroke motorcycle oil of Phoenix, the CycloMax 4T was rebranded as CycloMax 4T Titan for the multi-grade variant.

The Company's Into-plane services also expanded as Philippine Airlines appointed the Company as its logistics provider for its Ozamis City operations this year addition to existing areas served such as Davao City, Cotabato City, Cagayan de Oro City, General Santos City, Kalibo and Zamboanga City. The Company then has become the sole logistics provider for Cebu Pacific Air for all its Mindanao destination flights.

In 2008, the Company also started to serve the Jet A1 fuel requirements of the US Air Force in Mindanao and other General Aviation requirements.

Branding

The Company continued its brand building efforts through a selective advertising campaign. Major advertising activities include the following:

A. Celebrity Endorsement:

In late 2008, Phoenix Petroleum unveiled its new campaign led by two of the country's leading entertainment and sporting personalities, actress Marian Rivera and national boxing hero Manny Pacquiao. The new campaign reflects the rise of Phoenix as it looks forward to expanding its nationwide presence.

The partnership between Pacquiao and Phoenix Petroleum began in 2006 at the super featherweight bout in Las Vegas between Manny and Erik Morales of Mexico. Both Pacquiao and Phoenix Petroleum both hail from Mindanao. Pacquiao's achievements mirror the Phoenix values of dedication to hard work, confidence in abilities, and courage to face challenges.

The endorsement contracts with Marian Rivera and Manny Paquiao are up to March 2010 and June 2010, respectively.

B. Trade Expo and Exhibits

1. Phoenix Petroleum joined the 18th Annual Trans Sport Show in Manila from April 22-26, 2009 at SM Megamall Mega Trade Halls. The Trans

Sport Show is the longest running and most well-attended car show in the country, organized by industry professional and car enthusiast. The show as a good avenue for Phoenix Petroleum to introduce itself to the Luzon market.

2. The Parent Company supported the Central Mindanao Vegetable Industry and Development Council (CEMVIDEC), Inc. in hosting the 7th National Vegetable Congress in General Santos City last July 14-16, 2009. The Congress was attended by around 700 participants coming from government agencies, academe, agricultural sector, business and service providers nationwide. The Congress provided networking opportunities for Phoenix to seek potential business partners for retail network expansion in Socksargen and brand exposure to the rest of the participants all over the country.

3. Phoenix Petroleum participated in the 4th Mindanao Travel and Tourism Expo (MTTE) in Davao Trade and Convention Center last August 20-22, 2009. MTTE is the biggest tourism assembly in Mindanao and is an official component event of Kadayawan sa Dabaw Festival 2009. Tourism Secretary Ace Durano made special mention of Phoenix Petroleum as being the first Mindanao Petroleum Company. One of the Key features of MTTE is the unveiling of the Mindanao Tourism and Transport Highway Map which highlights all Phoenix Petroleum retail station sites in Mindanao.

4. The Company joined in the 10th Cebu Franchise Expo held at SM City Cebu Trade Hall last September 11-13, 2009. This was participated by a number of exhibitors and participators. The said expo enables Phoenix to gain more mileage and brand campaign to support its Cebu and other Visayas area expansion.

In these Trade Expos and other transport and riders association activities sponsored by Phoenix Petroleum, the Company gained mileage out of these events as it showcased its products as well as the potentials for business partnership.

C. Brand Manual

On January 2009, the Company updated its Brand Manual and presented this to its business partners during the 1st Business Partners Sales Conference last January 29 and 30, 2009. The changes in the manual addressed the need for flexibility in designing merchandising collaterals without violating the brand's basic form and function. The manual was conceptualized in 2007 and this was the second revision.

D. Sponsorship and Events

1. Phoenix Petroleum was a major sponsor in a convention of real estate brokers in Makati held last July 17-18, 2009. The Sponsorship aimed to accelerate the number of Phoenix stations sites in Luzon and NCR through referral of real estate brokers. The even served also a an

opportunity to further enhance the Phoenix brand recall in the Luzon Market.

2. Philippine Basketball Association (PBA) – Phoenix recently went into the sponsorship of the PBA in its Provincial on-tour games. This deal was consummated in February 2009 and the sponsorship covers out-of-town games where Phoenix is the main presenter and sponsor of the games appearing in National Television and Sports sections of Print media. In addition to media mileage, the sponsorship entails complimentary tickets that go to loyal Phoenix customers and business partners as a way of Phoenix's showing its gratitude for the continuous business and growth.

3. National Chess Federation Philippines Battle of the Grandmasters Chess Tournament Sponsorship – As one of onlytwo major sponsors, Phoenix supported this sporting event that helps promote future Filipino chess grandmasters. The tournament, held in Dapitan City on March 24-31, 2009, was a battle of 24 Filipino chess greats.

4. Phoenix Cup Golf Tournament. – To give further impetus to the activities of Phoenix Foundation, the Company launched its first ever, the golf tournament in March 2009. The proceeds of the annual tournament will support the Corporate Social Responsibility activities of the Foundation. The event was well-attended by avid local golfers.

5. Phoenix Petroleum joined the Manufacturers' Development Participants Association (MMDPA) Cup Racing held in Carmona Racing Circuit in Cavite last October 25, 2009. The event was participated by major motorcycle brands and private teams. Phoenix Petroleum was the only lubricants suppliers of the event introducing its Cyclomax brand of Motorcycle oil.

Supply and Operations

The Company continued to strengthen its supply chain. In July 2009, the Parent Company started importing part of its refined petroleum inventory requirements. It however continued to maintain local sourcing of supply of its refined petroleum products from its existing suppliers, i.e. PTT Philippines Corporation, Total Philippines Corporation and other domestic wholesalers, 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. Currently, CSC manages a fleet of 15 vessels to transport petroleum products. It owns seven (7) of these oil tankers: the M/T Chelsea Denise, M/T Chelsea Enterprise, M/T Chelsea Intrepid, M/T Chelsea Excellence, M/T Chelsea Integrity, M/T Chelsea Passion, and MT Chelsea Cherylyn. The latter is a brand new 6,000 MT HULL CYC – 108 Oil

Tanker (with total cost of US $15 million) which will be delivered in May 2009. CSC also acquired control over Bunkers Manila Inc (BMI) as well as Michael Inc (MI) to further strengthen its position in its industry.

Its major clients are Phoenix Petroleum Philippines Inc., Cebu Pacific Air, PTT Philippines, Marine Fuels, National Power Corporation, Pilipinas Kao, Inc., Filpride Resources, Inc, Ludo Luym, Total Bulk Corporation for Philippine Airlines and Air Philippines.

To provide for its ever-increasing volumes and business activities, the Company completed the 1st phase of its expansion program in the Davao Depot facilities, increasing its original capacities by more than 100%. In addition, the Company also has expanded 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 Parent Company, through Petroterminal Philippines Corp. (PPC), inaugurated its terminal facilities in Calaca, Batangas last July 23, 2009. PPC, a wholly owned subsidiary, acquired 35,000 square meters of land in the Batangas Union Industrial Park (since renamed to Phoenix Petroleum and Industrial Park) which becomes the site of this facility. This will serve as the Company's hub of operations in Southern Luzon.

Other Significant Operational Highlights

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

Quality Management Systems

On February 1, 2008, the Company received its accreditation from Bureau Veritas for 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". In the last quarter of 2008, audit for ISO process were done and the Company was evaluated to be in compliance. In 2009 audit and recertification, the Parent Company outstandingly passes to the said procedure.

Information Technology

In November 2008, the Company entered into agreement with Fasttrack Solutions, Inc. to expand its existing system SAP-Business One (SBO) (Systems Applications and Products in Data Processing) capabilities to handle transactions of new Business Units as the Company continues to expand its area of operations. This SAP System was initially rolled out by the Company last July 2007 as an integrated computer system automating its transaction processing from the time products are procured until they are delivered to clients. The system covers procurement management, billing management, inventory management and financial reporting system. In 2009, the Parent Company, through the assistance of Fasttrack also updated its SBO to later version and patch.

The aforementioned enhancement of system include training of key SAP users support personnel on advance SAP application, report design and other useful processes.

Major Capital Expenditures

The following major projects were on-going as of end December 2009:

- Completion of construction of Depot in Talisayan, Zamboanga City;
- Completion of Tank 5 in Calaca, Batangas liquid storage terminal
- Survey and Design of proposed depot site in Phividec, in Tagoloan, Misamis Oriental (Northern Mindanao), Bacolod City and additional tanks in New Washington, Aklan.
- Additional Construction of Phoenix Service Stations in various sites in the country.

Human Resources

An invigorated Human Resource Department was at the forefront of providing quality services and benefits to the employees of the Company. In line with its mandate of taking care of its employees, the company provided essential lectures and programs on health touching on topics involving dengue fever, swine flu, and the feared AH1N1 virus, among others. The Company provided also its employees with medical and health insurance on top of giving each of them an executive check-up on top of the annual physical examination to make sure that everyone has a clean bill of health.

Under the auspices of the HRD, the company equipped the employees with several trainings and also undertook several organizational development programs to enhance their professional and personal development. These programs will enable the employees to have a career path that takes into consideration their professional capacities, education, leadership potentials, and relationship with their co-workers in the organization.

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. In the second quarter of the year, through the Human Resource Department, a company-wide training for Role in Building a Service Culture Workshop for all Employees. The two-day workshop aimed to create ownership and commitment to improve teamwork and customer service, the Phoenix Way (Willing, Able and Yes We Can!). At the end of the of the activity, each team came up with specific action steps necessary to achieve the organization's desired Customer Service priorities and Standards.

iii) Performance Management

With the end view of motivating employees, HR continuously did a re-orientation of the designed and implemented a performance management system that was directly linked to the company's business plans and objectives. The thrust was to refresh the existing and as well as the new employees and 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 are always 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.

The Company also launched in May 2008 the Phoenix Employee Awards called "The Phoenix of Performance – Recognition for Outstanding Service and Excellence. This is the first Phoenix Employee Recognition Program that acknowledges and rewards deserving employees for their exceptional performance, work ethics and support of the Phoenix Vision, Mission and Core Values.

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. An invigorated Human Resource Department was at the forefront of providing quality services and benefits to the employees of the Company. In line with its mandate of taking care of its employees, the company provided essential lectures and programs on health touching on topics involving dengue fever, swine flu, and the feared AH1N1 virus, among others. The Company provided also its employees with medical and health insurance on top of giving each of them an executive check-up on top of the annual physical examination to make sure that everyone has a clean bill of health.

v) Employee Relations

By fostering open communication, family spirit and employee well-being, HR organized teambuilding activities which included Phoenixtreme Quest 2009, a highly competitive, team-based and task-oriented event for all employees. The year's team "Nation's Brand of Choice". The sportsfest motivated everyone to push their limits not just in physical skills but as well as in planning, creativity and resourcefulness. The Annual Christmas Party, with the theme "Phoenix Goes Retro for Christmas", was a good venue for employees to showcase various talents. This also enhanced the relationship and camaraderie among the Officers and Employees of the company.

External Affairs Department

A newly created department in the organizational structure of Phoenix Petroleum in order to specifically address government and media relations, the External Affairs Department was primarily responsible in securing all the necessary permits mandated under the Oil Deregulation Law of 1998 and the numerous licenses required by the Local Government Code before the robust Calaca Terminal with a 50-Milllion liter capacity became fully operational.

External Affairs also complied with the reportorial requirements of the Department of Energy on matters involving supply, inventory, and price movements of petroleum products. Also, in view of the importation of petroleum products midway into the year, the External Affairs also registered the importations with the Large Taxpayers Service – Excise of the Bureau of Internal Revenue for its payment of the taxes and duties due on its imported articles. For this reason, the company was granted a Permit to Import Gasoline and Diesel by the BIR. In addition, it was authorized by the BIR as a producer of Bio-Fuel Blended Diesel (B2) and Motor Gasoline (E10) in compliance with the requirements of the Bio-

Fuels Act of 2006. All importations of the Company have been duly covered by the appropriate permit issued by the Customs Accreditation Secretariat of the Bureau of Customs.

The External Affairs Department was primarily responsible for the publication of press releases in major newspapers as well as tabloids involving the operations and performance of the Company. It was also responsible for the radio, television, and newspaper coverage's of any price movements undertaken by the Company of the volatile oil prices.

Corporate Social Responsibility

The Phoenix Foundation, has the following activities for the year:

a) **Gift-Giving.** In December 2009, the Group continued with its gift giving program where the recipient for this year are kids of 3 different barangays. This was done by the Groups' employees in cooperation with St. Joseph Parish staff . Foods, toys and school supplies are handed to children beneficiaries. The event was a manifestation of PPPI's Vision, Mission and Core Values.

b) **Bloodletting.** January 30, 2009, Phoenix Petroleum and its affiliates and subsidiaries underwent 2^{nd} bloodletting activity under the supervision of the Philippine National Red Cross (PNRC). Some school teachers of the Company adopted school also participated in the said activity together. The donated blood will be stored in the facility of the Philippine National Red Cross so to support the emergency needs that may arise not only with Phoenix employees but as well as the general public in Davao and or neighboring cities or municipalities. The Group also supported bloodletting activities initiated by other groups in the neighboring areas.

c) Masara Relief Operation. Phoenix Foundation, in cooperation with Udenna Foundation, donated two (2) relief houses to the victims of landslide in Masara, Compostela Valley. On top of this the Company distributed relief goods of affected families. This is also in coordination with the local government unit of Compostela Valley.

d) International Coastal Clean-up. With the companies' concern to environment, officers and employees joined the International Clean-up program last September 19, 2009 in cooperation with the Department of Environment and Natural Resources (DENR), Local Government units and other Government and non-government organization. This is also in respond to the alarming signs and effects of global warming. Phoenix Petroleum simultaneously done the activity in Davao City and Batangas City. In Davao, this was attended Phoenix Employees, barangay officials and representative of schools that Phoenix supports. While in Luzon, Phoenix Employees are joined by locators of the Phoenix Petroleum Industrial Park, staff from DENR, Office of the City Mayor, Office of the City administrator and staff of Phoenix sister company, Chelsea Shipping.

Phoenix, through its wholly owned subsidiary maintains a Pawikan Conservation Project in the Batangas Park.

e) **Tree Planting and Tilapia Fingerlings Dispersal.** In August 29, 2009, Phoenix Petroleum, in cooperation with the barangay officials and barangay residence of Brgy. 19-B and Bureau of Fisheries and Aquatic Resources (BFAR) conducted tree planting in the river bank of El Rio Vista, Davao City. This is part of the Phoenix Adopt a Riverbank-Save Davao River Project. During this event, Phoenix and BFAR released 10,000 tilapia fingerlings to the Davao River. Another batch of 10,000 tilapia fingerlings were released in the area two months after.

f) **Relief Operation-Thyphoon Ondoy.** Phoenix Luzon staff distributed relief goods to victims of thyphoon Ondoy in Marikina City, site of Phoenix's first retail station in Luzon.

g) **Adopt a School Program and Alternative Learning System (ALS) Program.** In joint effort of Phoenix Foundation and the Department of Education (DepEd), the Group is already on its 2nd year sponsoring the salary of two (2) pre-school teachers which in result produces seventy-three (73) pre-school graduates, who are called "Phoenix Scholars" for school year 2007-2008. In current For Educational materials were also donated by the company to the recipient school. This is part of the Company's "Adopt a School Program". The administration of Vicente Hizon, Sr. Elementary School, the recipient school, awarded the Company Plaque of Appreciation during the graduation rites last April 2, 2009.

This ALS Program, which Phoenix Petroleum formally launched last August 17, 2009 in with cooperation the Department of Education, consists of Sunday High School program and Livelihood Program. Under the Sunday Highs School program, recipients are those students whose parents cannot afford their education, while the Livelihood Training Program is aimed to help augment income of poor families in Barangay Pampanga, Davao City.

h) **Other Activities.**

- Phoenix Foundation Philippines sponsored a Defensive Driving Seminars on 2 occasions, namely:
  - The seminar participants were members of South Eastern Mindanao Diversified Drivers and Operators Cooperative (SEMDDOC).
  - The seminar participants were drivers, mechanics and maintenance crews of the Dept of Public Works and Highways.
- As part of the foundation's support to the sports development program, Phoenix, sponsored the Taekwondo Regional Tournament in the amount in order to help develop the future

of the youth and assist in discovering the hidden potentials of local athletes who may give the country our first Olympic gold.

- The foundation also supported the programs of the Bureau of Fire Protection (BFP) especially in its campaign to reduce if not eliminate fire incidents in our society. The foundation and BFP are now discussing the possible other support materials we will give to further push the awareness of Fire Prevention from the grass root level, individuals, families, to other establishments and other entities.

Health, Environment and Safety (HES) Management

Preamble

As a business and as a member of the Pilipino community, Phoenix Petroleum Philippines Inc. is committed to creating superior value for our investors, customers, partners, our employees, host governments and local communities where we operate.

