11 August 2009

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

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
4/F PSE Center, Exchange Road
Pasig City, Metro Manila

Mesdames:

We are herewith submitting the attached Second Quarterly Report for the period ended June 30, 2009 or SEC Form 17-Q in compliance with the Securities Regulation Code and the Revised Disclosure Rules.

Thank you and best regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET

A	2	0	0	2	0	7	2	8	3

S.E.C. Registration Number

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

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

(Company's Full Name)

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

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

Dennis A. Uy

Contact Person

(082) 233-0168

Company Telephone Number

1 2 Month / **3 1** Day

Fiscal Year Ending

SEC 17-Q

FORM TYPE

last Thursday

6 Month / **XX** Day

Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1.	For the quarterly period ended:	June 30, 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	184,151,198

Amount of Debt Outstanding as of June 30, 2009:	P 2,422,003,650.00

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 188,000,198

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 [ ]

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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.)
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009, DECEMBER 31, 2008
(Amounts in Philippine Pesos)

	Notes	June 30, 2009	December 31, 2008
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	P 157,113,597	P 357,397,359
Trade and other receivables	5	700,061,451	765,217,736
Inventories	6	373,384,124	155,966,344
Land Held for Sale		465,142,400	
Due from related parties	20		16,240,705
Input value-added tax - net		55,589,966	44,411,280
Restricted deposits	7	60,717,741	80,640,980
Other current assets	8	74,234,894	37,353,377
Total Current Assets		1,886,244,174	1,457,227,781
NON-CURRENT ASSETS			
Land, Property and equipment - net	9	1,404,264,725	881,346,333
Land Held for Future Development		315,874,750	
Deferred Tax Asset	3	10,938,766	10,650,027
Other non-current assets	10	46,643,960	18,856,720
Total Non-current Assets		1,777,722,200	910,853,080
TOTAL ASSETS		P 3,663,966,374	P 2,368,080,861
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans and borrowings	11	936,303,252	831,478,373
Trade and other payables	12	840,731,781	750,441,962
Due to related parties	20	37,181,814	-
Total Current Liabilities		1,814,216,847	1,581,920,335
NON-CURRENT LIABILITIES			
Loans and borrowings	11	587,790,029	72,297,113
Other Non-currret Liabilities	13	19,996,773	23,105,550
Total Liabilities		2,422,003,650	1,677,322,998
EQUITY			
Capital stock	21	188,000,198	188,000,198
Additional paid-in capital		227,114,249	227,114,249
Treasury shares		(17,252,140)	(17,252,140)
Retained earnings		844,100,417	292,895,556
Total Equity		1,241,962,725	690,757,863
TOTAL LIABILITIES AND EQUITY		P 3,663,966,374	P 2,368,080,861

See Notes to Financial Statements

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	For six months ended June 2009	For six months ended June 2008	For three Months April to June 30 2009	For three Months April to June 30 2008
REVENUES					
Sale of goods - net		2,159,688,291	1,846,308,582	1,161,005,755	1,074,250,462
Fuel service and storage income		58,146,690	33,470,571	33,967,258	9,775,865
		2,217,834,981	**1,879,779,153**	**1,194,973,013**	**1,084,026,327**
COST AND EXPENSES					
Cost of sales	14	1,989,142,417	1,730,359,444	1,064,764,787	1,011,001,473
Selling and administrative expenses	15	160,193,632	96,919,664	95,586,135	49,768,806
		2,149,336,049	**1,827,279,108**	**1,160,350,922**	**1,060,770,279**
INCOME BEFORE FINANCE AND OTHER CHARGES		**68,498,932**	**52,500,045**	**34,622,090**	**23,256,048**
OTHER INCOME					
Finance(cost) income-net		(16,768,716)	(5,045,831)	(9,270,615)	(7,047,767)
Other Income (Charges)		2,286,288	385,640	2,456,595	383,918
		(14,482,428)	**(4,660,191)**	**(6,814,020)**	**(6,663,849)**
INCOME BEFORE BEFORE OTHER ITEMS		**54,016,503**	**47,839,854**	**27,808,070**	**16,592,199**
EXCESS OF FAIR VALUE OVER ACQUISITION COSTS	2	**497,188,358**	**-**	**-**	**-**
NET INCOME	22	**551,204,861**	**47,839,854**	**27,808,070**	**16,592,199**