One of the most critical challenges facing Phoenix today is to follow sound environmental practices and protect the health and safety of our employees, customers and the public while maintaining and improving our profitability.

Goals & Objectives

As the world's focus on environmental conservation, health and safety issues increases, it is more important than ever for Phoenix to fulfill our social responsibilities as part of our business goals.

To accomplish this, we must achieve a thorough integration of environmental, health, fire and safety issues into our day-to-day business decision-making processes and into our long range strategic planning. To succeed, we must deliver world-class performance and meet and even exceed the capabilities of our strongest competitors.

We will continue to systematically manage HES issues in order to:

- Achieve an injury-free work place.
- Promote a healthy workplace and mitigate significant health risks.
- Eliminate spills and environmental incidents. Identify and mitigate key environmental risks.
- Operate incident-free with asset reliability.
- Maximize the efficient use of resources and assets.

Accomplishments and Implementation Status

4th Quarter 2009:

- Developed and rolled out the Phoenix Health, Environment and Safety Policy Statement
- Conducted HES assessments/audit of operating facilities
- Started to develop HES management programs

1st Quarter 2010:

- Continue to develop HES management programs
- Continue to communicate hazard information through print media forum, e.g., safety bulletins, and training schedules
- Continue to monitor field compliance and accomplishment of recommendations highlighted in the HES audit reports
- Continue management intervention to ensure compliance with the spirit and intent of the company's HES Policy

Other Health and Safety Programs:

Health and Environment - Air emissions:
In our operations emissions of various air pollutants is normal particularly in handling and distribution of volatile fuels such as gasoline. Vapors released have damaging impact on air quality and pose a threat to health and the environment. To control these emissions, the Company takes responsibility for controlling air emissions seriously, and tries to minimize their impact on human health and the environment. Phoenix Petroleum recognizes that the issue has a global dimension, but believes it makes sense to deal with air emissions at a local level: to tackle the problem at source.

Our approach

Volatile fuels such as gasoline, when exposed to air and heat evaporates cand releases hydrocarbon vapours, often described as volatile organic compounds or VOCs. Storage tanks **without vapour control equipment** will release to the atmosphere VOCs, estimated around 1.5 % of annually throughput volume. These gases are potentially harmful air pollutants which can result in local health impacts as well as local or regional contributions to the formation of low level ozone contributory to global warming. Control of hydrocarbon loss helps us prevent impact on air quality and is also economically beneficial. The Company has invested on tank internal floating roofs in all storage tanks for volatile products to ensure controlled emissions of VOCs with in levels safe to community and environment.

Moreover, the Company has invested on biofuels project. Storage tanks for ethanol have been constructed and biodiesel processing plants now on the design phase. Use of these alternative fuel source blended with fossil fuels will contribute in the reduction of carbon emission, the key element causing "Global Warming"

Safety- Training Business Partners

In the 1st Quarter of 2009, the Company had its 1st National Dealer's conference held in Davao City. Dealers as far as Cagayan Valley attended the two day training and appreciated the knowledge gained particularly on safe handling of petroleum products. Lecture and video presentations on good housekeeping as basic guideline to accident prevention and proactive approach on fire protection inculcated the value of safety training. Training CDs were distributed to the Dealers for them to share their learning to their staff as well.

Other Safety Measures

To enhance safety and security on company employees, business partners, company assets and premises, the Company embarked on the following program:

- Trained bomb sniffing dog that regularly checks the depot premises at least (three) 3 times a day. We have one specially trained dog handler that takes care of the dog and regularly makes their rounds every day. The dog checks on our tank farm, port, tankers etc.

- Installed Global Positioning System to Company tankers and Lorries to be able to do tracking of the exact whereabouts of these delivery equipments on almost real-time basis. This is very beneficial to ensure safety of drivers, tankers and products. This is also tracks the on time delivery of products.

- As additional safety and security measures, the Company raised the perimeter wall of the Davao Depot. This is intended to always ensure that facilities are safe and out of danger from terrorists, burglars, all kinds of treats, real and imaginary.

- Installed additional sprinkler system on the storage tanks from the top most part in order to cool the tanks and protect the Product and the depot in case of fire and to reduce vapor loss.

- The Company installed additional safety and security signs all over the Davao Depot premises to always caution everyone and to keep all persons and properties out of danger.

2. Business of Issuer

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 "Phoenix Fuels 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 Airlines (CPA) for the latter's requirements for their Davao, Cagayan de Oro, Cotabato, General Santos, Zamboanga City and Ozamis City flights. 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 ₱5.873 billion in 2009 of which ₱5,728 billion or 97.54% was accounted for by the sales of refined petroleum products and ₱0.103 billion was accounted for by fuel service,storage income and other income. For 2009, ₱39.05 million and ₱10.1 million was recognized as port revenue and land sale respectively.

iii) New products or services:

In addition to its lubricant lines, the Parent Company continues market car care products into the market including car fresheners, tire black, and others. In response to the automotive market's demand for better oil formulation for Heavy Duty Engine Oil, Phoenix launches Zoelo Extreme with better formulation and in new label design. This formulation meets API CI-4/SL standard that offers superior quality and heavy duty engine performance among SAE 15w-40 Multi-grade engine oils. This variant is also suitable for mixed fleet of diesel and gasoline engines.

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, Flying V and SeaOil. While the three major players control around 78% and 82.8% for 2009 and 2008 respectively of the Philippine market, the Company gained strong foothold in Mindanao Market and started to have its presence in Luzon and Visayas regions.

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, 2009, the Company has a network of retail stations in Mindanao which is estimated to be 11% share on retail network.

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

In prior years until 1st half of year 2009 the Company procures its petroleum products locally. Its main suppliers are PTT Philippines Corporation as well as Total Philippines Corporation. With the growth in volume and the availability of the capacities with the opening of the Calaca, Batangas facility and the Davao expansion, the Parent Company started importing refined petroleum products in July 2009.

The Company continues to import some of its lubricants from the United Arab Emirates and Singapore.

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 UDENNNA 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, Marine Fuels, National Power Corporation, Pilipinas Kao, Inc., Filpride Resources, Inc, Ludo Luym, Total Bulk Corporation for Philippine Airlines and Air Philippines.

vii) Patents, trademarks, licenses, franchises

The Company uses its registered PHOENIX Fuels Life ™ trade mark, for its brand, this is being positioned as the brand of choice in Mindanao. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products as Magma Diesel, Raptor Premium Gasoline, Glide Unleaded 93-RON, Phoenix Regular Gasoline, Flame Kerosene and Phoenix JET A1. Below are the approved Trademark by the International Property Philippines (IPP) through the Trademark Department.

Product/Device	Reg. No.	Date of Registration	Term/Duration
Phoenix Raptor X Premium & Device	4-2008-005932	Oct. 13, 2008	Oct 13, 2018
Phoenix Regular & Device	4-2008-005931	-do	-do-
Phoenix Flame Kerosene & Device	4-2008-005929	-do-	-do-
Phoenix Glide Super Unleaded & Device	4-2008-005933	-do-	-do-
Phoenix Magma Diesel & Device	4-2008-005936	-do-	-d o-
Phoenix Jet A-1 & Device	4-2008-005934	-do-	-do
Cage Free Ur Spirit & Device	4-2008-012148	Feb. 09, 2009	Feb. 09, 2019
Nest Necessities for Life & Device	4-2008-012149	-do-	-do-

viii) Total number of employees

The Company has a total of and 169 employees as of December 31, 2009 and December 31, 2008 respectively. This is broken down as follows:

	2009	2008
Chairman	1	1
President/CEO	2	1
Vice President	3	3
Assistant Vice President	6	4
Senior Manager	6	6
Managers	18	11
Supervisor/PTC*	75	54
Rank and File	122	89
	232	**169**

** Professional, Technical and Confidential*

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, and 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. The Company sources its fuel supply from regional refineries through international traders, as well as from domestic oil companies and petroleum wholesalers which guarantees diversity of supply. These supply arrangements are typically on spot or per shipment contract basis. There is, however, no assurance that such supply arrangements will result in consistency in the timing and volume of available supply due to the inherent potential volatilities that characterize the petroleum business.

Reliance on third parties. The 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 its External and 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.

3. Description of Property:

The Company's properties consist 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 and the 3.5 hectares land and Terminal Facilities are free and clear of liens, encumbrances and other charges, and are not subject of any mortgage or other security arrangement. In March 2009, after acquisition of BIPC by the Parent Company, the Group has additional Port Facilities, Land Held for Sale and Land Held for future developments.

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 trusteed 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 Terminal/Depot Sites

Following are lease contracts entered by the Company as part of its Terminal/Depot expansion project:

- **General Santos City.** A fifteen-year (15) lease contract, with option to renew for another five (5) years, was entered with Southern Fishing Industries, Inc. for the 10,000 square meters property located at Tambler, General Santos City. Monthly rental is P300,000 (exclusive of VAT) per month and 5% increase every year commencing on the second year and thereafter. Contract was signed on May 7, 2008.

- **Zamboanga City.** The Company entered to a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of ten (10) years, with an option to renew for another five (5) years. Monthly lease rental is five hundred thousand pesos (₱ 500,000.00) with an increment of five percent (5%) every two years. The said lease agreement commenced November 16, 2008.

- **Bacolod City.** A parcel of land with a an area of 10,000 square meters more or less was leased from Jordan Fishing Corporation for ten (10) years starting January 01, 2008. Monthly lease rental is Five Hundred Thousand Pesos (₱ 500,000.00) excluding Value Added Tax with a five percent (5%) increment of rental rate every two (2) years. An option to renew for another five (5) years is provided in the contract.

- **Villanueva, Misamis Oriental.** An agreement was entered with Phividec Industrial Authority (PIA), a government owned corporation of a parcel of land situated at Katipunan, Villanueva, Misamis Oriental. The subject property has an area of fifty-eight thousand nine hundred eighty-four square meters (58,984 sqm.) more or less. The term of the lease is twenty five (25) years, with a monthly rental of eighty four pesos (₱ 84.00) per square meter inclusive of value added taxes. The rate will be escalated every three years using the Gross National Product (GNP) for the last two immediately preceding years.

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 various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are as typically as follows:

- 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 Company shall pay monthly rentals plus applicable real estate and government taxes and such rent is subject to yearly escalation between 3% to 10% annually.
- 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.

4. Legal Proceedings

To date, there are no material legal proceedings, pending or threatened against the Company or any of its subsidiaries or in which the properties of the Company and any of its subsidiaries is the subject thereof.

PART II - SECURITIES OF THE REGISTRANT

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

(1) Market Information

The Parent 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 for year 2009 are hereunder shown:

	Highest Close		Lowest Close	
Period	**Price**	**Date**	**Price**	**Date**
First Quarter	3.93	Mar-27	2.82	Feb-23
Second Quarter	3.64	Apr-01	4.93	Jun-26
Third Quarter	4.86	Jul-01	5.90	Aug-04
Fourth Quarter	7.00	Dec-29	5.10	Oct-21

As of December 31, 2009, the market capitalization of the Company, based on the closing price of P 7.00, was approximately P 1.510 billion.

(2) Top 20 Stockholders*
As of March 31, 2010

#	NAME OF STOCKHOLDER	No. of Common Shares	Percentage of Ownership
1	Phoenix Petroleum Holdings Inc.	142,870,000	53.08%
2	PCD Nominee Corporation - (Filipino)	68,053,010	25.28%
3	Udenna Corporation	35,944,990	13.35%
4	Udenna Management & Resources Corp.	9,100,000	3.38%
5	Social Security System	7,500,000	2.79%
6	PCD Nominee Corporation - (Non-Filipino)	2,048,200	0.76%
7	Ana Go &/Or Go Kim Pa	1,200,000	0.45%
8	Dennis A. Uy	1,124,760	0.42%
9	Udenco Corporation	454,998	0.17%
10	Dennis A. Uy &/Or Cherylyn C. Uy	309,400	0.11%
11	Domingo T. Uy	182,001	0.07%
12	Edgardo Alvarado Alerta	154,800	0.06%
13	Emmanuel M. Cabusao	53,200	0.02%
14	Rebecca Pilar Claridad Caterio	41,830	0.02%
15	Orlando Lansangan	36,400	0.01%
16	Socorro Ermac Cabreros	29,101	0.01%
17	Roque A. Lim	10,920	0.00%
18	Alberto D. Alcid	9,100	0.00%
19	Stephen T. Teo &/Or Teresita R. Teo	9,100	0.00%
20	Romeo B. Molano	7,840	0.00%

* disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of March 31, 2010 and disclosed April 14, 2010.

(3) 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.

The Board of Directors approved last May 8, 2008 and duly ratified by the stockholders on July 16, 2008, a 30% stock dividend for stockholders of record as of July 11, 2008 to be issued from the Company's unrestricted retained earnings. Distribution date was August 6, 2008. Number of shares issued was 43,000,198 valued at Par Value of ₱ 1.00 per share or ₱ 43,000,198.00.

A cash dividend of ₱ 0.10/share was declared for all stockholders on record as May 30, 2008. Distribution date was June 26, 2008, amount was ₱ 14,500,000.00.

The Shareholders ratified last May 29, 2009 the Board of Directors approval for a 40% stock dividend. Details are as follows:

Ex-Date	July 03, 2009
Record Date	July 08, 2009
Distribution Date	August 03, 2009
No. of Shares Distributed	73,660,677 shares

(4) Recent Sale of Unregistered Securities

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

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

Last 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. As of December 31, 2009 and December 31, 2008, treasury shares have cumulative costs of ₱ 17,252,140 in both end year.

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.

(B) Description of Shares

The Company's shares consist of common shares with a par value of P1.00 per share. As of December 31, 2009 and March 31, 2010, total outstanding common shares with voting rights are shares 269,160,675 and 188,000,198 shares, respectively.

(C) Employee Stock Option Plan

The Board of Directors approved the Employees' Stock Option Plan (ESOP) during its April 08, 2010 Board Meeting. In this ESOP, the Parent Company will allocate for award to eligible employees up to a total of 5% of its issued and outstanding common shares. The ESOP will be endorsed for approval by the shareholders in the incoming Annual Stockholders' meeting.

PART III - FINANCIAL INFORMATION

(A) Management's Discussion and Analysis of Financial Conditions

The following is a discussion and analysis of the Parent Company (PPPI) and its Subsidiaries' financial performance for the years ended December 31, 2009, 2008 and 2007. 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, 2009, 2008 and 2007.

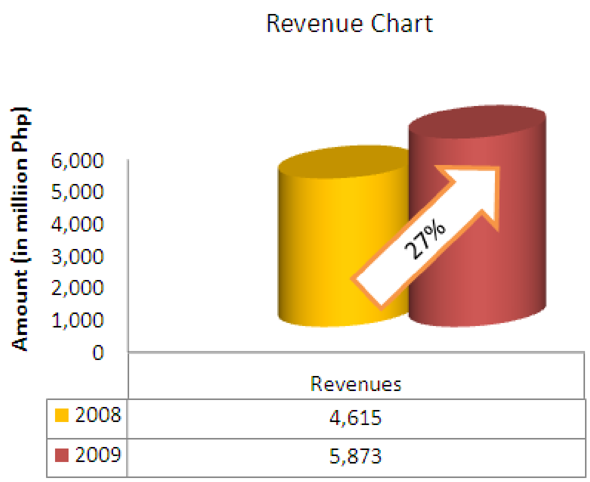
The Company's financial statements were audited by Punongbayan & Araullo for 2009, 2008 and 2007, in accordance with Philippine Financial Reporting Standards.

	As of and for the years ended December 31		
In ₱ thousands, except for Per Share amounts	**2007**	**2008**	**2009**
Income Statement Data:			
Revenues……………………………………….	2,364,232	4,615,217	5,873,051
Cost of sales……………………………………..	2,097,438	4,194,196	5,181,074
Net income………………………………………	122,359	150,289	751,477
Balance Sheet Data:			
Current Assets…………………………………..	762,661	1,457,228	2,918,843
Non-current Assets……………………………..	429,543	910,853	2,084,570
Total Assets ……………………………………	1,192,204	2,368,081	5,003,413
Total Liabilities…………………………………..	625,622	1,677,323	2,661,182
Stockholders' Equity…………………………….	566,582	690,758	1,528,860
Earnings per Share……………………………..	0.94	0.91	3.48
Book Value per Share…………………………..	3.93	3.76	5.68

Analysis of Results of Operations for 2009 and 2008

Revenues

The Group generated total revenues of ₱5.873 million in 2009 which is 27% higher than its comparative 2008 level of ₱4.615 million. This was brought about by the 81% and 38% increase in sales volume of Petroleum Products and Lubricants respectively. Service revenue also posted a substantial increase triggered by the 78% increase in volume of fuels handled in year 2009.



Sales revenues from trading and distribution of petroleum products increased by 26% from ₱4,563 million in 2008 to ₱5,739 million in 2009 resulting principally from a wider distribution network and expanded institutional customer base. In spite of the substantial increase in volume sales, the increase in absolute revenue was modest due to lower average unit selling prices this year. Current year average selling price per liter of refined petroleum products is ₱27.50 as compared to ₱38.66 per liter in 2008, or a 40.6% decline for fuels products selling prices.

VOLUME (IN '000)	2009	2008	INCREASE (DECREASE) QUANTITY	PERCENT	VOLUME IN BARREL 2009	2008
Refined Products	**201,438**	**111,388**	**90,050**	**81%**	**1,267**	**701**
DIESEL	110,162	64,066	46,096	72%	693	403
MOGAS	60,989	33,814	27,175	80%	384	213
KEROSENE	959	859	100	12%	6	5
SFO/BUNKER	17,531	11,789	5,743	49%	110	74
JET-A1	11,797	861	10,936	1271%	74	5
Lubes						
Lubricants	**2,530**	**1,831**	**698**	**38%**	**16**	**12**
Rental and Into-Plane Services:						
Storage	29,569	16,645	12,924	78%	186	105
Into-Plane	30,434	17,057	13,376	78%	191	107

PPPI had one hundred nine (120) operating Phoenix Fuels Life retail service stations as of December 31, 2009 compared to sixty-two (86) retail stations as of the same period of last year. A substantial number of these additional stations have yet to fully realize their potential peak sales volume, having been in operation for less than a year.

The Group generated ₱101 million from its fuels service (i.e. hauling and into-plane), lease of its storage facilities, Port Revenue and other service revenue in 2009 versus ₱ 52.3 million in 2008, or a 94% increase compared to last year. In addition, the company realized ₱39 million in revenue which was derived from consolidating the performance of BIPC, its recently-acquired wholly-owned subsidiary.

Cost and expenses

The Group recorded this year cost of sales of ₱5.181 million, an increase of only 24% compared to the 2008 figure of ₱4.194 million. The lower cost per unit offsets the 81% increase in the sales volume of petroleum products, thus the effective increase on absolute amount is not directly proportionate to the increase in sales volume.

Selling and administrative expenses increased as a result of the increasing volume and the ongoing expansion and growth of the Group's organizational build-out and business operations. Major items that increased out of this retail network expansion and increasing volume are rental, depreciation, travel and transportation, repairs, taxes and licenses and other expenses. Recently, the company had also ramped up its advertising campaign which resulted to higher advertising expenses.

Net Income

The Group's net income surged to ₱751.5 million during year 2009 compared to P150.3 million for 2008. Of this increase, ₱573 million represented non-recurring income due to the booking of the "excess of fair value over acquisition costs", or negative goodwill arising from the Parent Company's purchase of 100% of the capital of BIPC in March

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) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005. It has under application and has further plans to apply for new BOI incentives based on the additional investments in capacity it has made over the past year.

Analysis of Financial Condition and Balance Sheet Accounts
(As of December 31, 2009 versus December 31, 2008)

Total resources of the Group as of December 31, 2009 stood at ₱5.003 billion, an increase of 111% over the P2.368 billion as of December 31, 2008.

Cash and cash equivalents increased by 2% from ₱357 million to ₱365 million due to higher revenue level during the current year but minimized due to higher CAPEX payments.

The Group's liquidity position continued to hold strong with Current Assets reaching ₱2.914 billion as of December 31, 2009, up from ₱1.46 billion as of December 31, 2008.

Trade and other receivables increased by 79%, from ₱765 million as of December 31, 2008 to ₱1,368 million as of December 31, 2009 as a result of a higher sales revenue in this year compared to last year. The Company continue to exercise prudence in its credit policies in order to manage customer receivables risk.

Inventories increased by 194%, from ₱155 million as of December 31, 2008 to ₱458 million as of December 31, 2009 as part of the Company's inventory management strategy. In a period of rising fuel prices, it would be necessary to build commensurate levels of inventory to improve potential margins. This was made possible by the doubling of its storage capacity at the Davao Depot during the current year compared to year-end 2008. PPPI also inaugurated its new 50 million-liter terminal in Calaca, Batangas. In addition, it also leases a number of storage tanks in various sites to strengthen its inventory positioning. With the above increases in capacity PPPI was able to start gradually importing its fuel inventory requirement in 2009, which helped improve the company's stock levels and gross margin.

Land Held for Sales are parcels of subdivided lots owned by BIPC, a wholly owned subsidiary of the PPPI. These lots are intended for sale to prospective buyers. There is Memorandum of agreement on some lots to existing locators for intent to purchase.

Due from related parties net balance is negative ₱38.7 million as of December 31, 2009 versus ₱16.2 million positive balances as of December 31, 2008. The Company's parent holding company extended advances to support its cash requirement for its capital expenditures.

Other current assets increased by 57%, from ₱37 million as of December 31, 2008 to ₱58 million as of December 31, 2009 due to prepayments on rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments .

As of December 31, 2009, the Group's property and equipment, net of accumulated depreciation, increased to ₱1.699 billion compared to P 881 million as of December 31, 2008 as a result of the Company's continuous expansion of retail service stations and Storage Facilities. The acquisition of BIPC with its substantial assets which include Pier and Pier Facilities also boosted the fixed assets of PPPI.

Land held for future developments are parcel of subdivided lot owned by the wholly owned subsidiary BIPC. These lots may be sold at its current state or be developed for better selling prices which will yield better returns to the Company.

Loans and Borrowings increased by 157% from total ₱904 million as of December 31, 2008 to ₱2.318 billion as of December 31, 2009 due the increase of ₱717.3 million and ₱697.4 million on short term and long term financing respectively. The increase in short term loans and borrowings are related to the financing of the inventory build-up and accounts receivable trade gapping. The long term portion on the other hand was the installment payable to the vendor parties in the BIPC acquisition, net of payments made and the ₱245 million medium-term loans availed from banks to partially finance the Company's retail network expansion and depot facilities.

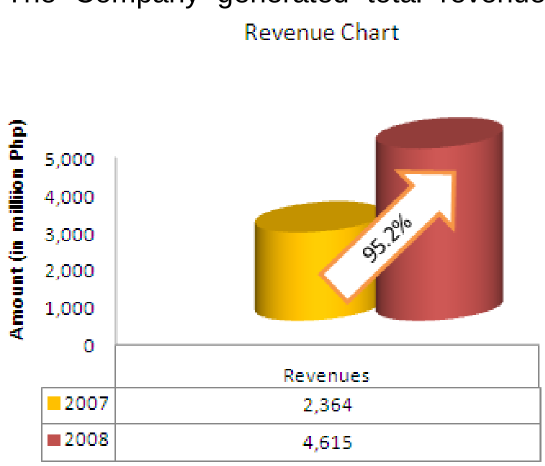
Trade and other payables increased by 41%, from ₱750 million as of December 31, 2008 to ₱1,059 million as of December 31, 2009 as a result of the inventory build-up of the Company mostly using suppliers' credit. The increase in Other Payable was mostly payables to contractors and suppliers for construction of depots and retail stations.

Total Stockholders' Equity increased to ₱1,529 million as of December 31, 2009 from ₱691 million as of December 31, 2008 substantially because of the one-time booking of ₱573 million arising from the acquisition of BIPC plus net income from operations of ₱178 million during the year.

Review of 2008 versus 2007

Revenues

The Company generated total revenues of ₱4.615 billion in 2008 which is 95.21% higher than its 2007 level of ₱2.364 billion, primarily due to substantial increase in sales volume of petroleum products and increase in revenues from fuels service and storage.



- Sales revenues from trading and distribution of petroleum products increased by over 97% from ₱2.315 billion in 2007 to ₱4.563 billion in 2008 resulting principally from a wider distribution network and expanded institutional customer base which resulted to 65% increase in volume. The average revenue per liter also increased to ₱38.66 in 2008 compared to ₱34.02 in 2007. The Company had eighty-six (86) operating Phoenix Fuels Life retail service stations as of December 2008 compared to thirty-three (33) retail stations as of December 31, 2007. The company will continue to open more stations during the year in 2009 and onwards.

- Income from fuel service and lease of its storage facilities rose from ₱48 million in 2007 to ₱52 million in 2008. This is a result 15% and 17% increase in service and storage volume respectively also contributed to the increase in revenue.

VOLUME (IN '000)	1st Quarter 2009	2008	2007	INCREASE (DECREASE) QUANTITY	PERCENT	VOLUME IN BARREL 2008	2007
Refined Products	-	111,388	67,480	43,908	65%	701	424
DIESEL		64,066	37,666	26,401	70%	403	237
MOGAS		33,814	14,814	19,000	128%	213	93
KEROSENE		859	527	332	63%	5	3
SFO		11,789	13,508	(1,720)	-13%	74	85
JET-A1		861	965	(105)	-11%	5	6
Lubes							
Lubricants	-	1,831	591	1,240	210%	12	4
Rental and Into-Plane Services:							
Storage		16,645	14,273	2,372	17%	105	90
Into-Plane		17,057	14,810	2,248	15%	107	93

- Interest income from money market placements and interests charges advances to related parties totaled to ₱43.6 million in 2008 from ₱13 million in 2007 this is mainly due to better interest yield of money placements and the corresponding interest charges at market rate on the advances extended to related parties.

Costs and Expenses

The Company incurred total costs and expenses of ₱4.450 billion in 2008, a 97% increase against 2007's ₱2.253 billion.

Cost of sales in 2008 stood at ₱4.194 billion, close to 100% increase from 2007's ₱2.097 billion. The increase in volume accounts 67% of the net increase in cost of sales absolute amount, while the balance of 33% is the result of the increase in average selling prices. Sales Volume of Petroleum Products and Lubricants in 2008 increased by 66%, from 68 million liters in 2007 to 113 million liters in 2008. Average cost per liter also increased to ₱36.96 in 2008 compared ₱30.81 in 2007, a 20% increase on per unit cost.

Higher volume which accounts the increase variable Selling Expense like trucking and delivery costs, as well as the continuous expansion and growth of the Company's business operations resulted in higher total Selling and Administrative Expenses. In 2008, the company substantially has its presence in areas of Socksargen, Cotabato City and Maguindanao. It also has done trading activities in areas of Cagayan de Oro City and Cebu City. The Selling and administrative Expenses in 2008 is however lower by ₱0.05/liter compared to 2007 or by 2% on a per liter basis.

Net Income

As a result of the foregoing, the Company's net income increased to ₱150 million in 2008 from ₱122 million in 2007, a 23% growth compared to the immediately preceding year.

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 2008 and 2007 amounting to ₽5.83 million and ₽4.35 million respectively refers substantially to deferred tax income of subsidiaries relating to net operating loss carry over (NOLCO) during its pre-operating stage.

Financial Condition

Total resources of the Company as of December 31, 2008 amounted to ₽2.370 billion, a growth of 99% as compared to ₽1.192 billion as of December 31, 2007. The improvement in its financial assets reflected the continuous growth and expansion of the Company's and working on its strategic directions as well as its overall outstanding performance.

Cash and cash equivalents increased by 213% from ₽114.2 million as of December 31, 2007 to ₽357.4 million as of December 31, 2008 this is due to the increasing sales of the company coupled by proper accounts receivable management.

The Company current ratio for the year ended December 31, 2008 may have been challenged as internally generated funds of the company out of its Earnings before Interest, depreciation and amortization (EBITDA) was utilized for its continuous expansion program. This however will be re-strengthened once the term-loan package with the Omnibus Credit Facility is drawn by the Company. This in effect reimburses the Company's Capital Expenditures (CAPEX) or a sort of refinancing of CAPEX. Current Assets however increased to ₽ 1,459 million as of December 31, 2008, up from ₽763 million as of December 31, 2007.

Trade and other receivables increased to ₽765 million as of December 31, 2008 versus ₽ 361 million as of December 31, 2007 as volume of sales soared. December 2008 sales volume, which is the bulk of the year-end receivables, vos doubled compared to December 2007 level.

Inventories decreased by 12%, from ₽178 million as of December 31, 2007 to ₽156 million as of December 31, 2008 as a result of lower cost per liter compared to the same period of last year. The Company also maintained minimum inventory level due to the falling prices during the period.

Due from related parties decreased by 54% from ₽36 million as of December 31, 2007 to ₽16 million as of December 31, 2008 due to collection of advances, these were previously granted in support of initiatives geared towards seizing business opportunities to strengthen the Company's competitive position in the industry.

Restricted deposits increased to ₱80.6 million as of December 31, 2008 from ₱45 million as of December 31, 2007 due to additional restricted compensating deposits with the Company's commercial banks for additional credit line facilities and corresponding availments.

Net Input Taxes increased by 80% from ₱23 million in December 31, 2007 to ₱45.8 million in December 31, 2008 due to the accumulated Input taxes out of Capital Expenditures because of existing expansions and procurement of Inventories.

Other current assets increased to ₱37 million as of December 31, 2008 from ₱5.9 million as of December 31, 2007 due to increase in prepayments to include advance rental for lease of various properties for retail stations, terminal sites and other prepaid items. Portion of this said Other Current assets are Inventory of various supplies.

As of December 31, 2008, the Company's property and equipment, net of accumulated depreciation, increased to ₱881 million compared to ₱414 million as of December 31, 2007 as the Company continue with 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 ₱18.9 million as of December 31, 2008 from ₱11 million as of December 31, 2007 due mainly to increase in various rental deposits on leased land for stations and depot/terminal sites.

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 ₱330 million as of December 31, 2007 to ₱732 million as of December 30, 2008 due to higher volume of sales which is double if to compare the December 2008 VS. December 2007 volume. Installment payable and mortgage payable refers to the acquisition of land in strategic locations and service vehicles respectively. Installment payable on land was pre-terminated this March 2009.

Trade and other payables increased to ₱750 million as of December 31, 2008 compared to ₱169 million as of December 31, 2007. Increase in Trade Payable was due to increase in volume of sales which purchases has term of an average of forty-five (45) days. While, other payable increased due to outstanding payables on the costs of construction of Depot/Terminal facilities and Retail service stations. These payables will be partly financed by the term-loan packaged under the Omnibus Credit facilities signed with the syndicate of banks lead by Security Bank Capital.

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, 2008. The land purchased in these strategic locations has either been constructed depot in 2008 or construction of depot/terminal is nearing completion. The bulk of the amount is due to Bacnotan Industrial Park Corporation (BIPC), from which the Company bought some 35,000 square meters of land and payable over a period of Five (5) years until March 1, 2012. This installment payable with BIPC was however pre-terminated last March 2009.

Total Stockholders' Equity increased to ₱691 million as of December 31, 2008 from ₱567 million as of December 31, 2007 due to net profit of the Company for the year, net of the Cash Dividend declared and paid amounting to ₱14,500,000.00 or ₱ 0.10/share.

Cashflow

Net Cash outflow from operating activities in 2008 amounted to ₱334 million as a result of the year's Earnings before Interest depreciation and amortization. The Company was also able to utilize properly the suppliers' credit for both on its purchases of supplies and on its Capital Expenditures and move aggressively to increase sales as well as proceed with its expansion program.

Cash flow used in investing activities amounted to ₱489 million. This reflects the Company's additional investments and expansion in Phoenix Fuels Life petroleum retail network, depot/terminal facilities, and increase in lorry and refueller tanker to support its logistic needs, and further roll-out of the nationwide distributorship network of its Lubricants & Chemicals Division.

Cash provided from financing activities amounted to ₱399 million primarily due to working capital financing availed from the bank in form of Letters of Credit (L/C) and Trust Receipts (T/R). The above is however net to the dividend payout and acquisition of additional treasury shares as part of its approved ₱50,000,000 Company buy-back program.

Review of 2007 versus 2006

Results of Operations

Revenues

The Company generated total revenues of ₱2.364 billion in 2007, a 58% 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 ₱5.9 million as of December 31, 2007 from ₱1 million as of December 31, 2006 due to increase in prepaid advance rental for lease of various properties for retail stations and other prepayments.

Net Input Taxes increased by 80% to ₱23 million in December 31, 2007 due to the accumulated Input taxes out of Capital Expenditures because of existing expansions and procurement of Inventories.

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 Industial 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 ₽201 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 ₽440 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 through Letters of Credit and Trust Receipts and collection of advances from related parties.

Top Five (5) Key Performance Indicators

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

	2009	2008	2007
Current Ratio[1]	1.1	0.92	1.42
Debt to Equity[2]	2.27	2.43	1.10
Return on Equity[3]	71.72%	24%	32%
Net Book Value Per Share[4]	5.68	3.75	3.93
Earnings Per Share[5]	3.48	0.91	0.94

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.

The Company current ratio for the year ended December 31, 2008 may have been challenged as internally generated funds of the Company out of its Earnings before Interest, depreciation and amortization (EBITDA) was utilized for its continuous expansion program. This however improved a lot in 2009 with refinancing of these Capital Expenditures via medium term loan. The Financial Condition is further strengthened by the effect of the acquisition of the Batangas Industrial Park Corporation March 2009 as the property was acquired lower than its fair value.