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 JUNE 30, 2009 AND 2008
(Amounts in Philippine Pesos)

	Note	June-2009 (Unaudited)	June-2008 (Unaudited)
CAPITAL STOCK	21		
Balance at beginning of year		188,000,198	145,000,000
Additional issuance during the year		-	-
Balance at end of year		188,000,198	145,000,000
ADDITIONAL PAID-IN CAPITAL	21	227,114,249	227,114,249
TREASURY SHARES		(17,252,140)	(8,570,800)
RETAINED EARNINGS (DEFICIT)	21		
Balance at beginning of year		292,895,556	200,107,018
Net income		551,204,861	62,630,923
Less: Cash Dividends			-
Balance at end of year		844,100,417	262,737,941
TOTAL EQUITY		1,241,962,725	626,281,390

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of Phoenix Petroleum Holdings Inc.)
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2009 AND JUNE 30, 2008

		JUNE 30, 2009	JUNE 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		551,204,861	47,839,854
Adjustments for:			
Depreciation and amortization		42,181,215	23,510,033
Excess of Fair Value over Acquisition Costs	2	(497,188,358)	
Interest expense	11	39,573,892	8,666,293
Interest income		(18,054,065)	(3,620,462)
Operating income before working capital changes		117,717,546	76,395,718
Decrease (Increase) in trade and other receivables		65,156,285	(232,771,455)
Decrease (increase) in inventories		(217,417,780)	(270,307,149)
Increase in Land Held for Sale		(465,142,400)	-
Decrease in restricted deposits		19,923,239	-
Increase in other current assets		(48,060,204)	(32,154,249)
Increase (Decrease) in trade and other payables		90,289,818	738,345,666
Cash generated from operations		(437,533,497)	279,508,530
Excess of Fair Value over Acquisition Costs	2	497,188,358	-
Net Cash From (Used in) Operating Activities		59,654,861	279,508,530
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisitions of property and equipment	9	(565,099,607)	(281,582,786)
Advances from (to) related parties		37,181,814	(29,643,052)
Collections from related parties		16,240,706	
Increase in Land Held for Future Development		(315,874,750)	
Decrease (increase) in other non-current assets		(28,075,979)	1,511,201
Interest received		18,054,065	3,620,462
Net Cash From (Used) in Investing Activities		(837,573,751)	(306,094,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in loans and borrowings		620,317,796	(9,671,777)
Interest paid		(39,573,892)	(8,666,293)
Payments of cash dividends		-	
Proceeds from issuance of shares of stock			
Increase in non-current liabilities		(3,108,776)	-
Increase in additional paid in capital		-	
Cash Dividend Paid			(14,500,000)
Increase in treasury shares		-	(2,931,500)
Net Cash From (Used) in Financing Activities		577,635,128	(35,769,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(200,283,763)	(62,355,214)
CASH AND CASH EQUIVALENTS AT BEGINNING OF SEMESTER		357,397,360	114,178,772
CASH AND CASH EQUIVALENTS AT END OF SEMESTER		157,113,597	51,823,558

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
JUNE 30, 2009 AND DECEMBER 31, 2008
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

PPHI was incorporated in the Philippines on May 31, 2006 but has not yet started 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 Company 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 Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

PPPI has a total of 108 service stations, including nine (9) service stations in Luzon operating as of June 30, 2009. As of this reporting date, a total of 20 service stations are under various stages of construction.

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

- Petroterminals Philippines, Corp. (PPC),
- P-F-L Petroleum Management, Inc. (PPMI)
- P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI), and
- Petrologistix Services Corporation (PSC)
- Bacnotan Industrial Park Corporation (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 yet 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 and started commercial operations in February 2007.