Audit and Audit-Related Fees

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2008 and 2007, and for the year ended December 31, 2006. Said external auditor has 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.

(B) External Audit Fees And Services

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	2006	2007	2008	2009
Entia Accounting Office	Audit of FS for increase in capital stock	20.0			
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	
Punongbayan and Araullo	Audit of FS for the year 2008 – Parent and Subsidiaries				1,276
Total		**34.0**	**440.0**	**725.0**	**1,276**

In 2007, the Company has formed its Audit Committee as part of its Code of Corporate Good Governance.

The Internal Audit systems are being improved with consultancies from practitioner and bringing on board an Internal Auditor Manager.

For the 2009 year-end audit, it is the Board of Directors which sets the audit policies in accordance with Philippine Accounting Standards and Philippine Financial Reporting Standards.

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.

PART IV – MANAGEMENT AND CERTAIN SECURITYHOLDERS

(A) Directors and Executive Officers of the Registrants

The Company's members of the Board of Directors are herewith described below with their respective experiences.

(1) Directors

Domingo T. Uy
Chairman

Domingo T. Uy, Filipino, 64 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, 36 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 Udena 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, 61 years old, is Vice President of PPPI and concurrently the General Manager of Bacnotan Industrial Park Corporation, 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. J.V. Emmanuel A. De Dios
Member, Board of Directors

J.V. Emmanuel A. De Dios, Filipino, 44 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, 61 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, 64 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.

Romeo De Guzman
Member, Board of Directors and Chief Operating Officer

Romeo De Guzman, Filipino, 60 years old, is the Chief Operating Officer, He joined the Company effective March 1, 2009. Mr. De Guzman brings in his 35 years outstanding experience in the oil industry. Before joining Phoenix, he was connected with Pilipinas Shell Petroleum Corporation, where he was a Vice President for External Affairs for Asia Pacific. He was with the said company holding various positions as follows: (1982-1983) National Accounts Manager; (1983-1986) Mindanao District Manager-General Sales; (1986-1988) Retail Regional Manager for Metro Manila; (1988-1991) Retail Regional Manager for Visayas & Mindanao; (1991-1995) Area Manager for North Luzon; (1995-2003) Vice-President – Sales – Philippines & North Pacific Islands (Guam, Saipan & Palau) and (2004-2006) Vice President – External Affairs for Asia Pacific. He also worked with Getty Oil Philippines Inc. for 10 years and as a Manila Branch Manager when he separated in year 1982. He holds a degree of Bachelor of Science in Commerce- Major in Management -Marketing from San Sebastian College of Manila. He also completed his Master in Business Administration in the same institution in year 1981.

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

Socorro T. Ermac-Cabreros, Filipino, 44 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.

(2) Other Executive Officers

Francis Donald A. Caluag
Chief Finance Officer

Francis Donald A. Caluag, Filipino, 50 years old, is Chief Finance Officer. He joined the Company in June 2009. Mr. Caluag holds a Business Economics degree from the University of the Philippines and has earned MBA units from the same university. He brings with him more than 18 years of experience in the financial services industry as a credit analyst and investment banker, and has had consulting engagements in his private capacity. Before joining the Company Mr. Caluag had various stints as finance head of a Philippine-Singapore new media company, a Canadian-owned Philippine call center, the country's leading producer of powder coatings, resins, oleochemicals and biofuel, and a major Philippine conglomerate engaged in property development, banking and sugar.

Edgardo A. Alerta
Assistant Vice President for Sales

Edgardo A. Alerta, Filipino, 56 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
Assistant Vice President for Lubes and Chemicals

Alberto D. Alcid, Filipino, 55 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.

Atty. Alan Raymond T. Zorrilla
Assistant Vice President for Corporate Affairs & Human Resources

Atty. Alan Raymond T. Zorrilla, 40 years old, is the Assistant Vice President for Corporate Affairs and Human Resources. He joined the Company on 01 April 2009. He brings with him more than 15 years of experience in the legal profession with extensive practice in litigation and corporate work. He was connected with various companies engaged in legal counseling, real estate, human resources, international recruitment, and recently in the petroleum industry where he held the position of Chief Legal Counsel prior to joining Phoenix. Atty. Zorrilla is a product of San Beda College of Law (1994) and attended post-graduate studies at the Ateneo – Regis University Masters in Business Administration Program of the Ateneo Graduate School of Business. He was a consistent Dean's Lister. He was admitted to the Bar in 1995 and is a member of the prestigious Integrated Bar of the Philippines and the Philippine Trial Lawyers Association.

Chryss Alfonsus V. Damuy
Assistant Vice President & Comptroller

Chryss Alfonsus V. Damuy, Filipino, 36 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. 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 and a member of the Philippine Institute of Certified Public Accountants (PICPA).

Rebecca Pilar C. Caterio
Assistant Vice President for Treasury

Rebecca Pilar C. Caterio, Filipino, 37 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.

Alejandro U. Suan
Manager – Davao Depot Operations and Logistics

Alejandro U. Suan, Filipino, 47 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.

Rey A. Phala
Credit and Collection Manager

Rey A. Phala**,** Filipino, 43 years old, joined October 16, 2008 as the Credit and Collection Manager of the Company. Before joining the Company, he was with various banks for seventeen (17) years. The recent was with a branch of International Exchange Bank, now Union Bank of the Philippines as Account Officer/Relationship Manager from year 2005 to 2008. He was also then a Manager-Business Development of Planters Development Bank (PDB) in 2004-2005. Prior to PDB, he was with United Coconut Planters Bank (UCPB) for thirteen (13) years and was a Branch Operations Officer when he leaves the said bank. He also had worked with the Department of Trade and Industry as Municipal Trade and Industry Office for a year. He is a graduate of Bachelor of Science in Civil Engineering from the Mindanao State University-General Santos City. Mr. Phala is a licensed Civil Engineer having passed the Civil Engineering Licensure Examination last May 1989.

(3) 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.

(4) 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.

(5) Involvement in Certain Legal Proceedings

To the best of the Company's knowledge there has been no occurrence during the past five 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:

- 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;

- 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;

- 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

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

(B) Executive Compensation

(1) Executive Compensation

The Company's executives are regular employees and are paid a compensation package of 12 months pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees.

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

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

Summary of Compensation Table

Compensation of Executive Officers and Directors (in thousand Pesos)				
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Domingo T. Uy	Chairman			
Dennis A. Uy	President and Chief Executive Officer			
Romeo B. De Guzman	Chief Operating Officer			
Francis Donald A. Caluag	Chief Finance Officer			
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			
Alan Raymond T. Zorrilla	Asst. Vice President-Corporate Affairs and OIC Human Resource			
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			
Rey A. Phala	Credit and Collection Manager			
Total 2009				**₱ 24,157**
Total 2008				**₱ 21,828**
Total 2007				**₱ 21,587**
Estimates in 2010				**₱ 28,000**

(C) Security Ownership of Certain Beneficial Owners and Management as of March 31, 2010,

<u>Security Ownership of Certain Record and Beneficial Ownership of more than 5% as of March 31, 2010</u>

Title of Class of Securities	Name/Address of Record Owners and Relationship with Phoenix	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	102,050,000	54.28%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial owner	Filipino	44,139,070	23.48%
Common	Udenna Corporation (Formerly Udenna Holdings Corporation) Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City	Record Owner is also the beneficial owner	Filipino	25,674,993	13.66%

Security Ownership of Management

Security ownership of certain management as of March 31, 2010

Title of Class of Securities	Name/Address of Record Owners and Relationship with Phoenix	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, Makat City	Record owner is the beneficial owner	Filipino	1,124,000	0.42%
Common	Dennis A. Uy &/or Cherylyn C. Uy Penthouse Valero Tower, 122 Valero St., Salcedo Village, Makat City	Record owner is the beneficial owner	Filipino	309,400	0.11%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	Record owner is the beneficial owner	Filipino	182,011	0.07%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City	Record owner is the beneficial owner	Filipino	29,101	0.01%
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	0.02%
Common	Ricardo S. Pascua 16 Solar St., Bel-Air III, Makati City	Record owner is the beneficial owner	Filipino	20,001	0.01%
Common	Monico V. Jacob 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City	Record owner is the beneficial owner	Filipino	1	0.00%

Senior Management:

Common	Romeo De Guzman Hillsborough, Alabang Village, Muntinlupa City	Record owner is the beneficial owner	Filipino	281,000	0.10%
Common	Alberto D. Alcid Doña Socorro St., Belisario Heights Subd., Lanang, Davao City	Record owner is the beneficial owner	Filipino	9,100	0.00%
Common	Edgardo A. Alerta Arellano St., Davao City	Record owner is the beneficial owner	Filipino	154,800	0.06%
Common	Rebecca Pilar C. Caterio Margarita Village, Bajada, Davao City	Record owner is the beneficial owner	Filipino	41,830	0.02%

(D) 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.

a.) Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent Company. Total rent expense incurred in the years 2009, 2008 and 2007 is P3.8 million, P4.8 million and P2.8 million, respectively and is presented as part of Rent expense in the profit or loss Recognition is on a straight-line basis over the duration of the lease contract in compliance with Philippine Accounting Standards 17 (PAS 17).

b.) 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.

c.) Due to and Due from Related Parties

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

The breakdown of due from related parties as of December 31, 2009 and 2008 is as follows:

	2009	2008
Due from parent company:		
Balance at beginning of year	**P 2,937,730**	P 22,498,464
Additions	**-**	33,454,326
Collections	**(2,937,730)**	(53,015,060)
Balance at end of year	**P -**	P 2,937,730
Due from related parties:		
Balance at beginning of year	**P 13,302,975**	P 13,100,611
Additions	**1,118,712**	633,282
Collections	**(-)**	(430,918)
Balance at end of year	**P 14,421,693**	P 13,302,975
Total due from related parties:		
Balance at beginning of year	**P 16,240,705**	P 35,599,076
Additions	**1,118,712**	34,087,608
Collections	**(2,937,730)**	(53,445,978)
Balance at end of year	**P 14,421,693**	P 16,240,705

(E) 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 07, 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.

March 03, 2009 was the submission and compliance with the Certification of the Company's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Exhibits

The following exhibits are incorporated by reference in this report.

- Consolidated Financial Statements of the Company as of and for the year ended 31 December 2009
- Index to Financial Statements and Supplementary Schedules

Reports on SEC Form 17-C

The following disclosures have been reported and disclosed to the Commission for the year 2009 and 1st quarter of 2010 which were duly supported by disclosure letters:

Jan. 05, 2009
Statement of Changes in Beneficial Ownership of Securities

Jan. 6, 2009
Memorandum of Agreement with PNPSSS

Jan. 07, 2009
Buyback of shares on December 24, 2008

Jan. 09, 2009
Top 100 Stockholders as of Dec. 31, 2008

Jan. 9, 2009
Phoenix Board Lot as of Dec. 31, 2008

Jan. 19, 2009
Phoenix announces the Board's approval on the date of the ASM, approval of the merger and consolidation of two subsidiaries, negotiation and purchase of a parcel of land in Lanang, Davao City from Udenna Corporation and the appointment of Atty. Gigi Fuensalida as Asst. Corporate Secretary.

Jan. 21, 2009
Certification of Attendance of the directors in board meetings as well as compliance of the Manual for Corporate Governance.

Feb. 5, 2009
Phoenix Board Lot as of Jan. 31, 2009

Feb. 23, 2009
Phoenix announces the appointment of its Chief Operating Officer, Romeo B. De Guzman and Vice President for Treasury, Felix Cesar L. Zerrudo

March 03, 2009
Submission and compliance with the Certification of Phoenix's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

March 04,. 2009
Phoenix Board Lot as of Feb. 28, 2009

March 05, 2009
Statement of Changes in Beneficial Ownership of Securities

March 6, 2009
Board's approval to purchase a 100% of the shares of BIPC and the acquisition of a parcel of land owned by PHINMA located inside the Batangas Union Industrial Park.

March 11,2009
Additional information on acquisition of Bacnotan Industrial Park Corporation and PHINMA land; lifting of the trading suspension

March 11, 2009
Statement of Changes in Beneficial Ownership of Securities

April 8, 2009
Postponement of Annual Stockholders' Meeting to May 29, 2009; amendment of Articles of Incorporation

April 15, 2009
Top 100 Stockholders as of March 31, 2010

April 15, 2009\
2008 Annual Report-SEC Form 17-A

April 17, 2009
Resignation/Appointment of Officers

April 17, 2009
Agenda of Annual Stockholders' Meeting on May 29. 2009, record date on April 30, 2009

APRIL 22, 2009
Boards' approval of a 40% stock dividends

April 27, 2009
Preliminary Information Statement (PIS) for Annual Stockholders' Meeting on May 29, 2009

May 7, 2010
PNX Board lot as of April, 2010

May 13, 2009
Definitive Information Statement (DIS) for Annual Stockholders' Meeting on May 29, 2010

May 18, 2009
Quarterly Report for period ended March 31, 2010

June 1, 2009
Results of Annual Stockholders' Meeting and Organizational Meeting of Board of Directors

June 8, 2009
2008 Annual Report distributed to stockholders

July 15, 2009
Top 100 Stockholders as of June 30, 2009

August 12, 2009
Quarterly Report for period ended June 30, 2009 (SEC Form 17-Q)

October 13, 2009
Top 100 Stockholders as of September 30, 2009

October 16, 2010

Nov. 6, 2009
Public Ownership Report as of September 30, 2009 and
PNX Board Lot

Nov. 10, 2009
Statement of Changes in Beneficial Ownership of Securities

Nov. 12, 2009
Quarterly report for period ended September 30, 2009 (SEC Form 17-Q)

Nov. 16, 2009
Board authorization to open negotiation re: possible sale of unissued shares

Nov. 17, 2009
Subscription Agreement with Social Security System re purchase of PNS shares

Nov. 17, 2010
Clarification on Subscription Agreement with Social Security System

December 18, 2009
Clarification of news article: "Phoenix Petroleum allots P500M for expansion"

December 28, 2009
Clarification of news article:"Phoenix Petroleum seen to float 20-percent interest"

December 28, 2009

Statement of Changes in Beneficial Ownership of Securities

Amended Statement of Changes in Beneficial Ownership of Securties , SEC Form 23-B

January 7, 2010
Board Lot as of Dec. 31, 2009

Jan. 15, 2010
Top 100 Stockholders as of Dec. 31, 2009

Jan. 18, 2010
Board approval of reclassification of common shares to preferred shares, reissuance of treasury shares, SSM on 3/5/2010 and expansion of port facility

Jan.19, 2010
Board Approval of employees Stock Option Plan

Jan. 20, 2010
Buy-back of shares on January 20, 2010

Jan. 26, 2010
Board approval of change from Special Stockholders' Meeting to written assent, record date on Feb. 12, 2010

January 28, 2010
Sale of treasury shares on January 27, 2010

Feb. 02, 2010
Public Ownership Report as Dec. 31, 2009

Feb. 8, 2010
Certification on attendance of members of Board of Directors for year 2009 and Compliance with Manual on Corporate Governance

Feb. 07, 2010
Preliminary Information Statement (SEC Form 20-IS)

March 5, 2010
Disclosure on Board Lot

March 10, 2010
Clarification of news article:"Phoenix Petroleum post 27% growth in sales revenue

March 12, 2010
Stockholders' approval of reclassification of common shares to preferred shares

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Davao on April 15 , 2010.

By:

DOMINGO T. UY Chairman	**DENNIS A. UY** President and Chief Executive Officer
SOCORRO ERMAC CABREROS Corporate Secretary	**FRANCIS DONALD A. CALUAG** Chief Finance Officer

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- JURAT-

SUBSCRIBED AND SWORN to before me on **15 APRIL 2010** in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	SSS ID No. 09-1539399-6
Domingo T. Uy	SSS ID No. 09-0185238-6
Socorro Ermac Cabreros	SSS ID No. 09-1617272-1
Francis Donald A. Caluag	SSS ID No. 03-6907770-3

and that they further attest that the same are true and correct.

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2010
Serial No. 090-2009
PTR No. 8443465; 01-04-10; D.C.
IBP No. 784634; 01-04-10; D.C.
Roll of Attorneys No. 47866

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Series of 2010

PHOENIX
Fuels Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007. 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 Group'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 Group.

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Group 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 and Chief Executive Officer   DENNIS A. UY

Signature ____________________
Name of Chief Finance Officer   FRANCIS DONALD A. CALUAG

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'10 APR 14 P4

-JURAT-

SUBSCRIBED AND SWORN to before me on APR 12 2010 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	Competent Evidence of Identity	Date/Place Issued
Domingo T. Uy	SSS ID No. 09-0185238-6	
Dennis A. Uy	SSS ID No. 09-1539399-6	
Francis Donald A. Caluag	SSS ID No. 03-6907770-3	

and that they further attest that the same are true and correct.

MACESTE W. UY
Notary Public for Davao City
Notarial Commission No. 162-2009
Until December 31, 2010
Roll of Attorneys No. 43493
PTR No. 8360493 - 12-10-09 - DC
IBP Lifetime Member No. 05464
The Law Firm of Uy Cruz Lo & Associates
3/F Cruz Bldg., Sta. Ana Avenue
Davao City, Philippines

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Series of 2010

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Punongbayan & Araullo

Report of Independent Auditors

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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
Barrio Pampanga, Davao City

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 statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

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, 2009 and 2008, and of their consolidated financial performance and their cash flows for the each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 2087618, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0395-AR-1
BIR AN 08-002511-19-2009 (Sept. 16, 2009 to 2012)

Firm BOA/PRC Cert. of Reg No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 30, 2010

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 FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2009	2008
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 365,957,067**	P 357,397,359
Trade and other receivables - net	7	**1,368,763,974**	765,217,736
Inventories	8	**457,924,415**	155,966,344
Land held for sale and land development costs	9	**533,545,205**	-
Due from related parties	24	**14,421,693**	16,240,705
Restricted deposits	10	**58,899,604**	80,640,980
Input value-added tax		**66,993,093**	44,411,280
Other current assets	11	**52,337,797**	37,353,377
Total Current Assets		**2,918,842,848**	1,457,227,781
NON-CURRENT ASSETS			
Land held for future development	13	**315,874,750**	-
Property and equipment - net	12	**1,699,955,777**	881,346,333
Deferred tax assets	23	**17,213,693**	10,650,027
Other non-current assets	14	**51,525,874**	18,856,720
Total Non-current Assets		**2,084,570,094**	910,853,080
TOTAL ASSETS		**P 5,003,412,942**	P 2,368,080,861

	Notes	2009	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans and borrowings	15	**P 1,548,806,973**	P 831,478,373
Trade and other payables	16	**1,059,260,639**	750,441,962
Due to parent company	24	**53,114,682**	-
Total Current Liabilities		**2,661,182,294**	1,581,920,335
NON-CURRENT LIABILITIES			
Loans and borrowings	15	**769,650,760**	72,297,113
Other non-current liabilities	17	**43,720,366**	23,105,550
Total Non-current Liabilities		**813,371,126**	95,402,663
Total Liabilities		**3,474,553,420**	1,677,322,998
EQUITY	25		
Capital stock		**269,160,875**	188,000,198
Additional paid-in capital		**261,614,249**	227,114,249
Deposits on future stock subscriptions		**44,625,000**	-
Treasury shares		**(17,252,140)**	(17,252,140)
Retained earnings		**970,711,538**	292,895,556
Total Equity		**1,528,859,522**	690,757,863
TOTAL LIABILITIES AND EQUITY		**P 5,003,412,942**	P 2,368,080,861

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 COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
REVENUES				
Sale of goods - net		**P 5,738,602,943**	P 4,562,905,713	P 2,315,981,493
Fuel service, storage income and other revenues		**134,448,520**	52,311,246	48,250,811
		5,873,051,463	4,615,216,959	2,364,232,304
COST AND EXPENSES				
Cost of sales and services	18	**5,181,073,940**	4,194,195,752	2,097,437,575
Selling and administrative expenses	19	**408,221,526**	255,821,298	156,531,497
		5,589,295,466	4,450,017,050	2,253,969,072
OTHER INCOME (CHARGES)				
Excess of fair value of net assets acquired over acquisition cost	29	**573,389,348**	-	-
Finance costs		**(114,569,133)**	(46,050,530)	(8,701,202)
Finance income		**5,021,908**	25,328,030	12,584,885
Others		**259,222**	(19,978)	-
		464,101,345	(20,742,478)	3,883,683
PROFIT BEFORE TAX AND PRE-ACQUISITION LOSS (PROFIT)		**747,857,342**	144,457,431	114,146,915
PRE-ACQUISITION PROFIT (LOSS)		**(965,075)**	-	3,861,745
PROFIT BEFORE TAX		**746,892,267**	144,457,431	118,008,660
TAX INCOME	23	**4,584,392**	5,831,307	4,350,106
NET PROFIT	26	**751,476,659**	150,288,738	122,358,766
OTHER COMPREHENSIVE INCOME		**-**	-	-
TOTAL COMPREHENSIVE INCOME		**P 751,476,659**	P 150,288,738	P 122,358,766
Earnings per share	26	**P 3.48**	P 0.91	P 0.95

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, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Note	2009	2008	2007
CAPITAL STOCK	25			
Balance at beginning of year		**P 188,000,198**	P 145,000,000	P 116,000,000
Stock dividends		**73,660,677**	43,000,198	-
Issuance during the year		**7,500,000**	-	29,000,000
Balance at end of year		**269,160,875**	188,000,198	145,000,000
ADDITIONAL PAID-IN CAPITAL	25			
Balance at beginning of year		**227,114,249**	227,114,249	-
Additions		**34,500,000**	-	227,114,249
Balance at end of year		**261,614,249**	227,114,249	227,114,249
DEPOSITS ON FUTURE STOCK SUBSCRIPTIONS	25	**44,625,000**	-	-
TREASURY SHARES - At Cost	25			
Balance at beginning of year		**(17,252,140)**	(5,639,300)	-
Purchases during the year		**-**	(11,612,840)	(5,639,300)
Balance at end of year		**(17,252,140)**	(17,252,140)	(5,639,300)
RETAINED EARNINGS				
Balance at beginning of year		**292,895,556**	200,107,018	77,748,252
Net profit		**751,476,659**	150,288,738	122,358,766
Stock dividends	25	**(73,660,677)**	(43,000,198)	-
Cash dividends	25	**-**	(14,500,002)	-
Balance at end of year		**970,711,538**	292,895,556	200,107,018
TOTAL EQUITY		**P 1,528,859,522**	P 690,757,863	P 566,581,967

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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 746,892,267**	P 144,457,431	P 118,008,660
Adjustments for:				
Excess of fair value of net assets acquired over acquisition cost	29	**(573,389,348)**	-	-
Interest expense		**114,569,133**	46,050,530	8,701,202
Depreciation and amortization	12	**77,254,700**	58,801,456	32,740,544
Interest income		**(5,021,908)**	(25,328,030)	(12,584,885)
Impairment losses		**1,190,410**	-	-
Operating income before working capital changes		**361,495,254**	223,981,387	146,865,521
Increase in trade and other receivables		**(604,736,648)**	(404,153,491)	(152,883,692)
Decrease (increase) in inventories		**(301,958,071)**	22,093,215	(134,517,047)
Decrease (increase) in restricted deposits		**21,741,376**	(35,889,160)	(30,566,588)
Increase in input value-added tax		**(22,865,192)**	(21,326,881)	-
Increase in other current assets		**(14,984,420)**	(31,429,929)	(28,264,803)
Increase in land held for sale and land development costs		**(222,674,997)**	-	-
Increase in trade and other payables		**308,818,677**	581,010,869	676,682
Cash generated from (used in) operations		**(475,164,021)**	334,286,010	(198,689,927)
Cash paid for income taxes		**(1,695,895)**	(4,926)	(1,682)
Net Cash From (Used in) Operating Activities		**(476,859,916)**	334,281,084	(198,691,609)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	12	**(719,124,499)**	(526,444,394)	(238,329,682)
Increase in land held for future development		**(230,095,255)**	-	-
Net increase in other non-current assets		**(32,669,154)**	(7,830,721)	(10,566,769)
Interest received		**5,021,908**	25,328,030	12,584,885
Collections from related parties		**2,937,730**	53,445,979	184,045,145
Decrease in due from related parties		**(1,118,718)**	(34,087,608)	(163,909,858)
Net Cash Used in Investing Activities		**(975,047,988)**	(489,588,714)	(216,176,279)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in loans and borrowings		**1,414,682,247**	453,287,788	190,743,944
Interest paid		**(114,569,133)**	(46,050,530)	(8,701,202)
Borrowings from related parties	24	**53,114,682**	-	-
Proceeds from deposits on future stocks subscriptions	25	**44,625,000**	-	-
Increase in additional paid-in capital	25	**34,500,000**	-	227,114,249
Increase in non-current liabilities		**20,614,816**	17,401,800	5,703,750
Proceeds from issuance of shares of stock	25	**7,500,000**	-	29,000,000
Payments of cash dividends	25	**-**	(14,500,002)	-
Increase in treasury shares	25	**-**	(11,612,840)	(5,639,300)
Repayments of due to related parties		**-**	-	(140,200)
Net Cash From Financing Activities		**1,460,467,612**	398,526,216	438,081,241
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,559,708**	243,218,586	23,213,353
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**357,397,359**	114,178,773	90,965,420
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**P 365,957,067**	P 357,397,359	P 114,178,773

Supplemental Information on Non-cash Investing and Financing Activities

In 2009 and 2008, the Group declared and distributed stock dividends amounting to P73.6 million and P43.0 million, respectively (see Note 25).

In 2007, the Group acquired land amounting to P134.9 million through installment. The outstanding installment payable as of December 31, 2008 and 2007 amounted to P82.6 million and P114.7 million, respectively (see Note 15).

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, 2009, 2008 AND 2007
(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 53% and 54% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines, as of December 31, 2009 and 2008, respectively.

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 started commercial operations. PPHI's primary purpose is to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises. PPHI's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The ultimate parent of the Group is the 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. The ultimate parent company's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The Parent Company has a total of 120 service stations, including 20 service stations in Luzon, one in Visayas and 99 in Mindanao operating as of December 31, 2009 and there are a total of 28 service stations under construction as of December 31, 2009.

The Parent Company holds 100% interest in 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,
- Bacnotan Industrial Park Corporation (BIPC).

In March 2009, the Parent Company acquired 100% ownership of BIPC. 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 started commercial operations.

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.

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 started commercial operations in 2008.

BIPC is engaged in real estate development. BIPC was registered with SEC on March 7, 1996. BIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and was granted a license to sell parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of BIPC's project, the Phoenix Petroleum Industrial Park (Park), formerly Batangas Union Industrial Park, located at Km. 117, National Highway, Calaca, Batangas.

The registered office of the Parent Company and PGMI, which is also their principal place of business, is located at Stella Hizon Reyes Road, Barrio 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 Street, Salcedo Village, Makati City.

BIPC's registered office which is also its principal place of business is located at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The financial statements of the Parent Company and Subsidiaries (the Group) for the year ended December 31, 2009 (including the comparatives for the years ended December 31, 2008 and 2007) were authorized for issue by the Group's President and Chief Executive Officer on March 30, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The financial statements have been prepared on the historical cost basis. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with PAS 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional currency (the currency of the primary economic environment in which the Group operates), and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2009 that are Relevant to the Group

In 2009, the Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after January 1, 2009:

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 1 and PAS 27 (Amendments)	:	PFRS 1 – First Time Adoption of PFRS and PAS 27 – Consolidated and Separate Financial Statements
PFRS 8	:	Operating Segments
Various Standards	:	2008 Annual Improvements to PFRS

Discussed in the succeeding pages are the effects on the financial statements of the new and amended standards.

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements*, 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 statement of income and a statement of comprehensive income. Income and expense recognized in profit or loss is presented in the statement of income in the same way as the previous version of PAS 1. The statement of comprehensive income includes the profit or loss for the period and each component of income and expense recognized outside of profit or loss or the "non-owner changes in equity," which are no longer allowed to be presented in the statements of changes in equity, classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). A statement showing an entity's financial position at the beginning of the previous period is also required when the entity retrospectively applies an accounting policy or makes a retrospective restatement, or when it reclassifies items in its financial statements.

The Group's adoption of PAS 1 (Revised 2007) did not result in any material adjustments in its financial statements as the change in accounting policy only affects presentation aspects. The Group has elected to present a single statement of comprehensive income (see Note 2.1).

(ii) PAS 23 (Revised 2007), *Borrowing Costs*. Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed. The adoption of this new standard did not have any significant effect on the 2009 financial statements, as well as for prior periods, as the Group's existing accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) PFRS 1(Amendment), *First-time Adoption of PFRS* and PAS 27(Amendment), *Consolidated and Separate Financial Statements* (effective from January 1, 2009). The amended standards allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from PAS 27, and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment has no significant impact on the consolidated financial statements.

(iv) PFRS 7 (Amendment), *Financial Instruments Disclosures*. The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The change in accounting policy only results in additional disclosures (see Note 5.2).

(v) PFRS 8, *Operating Segments*, (effective from 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 therefore, adoption of this new standard did not have a material impact on the Group's financial statements as it merely improved the disclosure of operating segments.

(vi) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to Philippine Financial Reporting Standards 2008* which became effective for the annual periods beginning on or after January 1, 2009. Among those improvements, the following are the amendments relevant to the Group.

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. Presently, the Group has no held for trading financial assets, hence, this amendment had no impact on the Group's 2009 financial statements.

- PAS 23 (Amendment), *Borrowing Costs*. The amendment clarifies the definition of borrowing costs to include interest expense determined using the effective interest method under PAS 39. This amendment had no significant effect on the 2009 financial statements.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statement.* When an entity prepares separate financial statements and accounts for investments in subsidiaries, jointly controlled entities and associates in accordance with PAS 39 (rather than at cost), such investments will continue to be measured using PAS 39 even if classified as held for sale in accordance with PFRS 5. Investment measured at cost will continue to be re-measured in accordance with PFRS 5 when classified as held for sale. The amendment has no significant impact in the Group's financial statements.

- PAS 36 (Amendment), *Impairment of Assets.* Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Appropriate disclosures were made in the Group's 2009 financial statements.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement.* The definition of financial asset or financial liability at fair value through profit or loss as it related to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Group determined that adoption of this amendment had no material effect on its 2009 financial statements.

- PFRS 5 (Amendment), *Non-current Assets Held-for-Sale and Discontinued Operations.* The amendment clarifies that all the assets and liabilities of a subsidiary should be classified as held for sale if the entity is committed to a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The amendment has no significant impact in the Group's financial statements.

(b) Effective in 2009 but not Relevant to the Group

The following amendment and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the Group's financial statements:

PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 13	:	Customer Loyalty Programme
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation

(c) Effective Subsequent to 2009

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2009. Among those, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply this revised standard prospectively from January 1, 2010 to all transactions with non-controlling interests. The amendment has no significant impact on the Group's financial statements.

(ii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective from July 1, 2009). The amendment clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. Management does not expect it to have a significant impact on the Group's financial statements.

(iii) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective on or before January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19 surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its financial statements because its pension plan is unfunded.

(iv) Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective from July 1, 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers; or cash that is received and used to acquire or construct specific assets. It is only applicable to agreements in which an entity receives from a customer such assets that the entity must either use to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. Management does not anticipate the adoption of the interpretation to have material impact on its financial statements.

(v) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective on or after July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as described below:

- the issue of equity instruments to a creditor to extinguish all (or part of a financial liability) is consideration paid in accordance with PAS 39;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on its financial statements as it does not normally extinguish financial liabilities through equity swap.

(vi) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to Philippine Financial Reporting Standards 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The Group will apply the amendment in its 2010 financial statements but expects to have no material impact in the Group's financial statements.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not have a material impact on the financial statements since only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. Management has initially determined that this will not have material impact on the consolidated financial statements since the Group does not enter into a lease agreement that includes both land and building.

- PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Management will apply this amendment prospectively in its 2010 financial statements and has initially determined that this will not have material impact on the consolidated financial statements.

- PAS 36 (Amendment), *Impairment of Assets* (effective from January 1, 2010). PAS 36 clarifies that the largest unit permitted for the purpose of allocating goodwill to cash-generating units for goodwill impairment is the operating segment level defined in PFRS 8 before aggregation. This amendment will not have material impact on the Group's financial statements.

- PFRS 8 (Amendment), *Operating Segments* (effective from January 1, 2010). It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The Group reports total assets for each of its reportable segments as they are regularly provided to the CODM; hence, does not expect any significant effect on the Group's segment reporting.

- PFRS 9, *Financial Instruments*. The FRSC is yet to adopt International Financial Reporting Standards (IFRS) 9, Financial Instruments as of the financial report date. With IFRS 9, which will become effective for annual periods beginning January 1, 2013, the IASB aims to replace IAS 39 (PAS 39 in the Philippines), *Financial Instruments: Recognition and Measurement*, in its entirety by the end of 2010. IFRS 9 is the first part of Phase 1 of this project. The main phases are (with a separate project dealing with derecognition):

  - Phase 1: Classification and Measurement
  - Phase 2: Impairment Methodology
  - Phase 3: Hedge Accounting

  IFRS 9 introduces major simplifications of the classification and measurement provisions under IAS 9. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, it does not expect to implement the amendments until all chapters of the PAS 39 replacement have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

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 (see Note 1) 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 statement of financial position 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 (see Note 14). 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 Note 29).

2.4 Financial Assets

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instrument, include cash and other financial instruments. Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. 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.