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

PSC was created primarily to engage in providing hauling, trucking services, and other logistics services. PSC was registered with the SEC on January 31, 2007 and started commercial operations in 2008.

BIPC, which was acquired by the Company last March 10, 2009, was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 7, 1996. The Company is engaged in real estate development. The Company is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648.

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 address is 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the PPPI and its Subsidiaries (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.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the re-measurement of certain financial assets and liabilities at amortized cost. The measurement bases are more fully described in the accounting policies in the succeeding pages.

(b) *Functional and Presentation Currency*

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

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) *Effective in 2008 that are Relevant to the Group*

In 2008, the Group adopted for the first time the following new interpretation and amended standards which are mandatory in 2008.

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC 14)	:	Philippine Accounting Standards (PAS) 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
PAS 39 and PFRS 7 (Amendments)	:	PAS 39, Financial Instruments: Recognition and Measurements and PFRS 7, Financial Instruments: Disclosures

Discussed below are the effects on the financial statements of the new accounting interpretation and amended standards.

(i) Philippine Interpretation IFRIC 14, *PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective from January 1, 2008). This Philippine Interpretation provides guidance on assessing the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group's adoption of this interpretation does not have any impact on the Group's financial statements, as it has a retirement benefit obligation and is not subject to any minimum funding requirements.

(ii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* and PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2008). The amendments permit an entity to:

- reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and,
- transfer from the available-for-sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification was made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively. Currently, the Group does not have financial assets at fair value through profit or loss and Available-for-sale financial assets, the Management determined that the adoption of these amendments has no impact on the 2008 financial statements.

(b) Effective Subsequent to 2008 but not Relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

Philippine Interpretation IFRIC 11	:	Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Agreements

(c) *Effective Subsequent to 2008 that are Relevant to the Group*

There are new and amended standards that are effective for periods subsequent to 2008. The following new standards, effective for annual periods beginning on or January 1, 2009, are relevant to the Group which the Group will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PAS 32 and PAS 1 (Amendments)	:	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Various Standards	:	2008 Annual Improvements to PFRS

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

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.

(ii) PAS 23 (Revised 2007), *Borrowing Costs* (effective from January 1, 2009). 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 Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The Group does not expect any impact on its financial statements when it applies the amendments in 2009.

(iv) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008*. These amendments became effective in the Philippines in annual periods beginning on or after January 1, 2009. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies:

- 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 will be applied by the Group in 2009. The Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.

- 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 financial instruments held for trading financial assets, thus, this amendment will have no impact in the Group's 2009 financial statements.

- PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:

  - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.

  - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

The Group's management assessed that this amendment to PAS 19 will have no impact on its 2009 financial statements.

- PAS 38 (Amendment), *Intangible Assets*. The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. In the case of supply of goods, the entity recognizes such expenditure as an expense when it has a right to access the goods. For services, an expense is recognized on receiving the service. Also, prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group initially determined that adoption of this amendment will not have a material effect on its 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 relates 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 initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.

- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. Presently, the Group has no investment property, thus, this amendment will have no impact in the Group's 2009 financial statements.

Minor amendments are made to several other standards; however, those amendments are not expected to have a material impact on the Group's financial statements.

2.3 Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (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.

In 2007, the Parent Company acquired 100% ownership in PPC, PPMI, PGMI and PSC that gave rise to Goodwill (see Note 10) and pre-acquisition loss presented in the 2007 income statement. In March 10, 2009, the Company acquired the 100% of shares of BIPC from its shareholders.

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

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

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

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

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

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

During acquisition by the Parent Company of a subsidiary, the assets and liabilities acquired are recorded on its fair value. The excess of fair value over net assets acquired is recorded as one-time non-recurring income.

2.4 Financial Assets

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

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

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

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

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. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss, except for changes in fair values of reclassified financial assets under PAS 39 and PFRS 7 (Amendments). Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

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

2.5 Inventories

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

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

2.6 Property and Equipment

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

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

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

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

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

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

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

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

2.7 Financial Liabilities

Financial liabilities include loans and borrowings, trade and other payables and security deposits (under Other Non-current Liabilities account in the consolidated balance sheet), which are measured at amortized cost using the effective interest method.