Regular purchases and sales of 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 any directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of the loans and receivable category of financial assets which is relevant to the Group is as follows.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. 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 assets' carrying amount and the present value of estimated cash flows.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Restricted Deposits and Refundable Rent Deposits (presented as part of Other Non-Current Assets in the consolidated statements of financial position). Cash and cash equivalents are defined as cash on hand, savings and demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

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

2.6 Land Held for Sale and Land Development Costs

Land held for sale and land development costs are valued at the lower of cost and net realizable value. Land held for sale and land development costs includes the cost of land and actual development costs incurred up to the end of reporting period. Interest incurred during the development of the project is capitalized.

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

2.7 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	5-25 years
Transportation and other equipment	1-10 years
Hauling and heavy equipment	1-5 years
Gasoline station equipment	1-5 years
Office furniture and equipment	1-3 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 2.15).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted, if appropriate, at the end of each reporting period. In 2009, the estimated useful lives of buildings, depot and pier facilities and gasoline station and equipment were revised from 5 to 15 years to 5 to 25 years and 1 to 3 years to 1 to 5 years, respectively, to reflect the appropriate useful lives based on management's assessment.

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 profit or loss the year the item is derecognized.

2.8 Land Held for Future Development

Land held for future development is valued at the lower of cost and net realizable value. Cost includes purchase price and other costs directly attributable to the acquisition of land.

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

2.9 Financial Liabilities

Financial liabilities include loans and borrowings, trade and other payables, due to parent company and security deposits (presented under Other Non-Current Liabilities in the consolidated statements of financial position) which are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as part of Finance Costs in the consolidated statement of comprehensive income.

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

Trade and other payables, due to parent company and security deposits are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.10 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 end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 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 2.15) and is presented under Other Non-current Assets account in the consolidated statements of financial position (see Note 14).

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

2.12 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, specific recognition criteria must also be met before revenue is recognized as discussed

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i..e. when the customer has acknowledged delivery of goods.

(b) *Fuel service, storage income and other revenues* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. This account includes franchise income, which has minimal amount. In addition, this includes revenue arising from port and cargo handling services. Revenue from port operations is recognized when services are rendered.

(c) *Interest income*– Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(d) *Rent income* – Revenue is recognized over the lease term as it becomes receivable according to the provision of the lease.

(e) *Sale of real estate* – Revenue from the sale of real estate, which includes cost of land and development, is accounted for under the percentage of completion method when the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured on the basis of the ratio of actual cost incurred to date over the estimated total costs of the project as determined by the Group's contractors and technical personnel.

    Any excess of collections over the recognized receivables is included under Trade and Other Payables account in the consolidated statement of financial position.

    If none of the revenue recognition criteria are met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is presented as part of advances from locators included under Trade and Other Payables account (see Note 16).

Cost and expenses are recognized in the profit or loss upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset on an accrual basis.

2.13 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 statement of financial position 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 profit or loss. 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 statement of comprehensive income 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 in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the 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.

2.14 Foreign Currency Transactions

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 statement of comprehensive income as part of income or loss from operations.

2.15 Impairment of Non-financial Assets

The Group's property and equipment, investment in subsidiaries 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.

2.16 Employee Benefits

Post-employment benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets 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 post-employment benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified and non-contributory.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of reporting period less unrecognized actuarial losses. The DBO shall be 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 post-employment 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 profit or loss, unless the changes to the post-employment 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.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.18 Income Taxes

Tax income recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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

Deferred tax is provided using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as component of tax income in the consolidated statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

2.19 Equity

Capital stock represents 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.

Deposits on future stock subscriptions include all amounts received for future stock subscriptions.

Treasury shares are stated at the cost of re-acquiring such shares irrespective of whether these are acquired below or above par value.

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

2.20 Basic 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 statement of comprehensive income.

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 the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Operating and Finance Leases

The Group has entered into various lease agreements. 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. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(b) Provisions and Contingencies

Judgment 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 2.10 and relevant disclosure is presented in Note 28.

(c) Estimating Development Costs

The accounting for real estate requires the use of estimates in determining costs and gross profit recognition. Cost of real estate sold includes estimated costs for future development. The development cost of the project is estimated by the Group's technical staff. At the end of reporting period, these estimates are reviewed and revised to reflect the current conditions, when necessary.

3.2 Key Sources of Estimation Uncertainty

Presented in the subsequent pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) 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.

The carrying value of trade and other receivables amounted to P1.4 billion and P765.2 million as at December 31, 2009 and 2008, respectively (see Note 7). Impairment losses on trade and other receivables in 2009 amounted to P1.2 million and is presented as part of miscellaneous expense account (under Selling and Administrative Expenses account in the consolidated statement of comprehensive income - see Note 19). There were no impairment loses recognized in 2008 and 2007.

(b) Determining Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories (P457.9 million and P156.0 million as at December 31, 2009 and 2008, respectively, as presented in Note 8) is affected by price changes. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

(c) Determining Net Realizable Value of Land Held for Sale and Land Development Costs and Land Held for Future Development

In determining the net realizable value of land held for sale and land development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of land held for sale and development costs (P533.5 million as of December 31, 2009 – see Note 9) and land held for future development (P315.9 million as at December 31, 2009 – see Note 13) is affected by price changes in different market segments. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments within the next financial year.

(d) Useful Lives 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. The carrying amounts of property and equipment are analyzed in Note 12. As of December 31, 2009, the estimated useful lives of certain property and equipment have to be changed to reflect the appropriate useful lives based on management's assessment. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Non-financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The management has assessed that there are no impairment losses to be provided in 2009, 2008 and 2007.

(f) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying value of deferred tax assets as of December 31, 2009 and 2008 is disclosed in Note 23.

(g) Liability for Land Development

Obligations to complete development of real estate are based on actual costs and project estimates of contractors and Group's technical staff. These costs are reviewed at least annually and are updated if expectations differ from previous estimates. Liability to complete the project included for land development are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position amounted to P0.8 million as of December 31, 2009 and 2008, respectively (see Note 16).

(b) Retirement and Other 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 20 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 P4.2 million and P3.0 million as of December 31, 2009 and 2008, respectively (see Note 20.2).

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its parent company, in close cooperation with the 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 engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

4.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk which result from both its operating and investing activities.

(a) Foreign Currency Sensitivity

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

(b) Interest Rate Sensitivity

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowing interest rates range from 7.16% to 10.25% per annum. At December 31, 2009 and 2008, the Group is exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates (see Notes 6 and 15). All other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates of +/- 1.82%, +/- 1.90% and +/-1.80% in 2009, 2008 and 2007, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2009		2008		2007	
	+ 182/ 88	**- 182/ 88**	+190/ 90	-190/ 90	+180/80	-180/80
Profit before tax	**(P34,489,575)**	**P34,489,575**	(P 7,395,332)	P 7,395,355	(P 3,503,095)	P 3,503,095

4.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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 statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	**2009**	2008
Cash and cash equivalents (excluding cash on hand)	6	**P 363,705,435**	P 356,042,309
Trade and other receivables - net	7	**1,368,763,974**	765,217,736
Due from related parties	24.2	**14,421,693**	16,240,705
Restricted deposits	10, 14	**60,079,767**	80,640,980
Refundable rent deposits	14	**39,033,405**	7,277,348
		P1,846,004,274	P1,225,419,078

As part of the Group policy, bank deposits are only maintained with reputable financial institutions.

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

(a) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of the Group's policy, bank deposits are only maintained with reputable financial institutions. For the determination of credit risk, cash do not include cash on hand amounting to P2,251,633 in 2009 and P1,355,050 in 2008 (see Note 6). Cash in banks, which are insured by the Philippine Deposit Insurance Corporation up to maximum coverage of P500,000 per depositor per banking institution, as provided for under Republic Act (RA) 9302, *Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

(b) Trade and other receivables

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 consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee which approves credit lines given to its customers. The Group's Credit 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.

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:

	2009	2008
Not more than one month	**P 145,052,920**	P 64,495,128
More than one month but not more than two months	**42,659,470**	17,941,554
More than two months but not more than six months	**-**	93,364,606
More than six months but not more than one year	**92,772,329**	-
More than one year	**21,025,414**	-
	P 301,510,133	P 175,801,288

4.3 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 and cash equivalents 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, 2009, the Group's liabilities have contractual maturities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 1,585,580,604	P 4,825,314	P 908,901,613
Trade and other payables	1,022,823,128	36,437,511	-
Due to a related party	53,114,682	-	-
Security deposits	-	-	35,598,063
	P 2,661,518,414	**P 41,262,825**	**P 944,499,676**

This compares to the maturity of the Group's financial liabilities as of December 31, 2008 as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 819,491,691	P 14,830,542	P 72,297,113
Trade and other payables	750,441,962	-	-
Security deposits	-	-	16,190,545
	P 1,569,933,653	P 14,830,542	P 88,487,658

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

5. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

5.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below:

	Notes	2009		2008	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 365,957,067**	**P 365,957,067**	P 357,397,359	P 357,397,359
Trade and other receivables	7	**1,368,763,974**	**1,368,763,974**	765,217,736	765,217,736
Due from related parties	24.2	**14,421,693**	**14,421,693**	16,240,705	16,240,705
Restricted deposits	10, 14	**60,079,767**	**60,079,767**	80,640,980	80,640,980
Refundable rent deposits	14	**39,033,405**	**39,033,405**	7,277,348	7,277,348
		P 1,848,255,906	**P1,848,255,906**	P1,226,774,128	P1,226,774,128
Financial Liabilities					
Financial liabilities at amortized cost:					
Loans and borrowings	15	**P 2,318,457,733**	**P2,318,457,733**	P 903,775,486	P 903,775,486
Trade and other payables	16	**1,059,260,639**	**1,059,260,639**	750,441,962	750,441,962
Due to parent company	24.2	**53,114,682**	**53,114,682**	-	-
Security deposits	17	**34,750,000**	**34,750,000**	16,190,545	16,190,545
		P 3,465,583,054	**P3,465,583,054**	P1,670,407,993	P1,670,407,993

5.2 Fair Value Hierarchy

The Group adopted the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*, effective January 1, 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. In accordance with this amendment, financial assets and liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the levels as disclosed in the next page.

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (as prices) or indirectly (derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

As of December 31, 2009 and 2008, the Group has no financial assets and liabilities measured at fair value in the consolidated statements of financial position.

The costs and fair values of those financial assets and liabilities not presented in the consolidated statements of financial position at their fair values are summarized in Note 5.1.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2009	2008
Cash in banks	**P 348,148,556**	P 296,025,781
Short-term placements	**15,556,879**	60,016,528
Cash on hand	**2,251,632**	1,355,050
	P 365,957,067	P 357,397,359

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have maturity ranging from seven to 90 days and earn effective interest ranging from 2.1% to 4.8% per annum in 2009 and 2008.

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2009	2008
Trade receivables	**P 946,088,436**	P 556,234,756
Advances to suppliers	**358,631,703**	159,453,618
Non-trade receivables	**41,626,594**	35,284,040
Other receivables	**22,648,816**	14,245,322
	1,368,995,549	765,217,736
Allowance for impairment	**(231,575)**	-
	P1,368,763,974	P 765,217,736

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade and other receivables amounting to P958,835 as of December 31, 2009, which are mostly due from the small business customers, were found to be uncollectible, hence, such were written off.

The carrying value of trade and other receivables is considered a reasonable approximation of fair value (see Note 5).

8. INVENTORIES

Inventories which are stated at cost are broken down as follows:

	Note	2009	2008
Fuel		**P 318,469,705**	P 71,736,100
Lubricants		**139,454,710**	84,230,244
	18.1	**P 457,924,415**	P 155,966,344

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 15.1).

9. LAND HELD FOR SALE AND LAND DEVELOPMENT COSTS

The land held for sale and land development costs relate to the following as of December 31, 2009:

Land held for sale	P 512,156,885
Land development costs	21,388,320
	P 533,545,205

Land development costs pertain to expenditures for the development and improvement of the land held for sale for Phase 1 of the Park (see Note 1).

10. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Note 15.1). As such, these are restricted as to withdrawals. The proceeds from availment of these banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit ranges from 3.125% to 5.975% per annum in 2009 and 2008.

11. OTHER CURRENT ASSETS

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

	2009	2008
Prepayments	**P 44,756,747**	P 34,089,582
Creditable withholding tax	**5,811,092**	807,189
Supplies	**-**	1,795,851
Others	**1,769,958**	660,755
	P 52,337,797	P 37,353,377

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2009 and 2008 are shown below:

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
December 31, 2009									
Cost	P 525,672,250	P 33,410,156	P 315,521,430	P 56,301,766	P 154,156,153	P 63,890,069	P 164,684,194	P 585,390,519	P1,899,026,537
Accumulated depreciation and amortization	(37,100,755)	(10,056,853)	(57,757,466)	(20,229,811)	(49,083,920)	(24,841,955)	-	-	(199,070,760)
Net carrying amount	**P 488,571,495**	**P 23,353,303**	**P 257,763,964**	**P 36,071,955**	**P 105,072,233**	**P 39,048,114**	**P 164,684,194**	**P 585,390,519**	**P1,699,955,777**
December 31, 2008									
Cost	P 74,228,994	P 20,067,069	P 249,002,393	P 44,393,068	P 103,229,136	P 40,607,337	P 134,853,747	P 338,399,426	P1,004,781,170
Accumulated depreciation and amortization	(18,757,638)	(7,491,121)	(39,307,495)	(17,042,195)	(27,420,428)	(13,415,960)	-	-	(123,434,837)
Net carrying amount	P 55,741,356	P 12,575,948	P 209,694,898	P 27,350,873	P 75,808,708	P 27,191,377	P 134,853,747	P 338,399,426	P 881,346,333
January 1, 2008									
Cost	P 51,041,187	P 17,725,994	P 62,402,292	P 38,398,506	P 57,914,015	P 30,236,670	P 134,853,747	P 85,764,365	P 478,336,776
Accumulated depreciation and amortization	(12,786,673)	(3,961,868)	(17,199,262)	(12,310,756)	(12,017,482)	(6,357,340)	-	-	(64,633,381)
Net carrying amount	P 38,254,514	P 13,764,126	P 45,203,030	P 26,087,750	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,365	P 413,703,395

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008 of property and equipment is shown below:

	Buildings, Depot and Pier Facilities	Leasehold and Land Improvements	Gasoline Station Equipment	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 55,474,356	P 12,575,948	P 209,694,898	P 27,350,873	P 75,808,708	P 27,191,377	P 134,853,747	P 338,399,426	P 881,346,333
Additions	342,884,381	13,343,087	66,519,037	13,644,641	50,927,017	23,282,732	29,830,447	355,549,968	895,981,310
Transfers	108,558,875	-		-	-	-	-	(108,558,875)	-
Cost of asset disposed	-	-	-	(1,735,943)	-	-	-	-	(1,735,943)
Accumulated depreciation of asset disposed	-	-	-	1,618,777	-	-	-	-	1,618,777
Depreciation and amortization charges for the year	(18,343,117)	(2,565,732)	(18,449,971)	(4,806,393)	(21,663,492)	(11,425,995)	-	-	(77,254,700)
Balance at December 31, 2009, net of accumulated depreciation and amortization	**P 488,571,495**	**P 23,353,303**	**P 257,763,964**	**P 36,071,955**	**P 105,072,233**	**P 39,048,114**	**P 164,684,194**	**P 585,390,519**	**P1,699,955,777**
Balance at January 1, 2008, net of accumulated depreciation and amortization	P 38,254,514	P 13,764,126	P 45,203,030	P 26,087,750	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,365	P 413,703,395
Additions	23,187,807	2,341,075	132,265,622	5,994,562	445,315,121	10,370,667	-	306,969,540	526,444,394
Transfers	-	-	54,334,479	-	-	-	-	(54,334,479)	-
Depreciation and amortization charges for the year	(5,970,965)	(3,529,253)	(22,108,233)	(4,731,439)	(15,402,946)	(7,058,620)	-	-	(58,801,456)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P 55,471,356	P 12,575,948	P 209,694,898	P 27,350,873	P 75,808,708	P 27,191,377	P 134,853,747	P 338,399,426	P 881,346,333

Construction in progress pertains to accumulated costs incurred on the various depot facilities being constructed as part of the Group's expansion program, including capitalized borrowing costs of P37.7 million and P9.13 million in 2009 and 2008, respectively, representing the actual borrowing costs incurred on borrowings obtained to fund the construction project.

Certain properties with an aggregate carrying value of P30,656,433 and P5,522,405 as of December 31, 2009 and 2008, respectively, are mortgaged with local banks (see Notes 15.3 and 15.4).

In 2009, the estimated useful lives of certain property and equipment were revised which caused the decrease of the depreciation expense from P85,708,907 to P77,254,700.

The amount of depreciation is allocated as follows:

	Notes	**2009**	2008
Cost of services	18.2	**P 9,200,153**	P -
Selling and administrative expenses		**68,054,547**	58,801,456
	19	**P 77,254,700**	P 58,801,456

13. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development represents the Group's land property totaling to 44 hectares in Phase 2 and 3 of the Park that are intended for sale once developed.

Certain land with carrying value of P22.1 million as of December 31, 2009 are used as collaterals for certain interest-bearing loans and borrowings (see Note 15.3).

14. OTHER NON-CURRENT ASSETS

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

	2009	2008
Refundable rent deposits	**P 39,033,405**	P 7,277,348
Goodwill	**9,344,134**	9,344,134
Restricted time deposits	**1,180,163**	-
Deferred minimum lease payments	**939,388**	2,229,880
Others	**1,028,784**	5,358
	P 51,525,874	P 18,856,720

Refundable rent deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The total day one loss is determined by calculating the present value of the cash flows anticipated until the end of the lease terms using the related market interest-free rates and is amortized over the lease term. As the refundable rent deposits do not have an active market, the underlying interest rates were determined by reference to market interest rate of comparable financial instrument.

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.

Restricted time deposits represent cash deposited with a local bank as an environmental trust fund set aside in compliance with the requirements of the Department of Environment and Natural Resources.

15. LOANS AND BORROWINGS

This account consists of the following as of December 31:

	2009	2008
Current:		
Liabilities under letters of credits and trust receipts	**P1,394,432,784**	P 732,177,470
Installment and notes payable	**151,179,007**	97,147,890
Mortgage payable	**3,195,182**	2,153,013
	P1,548,806,973	P 831,478,373
Non-current:		
Installment and notes payable	**P 758,098,335**	P 69,937,865
Mortgage payable	**11,552,425**	2,359,248
	P 769,650,760	P 72,297,113

15.1 Liabilities Under Letters of Credits and Trust Receipts

The Group avails of letter of credit (LC) and trust receipt (TR) lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based in prevailing market interest rates at an average of 8.25% per annum.

Interest expense for 2009, 2008 and 2007 amounted to P111,126,617, P33,559,798 and P6,246,974, respectively, and are presented as part of Finance Costs in the consolidated statements of comprehensive income.

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 collaterals are in the form of compensating deposits, properties of a related party and a surety of a stockholder (see Note 10).

The carrying values of liabilities under letters of credits and trusts receipts recognized as part of loans and borrowings in the consolidated statements of financial position are reasonable approximations of their fair values.

15.2 Credit Line

The Company has an available credit line of P3.20 billion and P1.19 billion under LC and TR, respectively. These lines obtained from various banks are being utilized by the Company for procurement of inventories both local and foreign.

15.3 Installment and Notes Payable

The installment payable in 2009 includes borrowings from a local bank and liability to PHINMA Group for the purchase of the 100% shares of stocks of BIPC (see Note 29). The installment payable bears interest at Philippine Dealing System Treasury-Fixing (PDST-F) rate plus three percent. Such is payable monthly starting on the seventh month from the date of signing of the agreement on March 10, 2009 until March 15, 2014.

On December 18, 2009, the Group's loan application with Land Bank of the Philippines (LBP) amounting to P580.0 million was approved. Of the total loan approved, P490.0 million was intended to refinance the Group's installment payable with PHINMA Group. The refinanced installment payable is payable for seven years with one year grace period on principal and bears an interest rate based on the prevailing LBP rate at the time of availment subject to quarterly repricing with reference to a three month PDST-F rate plus minimum spread of 2.5%.

The above-mentioned liabilities are secured by certain industrial lots presented under land held for future development (see Note 13).

The installment payable in 2008 represents the Group's liability to BIPC prior to the Group's acquisition of the 100% interest in BIPC in March 2009 and to a certain individual arising from the acquisition of land (see Note 12). 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 at the rate to set quarterly based on the PDST-F on the day of setting plus 3% per annum and are payable monthly until March 1, 2012.

(b) The Group will be charged 2% as penalty on delayed installments 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. This installment payable was preterminated in March 2009.

(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 installment payable, effectively using the land as security for the liability. The installment payable was fully paid in March 2009.

15.4 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 36 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Property and Equipment account in the consolidated statements of financial position (see Note 12).

16. TRADE AND OTHER PAYABLES

This account consists of:

	2009	2008
Trade payables	**P 970,629,295**	P 690,398,533
Accrued expenses	**53,181,430**	54,924,248
Advances from locators	**20,120,000**	-
Others	**15,329,914**	5,119,181
	P1,059,260,639	P 750,441,962

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remains unpaid at the end of the year.

The advances from locators as of December 31, 2009 include P20.1 million option money from a certain locator. The said locator has the right and option to purchase subject properties under the terms and condition agreed by the said locator and the Group. However, in the event that the said locator does not exercise its right to purchase the subject properties, the option money shall be refunded to the said locator plus interest at the rate equivalent to the prevailing treasury bill rate plus 2% per annum.

The carrying amount of trade and other payables, which are expected to be settled within the next 12 months from reporting period, is a reasonable approximation of fair value (see Note 5).

17. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	**2009**	2008
Security deposits		**P 34,750,000**	P 16,190,545
Retirement benefit obligation	20.2	**4,245,935**	2,970,928
Unearned rent		**3,944,044**	3,944,077
Others		**780,387**	-
		P 43,720,366	P 23,105,550

Security deposits represent deposits received from dealers for the lease of equipment that are installed in retails stations and are refundable at the end of the lease terms. The deposits are carried at amortized cost using the effective interest rates at the inception of the lease contracts. The day one gain amounting is determined by calculating the present value of the cash flows anticipated until the end of the lease term using certain risk-free rates and is amortized over the lease terms. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rate of comparable financial instrument.

18. COST OF SALES AND SERVICES

This account is composed of the following as of December 31:

	Note	**2009**	2008	2007
Cost of fuels and lubricants sold		**P 5,140,984,927**	P 4,192,696,751	P 2,097,437,575
Cost of services		**30,651,958**	1,499,001	-
Cost of real estate sold	19	**9,437,055**	-	-
		P 5,181,073,940	P 4,194,195,752	P2,097,437,575

18.1 Cost of Fuels and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Note	**2009**	2008	2007
Inventories at beginning of year		**P 155,966,344**	P 178,059,559	P 43,542,512
Net purchases during the year		**5,442,942,998**	4,170,603,537	2,231,954,622
Goods available for sale		**5,598,909,342**	4,348,663,096	2,275,497,134
Inventories at end of year	8	**(457,924,415)**	(155,966,344)	(178,059,559)
		P 5,140,984,927	P 4,192,696,752	P 2,097,437,575

18.2 Cost of Services

Details of cost of services are shown below:

	Note	2009	2008
Depreciation	12	**P 9,200,153**	P -
Outside services		**7,164,278**	-
Taxes and licenses		**3,924,205**	-
Salaries and employees benefits		**3,768,381**	327,496
Fuel, gas and lubricants		**2,848,836**	852,478
Travel and transportation		**1,130,292**	319,027
Security services		**967,202**	-
Insurance		**805,202**	-
Others		**843,409**	-
		P 30,651,958	P 1,499,001

19. OPERATING EXPENSE BY NATURE

The details of operating expenses by nature are shown below:

	Notes	2009	2008	2007
Cost of sales:				
Fuels		**P4,985,388,086**	P 4,079,631,960	P 2,051,253,972
Lubricants		**155,596,901**	113,064,791	46,183,603
Cost of real estate sold	18	**9,437,055**	-	-
Salaries and employee benefits	20.1	**78,924,498**	53,134,981	43,898,747
Depreciation and amortization	12	**77,254,700**	58,801,456	32,740,544
Rent	24.1, 28.3	**61,279,012**	30,872,124	6,195,184
Advertising and promotions		**36,989,916**	12,437,160	8,255,498
Fuel, oil and lubricants		**24,383,930**	18,797,840	8,387,492
Taxes and licenses		**20,887,782**	2,945,398	7,412,244
Trucking charges		**20,144,572**	12,573,778	2,278,463
Travel and transportation		**16,834,830**	10,712,495	5,720,417
Professional fees		**16,313,650**	6,089,715	4,038,325
Repairs and maintenance		**14,852,411**	5,294,260	5,320,096
Balance carried forward		**P 5,518,287,343**	P 4,404,355,958	P2,221,684,585

	Notes	2009	2008	2007
Balance carried forward		**P 5,518,287,343**	P 4,404,355,958	P2,221,684,585
Utilities		**11,614,548**	6,833,648	6,350,572
Office supplies		**10,959,196**	10,423,649	7,193,268
Outside services		**8,785,030**	2,572,710	2,902,195
Insurance		**8,464,370**	2,698,250	2,091,100
Representation		**6,600,378**	4,230,721	3,512,357
Security fees		**5,428,832**	3,292,615	1,908,075
Sales commissions		**244,818**	4,191,711	-
Service fee		**-**	456,265	2,800,000
Miscellaneous		**18,910,571**	10,961,523	5,526,920
		P5,589,295,446	P 4,450,017,050	P 2,253,969,072

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

	Note	2009	2008	2007
Cost of sales and services	18	**P 5,181,073,940**	P 4,194,195,752	P2,097,437,575
Selling and administrative expenses		**408,221,526**	255,821,298	156,531,497
		P5,589,295,466	P 4,450,017,050	P 2,253,969,072

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits (see Note 19) are presented below:

	Note	2009	2008	2007
Salaries and wages		**P 60,235,468**	P 41,190,831	P 32,056,842
Employee welfare and other benefits		**12,155,303**	6,989,985	5,258,542
13th month pay and bonuses		**5,258,719**	3,826,987	4,769,613
Post-employment benefits	20.2	**1,275,008**	1,127,178	1,813,750
	19	**P 78,924,498**	P 53,134,981	P 43,898,747

20.2 Post-employment Benefits

The Group has an unfunded post-employment benefit 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 Other Non-current Liabilities account (see Note 17) in the consolidated statements of financial position as of December 31 follows:

	2009	2008
Present value of obligation	**P 4,976,200**	P 2,418,400
Unrecognized actuarial gains (losses)	**(730,265)**	552,528
	P 4,245,935	P 2,970,928

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

	2009	2008
Balance at beginning of year	**P 2,418,400**	P 2,799,612
Current service cost	**928,400**	865,425
Interest cost	**374,852**	232,928
Actuarial loss (gain)	**1,254,548**	(1,479,565)
Balance at end of year	**P 4,976,200**	P 2,418,400

The amounts of retirement benefits expense recognized in the consolidated statements of comprehensive income are as follows:

	Note	**2009**	2008	2007
Current service cost		**P 928,400**	P 865,425	P 1,781,175
Interest cost		**374,852**	232,928	32,575
Actuarial loss (gain) recognized during the year		**(28,244)**	28,825	-
	20.1	**P 1,275,008**	P 1,127,178	P 1,813,750

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

	2009	2008
Discount rate	**10.44%**	15.50%
Expected rate of salary increase	**10.00%**	10.00%

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

21. REGISTRATION WITH THE BOARD OF INVESTMENTS (BOI)

The Parent Company was registered with the BOI on November 16, 2005, as new a industry participant with new investment in storage, marketing and distribution of petroleum products under RA No. 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 VAT 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.

The parent Company's ITH will expire in November 2010. After the expiration date, the parent Company is subject to corporate income tax rate of 30%.

22. 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 a 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.

23. TAXES

23.1 Current and Deferred Tax

The components of tax income as reported in the consolidated profit or loss follow:

	2009	2008	2007
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**(P 1,587,244)**	P -	P -
Final tax at 20%	**(108,651)**	(4,926)	(1,682)
	(1,695,895)	(4,926)	(1,682)
Deferred tax income:			
Deferred tax income relating to net operating loss carryover (NOLCO)	**6,959,670**	9,021,080	4,351,788
Reversal of NOLCO	**(369,088)**	-	-
Deferred tax relating to reversal of temporary difference	**(283,380)**	-	-
Relating to tax application of NOLCO	**(26,915)**	(1,409,842)	-
Deferred tax resulting from reduction in tax rate	**-**	(1,775,005)	-
	6,280,287	5,836,233	4,351,788
	P 4,584,392	P 5,831,307	P 4,350,106

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax income reported in the consolidated profit or loss is as follows:

	2009	2008	2007
Tax on pretax income at 30% in 2009, 35% in 2008 and 2007	**P 4,868,812**	P 7,604,209	P 4,348,444
Adjustment for income subjected to lower income tax rates	**54,324**	3,693	1,662
Tax effects of:			
Reversal of NOLCO	**(369,088)**	-	-
Non-deductible interest expense	**30,344**	(1,590)	-
Reduction in tax rate	**-**	(1,775,005)	-
Tax income reported in profit or loss	**P 4,584,392**	P 5,831,307	P 4,350,106

The tax income for the years 2009, 2008 and 2007 pertains to the subsidiaries. The Parent Company availed of the income tax holiday under its registration with the BOI (see Note 21) starting on January 1, 2006.

The deferred tax assets relate to the following as of December 31:

	Statements of Consolidated Financial Position		Statements of Consolidated Comprehensive Income	
	2009	2008	2009	2008
NOLCO	**P 17,213,693**	P 10,650,027	**P 6,563,667**	P 5,836,235
Retirement benefit obligation	**283,380**	-	**-**	-
Payment of retirement benefits	**(283,380)**	-	**(283,380)**	-
Deferred Tax Income			**P 6,280,287**	P 5,836,235
Deferred Tax Assets	**P 17,213,693**	P 10,650,027		

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below:

Taxable Years	Original Amount	Tax Effect	Valid Until
2009	P 23,198,900	P 6,959,670	2012
2008	25,774,508	7,732,352	2011
2007	8,405,572	2,521,671	2010
	P 57,378,980	P 17,213,693	

23.2 Optional Standard Deduction

Effective July 2008, RA 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

In 2009 and 2008, the Group opted to continue claiming itemized deductions.

23.3 Change in Applicable Tax Rates

Effective January 1, 2009, in accordance with RA 9337, RCIT rate was reduced from 35% to 30% and non-allowable deductions for interest expense from 42% to 33% of interest income subjected to final tax.

24. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, parent company, stockholders, the Group's key management and others as described below and in the succeeding pages. The following are the transactions with related parties:

24.1 Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. Total rent expense incurred in the years 2009, 2008 and 2007 is P3.8 million, P4.8 million and P2.8 million, respectively and is presented as part of Rent expense in profit or loss (see Note 19).

24.2 Due from Related Parties

The Group grants and obtains unsecured advances to and from parent company and other related companies for working capital purposes. The advances bear a 9% interest per annum and are due on demand.

The breakdown of due from related parties as of December 31 is as follows:

		2009		2008
Due from parent company:				
Balance at beginning of year	**P**	**2,937,730**	P	22,498,464
Additions		**-**		33,454,326
Collections		**(2,937,730)**		(53,015,060)
Balance at end of year	**P**	**-**	P	2,937,730
Due from related parties:				
Balance at beginning of year	**P**	**13,302,975**	P	13,100,611
Additions		**1,118,712**		633,282
Collections		**(-)**		(430,918)
Balance at end of year	**P**	**14,421,693**	P	13,302,975
Total due from related parties:				
Balance at beginning of year	**P**	**16,240,705**	P	35,599,076
Additions		**1,118,712**		34,087,608
Collections		**(2,937,730)**		(53,445,978)
Balance at end of year	**P**	**14,421,693**	P	16,240,705

The Group's advances to related parties is presented as Due from Related Parties in the consolidated statements of financial position.

In 2009, the Parent company obtained cash advances from PPHI amounting to P53,114,682, which remains outstanding as of December 31, 2009 and is presented as Due to Parent Company in the 2009 consolidated statement of financial position. There are no advances obtained from PPHI in 2008.

24.3 Key Management Compensations

The compensations of key management personnel are broken down as follows:

		2009		2008		2007
Salaries and wages	**P**	**19,699,625**	P	17,770,685	P	18,439,923
13th month pay and bonuses		**2,761,963**		2,410,405		2,576,032
Honoraria and allowances		**1,695,559**		1,647,060		570,689
	P	**24,157,147**	P	21,828,150	P	21,586,644

25. EQUITY

25.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2009	2008	2007	**2009**	2008	2007
Common shares – P1 par value						
Authorized:	**400,000,000**	400,000,000	400,000,000	**P 400,000,000**	P 400,000,000	P400,000,000
Issued:						
Balance at beginning of year	**188,000,198**	145,000,000	116,000,000	**P 188,000,198**	P 145,000,000	P116,000,000
Stock dividends	**73,660,677**	43,000,198	-	**73,660,677**	43,000,198	-
Issued during the year	**7,500,000**	-	29,000,000	**7,500,000**	-	29,000,000
Balance at end of year	**269,160,875**	188,000,198	145,000,000	**P 269,160,875**	P 188,000,198	P145,000,000

As of December 31, 2009 and 2008, the Parent Company has 26 stockholders owning 100 or more shares each of the Parent Company's capital stock.

25.2 Additional Paid-in Capital

In 2009, the Social Security System (SSS) has bought an initial 2.83% stake in the Parent Company representing 7,500,000 subscribed common shares for P42,000,000 or at P5.60 per share. The excess of par value for such subscription amounting to P34,500,000 was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

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

25.3 Deposits on Future Stock Subscriptions

In 2009, the Parent Company received subscriptions amounting to P44,625,000. Pending the Parent Company and investor agreement as to the number of shares to be issued, the amount received was presented as Deposits on Future Stock Subscriptions in the 2009 consolidated statement of financial position.

25.4 Treasury Shares – At Cost

The details of this account are as follows:

	Shares			Amount		
	2009	2008	2007	**2009**	2008	2007
Balance at beginning of year	**3,849,000**	795,000	-	**P 17,252,140**	P 5,639,300	P -
Purchases during the year	**-**	3,054,000	795,000	**-**	11,612,840	5,639,300
Balance at end of year	**3,849,000**	3,849,000	795,000	**P 17,252,140**	P 17,252,140	P 5,639,300

25.5 Retained Earnings

On May 29, 2009, the Parent Company's stockholders ratified the Board of Directors' approval of a 40% stock dividends (or a total of 73,660,677 shares), valued at par and distributed on August 3, 2009 to all stockholders of record as of July 8, 2009.

On May 8, 2008, the Parent Company's Board of Directors declared a 30% stock dividends (or a total of 43,000,198 shares), valued at par and distributed on August 8, 2008 to stockholders of record as of July 17, 2008. In addition, 10% cash dividends amounting to P14,500,002 were also declared and paid in 2008.

25.6 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

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

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

	2009	2008
Total liabilities	**P3,474,553,420**	P1,677,322,998
Total equity	**1,528,859,522**	690,757,863
Debt-to-equity ratio	**2.27 : 1.0**	2.43 : 1.0

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.

The increase in the total liabilities in 2009 is the result of the additional borrowings for the procurement of petroleum and construction of depot facilities as well as the outstanding installment payable to PHINMA Group for the purchase of BIPC. The increase in equity is due to the accumulated earnings.

26. BASIC EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	2009	2008	2007
Net profit	**P 751,476,659**	P 150,288,738	P 122,358,766
Divided by weighted average number of outstanding common shares	**216,068,147**	164,993,432	129,231,289
Earnings per share	**P 3.48**	P 0.91	P 0.95

The Parent Company does not have dilutive shares as of December 31, 2009, 2008 and 2007. Accordingly, no diluted earnings per share was computed by the Group.

27. SEGMENT REPORTING

27.1 Business Segments

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group, namely fuels, lubricants, depot services and real estate. These are also the bases of the Group in reporting its primary segment information.

(a) The fuels segment is involved in the trading, supply and distribution of petroleum products to its retail service stations and commercial customers.

(b) The lubricants segment is involved in the trading, supply and distribution of automotive lubes and car care products.

(c) The depot services segment is involved in the leasing of storage space in the Group's terminal depot, hauling of Jet-A1 fuels to airports and refuelling of aircrafts.

(d) The real estate segment is involved in the selling of parcels of land.

27.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts, trust receipts, wages, and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

27.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon consolidation.

The tables presented in the next pages present revenue and profit information regarding business segments of the Group for the years ended December 31, 2009, 2008 and 2007 and certain asset and liability information regarding industry segments at December 31, 2009, 2008 and 2007 (in thousands).

	Fuels			Lubricants			Depot			Real Estate			Eliminations			Consolidated		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
TOTAL REVENUES																		
Sales to external customers	P 5,523,238	P 4,415,876	P 2,265,246	P 195,950	P 151,066	P 36,419	P 143,718	P 48,275	P 62,567	P 10,146	P -	P -	P -	P -	P -	P 5,873,052	P 4,615,217	P 2,364,232
Intersegment sales	3,396	101,355	279,734	-	-	-	48,508	34,256	13,943	-	-	-	(51,904)	(135,611)	(293,677)	-	-	-
Total revenues	P 5,526,634	P 4,517,231	P 2,544,980	P 195,950	P 151,066	P 36,419	P 192,226	P 82,531	P 76,510	P 10,146	P -	P -	(P 51,904)	(P 135,611)	(P 293,677)	P 5,873,052	P 4,615,217	P 2,364,232
RESULTS																		
Segment results	P 304,804	P 269,599	P 380,616	P 8,505	P 7,778	(P 4,200)	P 17,226	P 23,434	P 27,524	P 5,125	P -	P -	(P 51,904)	(P 135,611)	(P 293,677)	P 283,756	P 165,200	P 110,263
Unallocated expenses																-	-	-
Income from operations																283,756	165,200	110,263
Unallocated income:																		
Excess of fair value of net assets acquired over acquisition cost																573,389	-	-
Finance costs	(79,676)	(44,462)	(8,108)	(3,902)	(829)	(189)	(30,991)	(760)	(404)	-	-	-	-	-	-	(114,569)	(46,051)	(8,701)
Finance income	4,986	24,601	8,616	13	9	3,961	23	718	8	-	-	-	-	-	-	5,022	25,328	12,585
Others	259	(20)	-	-	-	-	-	-	-				-	-	-	259	(20)	-
																464,101	(20,743)	3,884
Income before tax and pre-acquisition loss (profit)																747,857	144,457	114,147
Pre-acquisition loss (profit)																(965)	-	3,862
Profit before tax																746,892	144,457	118,009
Tax income (expense)	507	(1,528)	2,235	(398)	(155)	1,100	6,432	7,515	1,015	(1,956)	-	-	-	-	-	4,585	5,832	4,350
Net profit																P 751,477	P 150,289	P 122,359

	Fuels			Lubricants			Depot			Real Estate			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
ASSETS AND LIABILITIES																		
Segment assets	**P 2,700,447**	P 1,461,210	P 591,662	**P 65,224**	P 105,464	P 18,690	**P 1,632,265**	P 801,407	P 581,853	**P 605,477**	P -	P -	**P -**	P -	P -	**P 5,003,413**	P 2,368,081	P 1,192,205
Segment liabilities	**2,157,285**	1,140,993	421,751	**55,134**	94,158	23,687	**1,210,961**	442,172	180,184	**51,173**	-	-	**-**	-	-	**3,474,553**	1,677,323	625,622
OTHER SEGMENT INFORMATION																		
Capital expenditures	**P 201,633**	P 259,502	P 132,378	**P 5,680**	P 8,775	P 1,777	**P 378,927**	P 259,057	P 218,919	**P 309,741**	P -	P -	**P -**	P -	P -	**P 895,981**	P 527,333	P 353,074
Depreciation and amortization	**33,002**	35,393	21,531	**4,781**	1,420	791	**30,040**	21,989	10,419	**9,432**	-	-	**-**	-	-	**77,255**	58,802	32,741
Impairment losses	**1,190**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**1,190**	-	-

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital Commitments

As of December 31, 2009, the Group has commitments of more than P300.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 120 opened retail service stations as of December 31, 2009. An additional of 28 other retail service stations were under various stages of completion as of December 31, 2009.

In 2010, the Group plans to expand further its petroleum retail service stations and carry out its investments in it subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

28.2 Letters of Credits

As of December 31, 2009, 2008 and 2007, the Parent Group has unused letters of credit amounting to P537.0 million, P250.9 million and P317.0 million, respectively.

28.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 5 years, with renewal options, and include annual escalation rates of 2% to 10%. The future minimum rentals payable under these cancelable operating leases are presented as follows:
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	2009	2008
Within one year	**P 33,691,867**	P 25,569,301
After one year but not more than five years	**126,799,566**	112,036,842
More than five years	**272,101,048**	229,234,662
	P 432,592,481	P 366,840,805

Total rent expense for the years 2009, 2008 and 2007 amounted to P61,279,012, P30,872,124 and P6,915,184, respectively (see Note 19).

28.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 2 to 10 years, with renewal options, and include annual escalation rates of 2% to 10%. The future minimum rentals receivables under these cancelable operating leases are presented as follows:

	2009	2008
Within one year	**P 23,525,871**	P 6,523,790
After one year but not more than five years	**26,738,089**	24,394,047
More than five years	**4,327,125**	12,412,603
	P 54,591,085	P 43,330,440

Rent income for 2009, 2008 and 2007 amounting to P34,276,110, P17,237,494 and P10,329,087, respectively, is presented as part of Fuel Service, Storage Income and Other Revenues account in the consolidated statements of comprehensive income.

28.5 Others

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statements. As of December 31, 2009, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

29. EXCESS OF FAIR VALUE OVER ACQUISITION COST

In March 2009, PPPI acquired 100% interest in BIPC. PPPI acquired the BIPC's net assets with a fair value of P1.2 billion on the date of the acquisition for a consideration of P658.8 million, of which P540.0 million was through installment payments (see Note 15.3).

The excess of the fair value of the nets assets of BIPC over the acquisition cost amounting to P573.4 million is presented in the consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost. The real properties of BIPC which is composed of land held for sale, land held for future development and port facilities were appraised by an independent appraiser. The fair values of the said properties are determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

Punongbayan & Araullo

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

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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
Barrio Pampanga, Davao City

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Company) and Subsidiaries (the Group) and the separate financial statements of the Company for the years ended December 31, 2009 and 2008, on which we have rendered our reports both dated March 30, 2010. Our audits were 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, 2009 and 2008 and for the years 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. 2087618, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0395-AR-1
BIR AN 08-002511-19-2009 (Sept. 16, 2009 to 2012)

Firm BOA/PRC Cert. of Reg No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 30, 2010

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2009

Schedule	*Description*	*Page*
A	Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Noncurrent Marketable Equity Securities, Other Long-Term Investments in Stock and Other Investments	N/A
D	Indebtedness of Unconsolidated Subsidiaries and Affiliates	N/A
E	Other Assets (Current and Non-current)	2
F	Long-Term Debt	3
G	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	4
H	Guarantees of Securities of Other Issuers	N/A
I	Capital Stocks	5
J	Reconciliation of Retained Earnings for Dividend Declaration	6

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, 2009

Name	Balance at beginning of period	Designation	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts written off	Current	Non-current	
Udenna Management Resources Corp.	P 13,302,976	Affiliate	P 1,122,197	P 3,478	P -	P 14,421,694	P -	P 14,421,694
P-H-O-E-N-I-X Petroleum Holdings, Inc.	2,937,730	Parent company	15,258,988	18,196,717	-	-	-	-
TOTAL	P 16,240,705		P 16,381,184	P 18,200,196	P -	P 14,421,694	P -	P 14,421,694

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Other Assets (Current and Non-current)
December 31, 2009

Description	*Beginning balance*	*Additions at cost*	*Deductions*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Other Current Assets						
Prepayments	P 34,089,582	P 114,810,594	(P 78,013,682)	(P 26,129,747)	P -	P 44,756,747
Creditable withholding tax	807,189	5,003,903	-	-	-	5,811,092
Supplies	1,795,851	-	-	(1,795,851)	-	-
Others	660,755	1,109,203	-	-	-	1,769,958
	37,353,377	120,923,700	(78,013,682)	(27,925,598)	-	52,337,797
Other Non-current asset						
Refundable rent deposits	7,277,348	31,756,057	-	-	-	39,033,405
Goodwill	9,344,134	-	-	-	-	9,344,134
Restricted time deposits	-	1,180,163	-	-	-	1,180,163
Deferred minimum lease payment	2,229,880	-	-	(1,290,492)	-	939,388
Others	5,358	1,023,426	-	-	-	1,028,784
	18,856,720	33,959,646	-	(1,290,492)	-	51,525,874
Total	P 56,210,097	P 154,883,346	(P 78,013,682)	(P 29,216,090)	P -	P 103,863,671

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2009

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*	*Terms*
Mortgage Payable	P -	P 3,275,344	P 11,552,425	Interest rates ranging from 7.465% to 11.4% per annum with terms ranging from 18 to 36 months
Installment Payable				
Bank of the Phil. Islands		-	8,553,000	Interest rates of 10.25% per annum payable monthly within 84 months (7yrs.) until November, 2015
United Coconut Planters Bank		-	100,000,000	Interest rates of 7.1583% per annum on monthly basis within 48 months until September 30, 2014
Land Bank of the Philippines		-	90,000,000	Interest rates of 8.25% per annum payable in quarterly basis within 60 months (5years) until September 30, 2014
Land Bank of the Philippines		-	55,000,000	Interest rate of 7% per annum and payable monthly until Dec 29, 2014.
Atlas Holding Corporation		1,350,000	24,300,000	5% of principal; Interest 7.0571%: 219 days from March 10 - Oct. 15, 2009
Trans-Asia Power Generation Corp		1,350,000	24,300,000	5% of principal; Interest 7.0571%: 219 days from March 10 - Oct. 15, 2009
Bacnotan Consolidated Industries, Inc.		16,200,000	291,600,000	60% of principal; Interest 7.0571%: 219 days from March 10 - Oct. 15, 2009
Trans-Asia Oil and Energy Development Corp.		8,100,000	145,800,000	30% of principal; Interest 7.0571%: 219 days from March 10 - Oct. 15, 2009
Philippine Business Bank		20,000,000	-	Interest rates of 10% per annum, interest payable monthly & principal payable on maturity date August 5, 2010
Banco De Oro		20,000,000	-	Interest Rates of 8% per annum to be repriced every 30 to 180 days
Penta Investment		19,987,534	-	Interest Rates of 12% per annum payable on monthly basis within 60 days until February 15, 2010
Penta Investment		60,000,000	-	Interest Rates of 12% per annum payable on lump sum on Maturity day (60 days) February 18, 2010
PCI Leasing & Finance Inc.		-	2,029,836	Interest rate of 9.91% per annum with terms ranging from 18 to 24 months
UCPB Leasing & Finance Inc.		-	1,023,354	Interest rate of 7.466 % per annum with terms ranging from 18 to 24 months
UCPB Leasing & Finance Inc.		-	1,228,023	Interest rate of 7.4659 % per annum with terms ranging from 18 to 24 months
UCPB Leasing & Finance Inc.		-	2,366,450	Interest rate of 7.4659 % per annum with terms ranging from 18 to 24 months
ORIX Metro Leasing		-	571,012	Interest rate of 9.4498 % per annum with terms ranging from 18 to 36 months
UCPB Leasing		-	1,104,970	Interest rate of 8.3008 % per annum with terms ranging from 18 to 36 months
Asia Trust Bank		3,665,775	10,221,690	Interest rates ranging from 7.6% to 11.4% per annum with terms ranging from 18 to 24 months
Banco De Oro		92,405	-	Interest rate of 9.8 % to 11.1% per annum with terms ranging from 24 to 36 months
Banco De Oro		201,464	-	Interest rate of 9.8 % to 11.1% per annum with terms ranging from 24 to 36 months
Banco De Oro		151,667	-	Interest rate of 9.8 % to 11.1% per annum with terms ranging from 24 to 36 months
TOTAL		P 154,374,189	P 769,650,760	

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule G - Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
DECEMBER 31, 2009

				Deductions		Ending Balance		
Name	*Balance at beginning of period*	*Designation*	*Additions*	*Amounts paid*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Phoenix Petroleum Holdings, Inc.	P -	Parent Company	P 71,311,400	(P 18,196,718)	P -	P -	P -	P 53,114,682
TOTAL	P -		P 71,311,400	(P 18,196,718)	P -	P -	P -	P 53,114,682

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule I - Capital Stock
December 31, 2009

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value						
Authorized - 400,000,000 shares						
Issued and outstanding - 269,160,875	400,000,000	269,160,875	-	187,914,990	1,716,266	79,529,619

P-HO-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City

SCHEDULE J - Reconciliation of Retained Earnings for Dividend Declaration
December 31, 2009

UNAPPROPRIATED RETAINED EARNINGS FOR DIVIDEND DECLARATION AT BEGINNING OF YEAR		P	295,743,262
Net Income Realized for the Year			
Net income per audited financial statements	195,109,120		
Less unrealized income, net of tax:			
Equity in net income of associate and joint venture	-		
Unrealized foreign exchange gain - ne (2)			
(except those attributable to cash and cash equivalents)	-		
Fair value gains arising from mark-to-market measurement	-		
Fair value gains from investment properties	-		
Unrealized actuarial gains on defined benefit plan	-		
Adjustment due to deviation from PFRS/GAAP	-		195,109,120
Add unrealized loss, net of tax:			
Depreciation on revaluation increments	-		
Adjustment due to deviation from PFRS/GAAP	-		
Fair value loss from investment properties	-		-
			195,109,120
Add (Less) Changes in Retained Earnings for the Year			
Dividend declarations during the period			
Cash dividends	-		
Stock dividends	(73,660,677)		
Appropriations of retained earnings during the period	-		
Reversals of appropriations of retained earnings	-		
Effects of prior period adjustments	-		
Treasury shares	(17,252,140)		(90,912,817)
UNAPPROPRIATED RETAINED EARNINGS FOR DIVIDEND DECLARATION AT END OF YEAR		P	399,939,565