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

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

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

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

2.8 Provisions

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

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

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

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

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

2.9 Business Combinations

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

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

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

2.10 Revenue and Expense Recognition

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

(a) Sale of goods – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

(b) Fuel service, storage income and other revenue – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. This account includes franchise income which has minimal amount.

(c) Interest – 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. This is presented as part of the Fuel Service, Storage Income and Other Revenue account in the consolidated income statement.

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

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

2.11 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

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

(b) *Group as Lessor*

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

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

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

2.12 Functional Currency

(a) *Functional and Presentation Currency*

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

(b) *Transactions and Balances*

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

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

2.13 Impairment of Non-financial Assets

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

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

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

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

2.14 Employee Benefits

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

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

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

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

2.15 Income Taxes

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as component of tax income in the consolidated income statement. 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.

2.16 Equity

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

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

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

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

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

2.17 Earnings per Share

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

2.18 Segment Information

The Group has not presented segment information because, at present, the Group has similar nature of operations. Management believes that segment reporting is more appropriate to enterprises offering group of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant to assessing the risks and returns of a diversified or multinational enterprise.

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) Functional Currency

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

(b) Operating and Finance Leases

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

(c) Provisions and Contingencies

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 2.8 and relevant disclosure is presented in Note 23.

3.2 Key Sources of Estimation Uncertainty

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

(a) Useful 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 analysed in Note 9. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property and equipment during the year.

(b) Allowance for Impairment of Trade and Other Receivables

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

There are no impairment losses recognized in 2009 and 2008.

(c) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset utilized.

Deferred tax asset amounted to P10.9 million and P10.7 million as of June 30, 2009 and December 31, 2008.

(d) 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.

(e) 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 16 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 P3.0 million in 2008 (see Note 16.2).

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	June 30, 2009	December 31, 2008
Cash on hand and in banks	**P 157,113,597**	P 297,380,830
Short-term placements	**-**	60,016,529
	P 157,113,597	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 7 to 90 days and earn effective interest ranging from 2.1% to 4.8%.

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	June 30, 2009	December 31, 2008
Trade receivables	**P 603,129,028**	P 556,234,756
Advances to suppliers	**43,896,903**	159,453,618
Non-trade receivables	**33,165,214**	35,284,040
Other receivables	**19,870,307**	14,155,322
	P 700,061,451	P 765,217,736

All of the Group's trade and other receivables have been reviewed for indicators of impairment. There are no trade receivables found to be impaired as of June 30, 2009 and December 31, 2008.

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

6. INVENTORIES

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

	Note	June 30, 2009	December 31, 2009
Lubricants	14	**P 96,300,083**	P 84,230,244
Fuel	14	**277,084,041**	71,736,100
		P 373,384,124	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 11.1).

7. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking facilities covered by hold-out agreements. As such, these are restricted as to withdrawals. Banking facilities availed by the Group are used for the purpose of purchasing fuel and lubricant supplies from their sources. Interest rates for this type of deposit range from 3.5% to 5.9375% per annum in the 2nd quarter of 2009 and 3.125% to 5.975% per annum in 2008.

8. OTHER CURRENT ASSETS

The composition of this account as of June 30, 2009 and December 31, 2008 is shown below:

	June 30, 2009	December 31, 2008
Prepayments	**P 58,979,195**	P 34,896,771
Supplies	**808,028**	1,795,851
Others	**14,447,671**	660,755
	P 74,234,894	P 37,353,377

9. PROPERTY AND EQUIPMENT

June 30, 2009

	Costs	Accumulated Depreciation	Net Book Value
Land	156,007,593	-	156,007,593
Property, Plant and Equipment	1,397,198,254	(148,941,123)	1,248,257,131
TOTAL	**1,553,205,847**	**(148,941,123)**	**1,404,264,725**

December 31, 2008

	Costs	Accumulated Depreciation	Net Book Value
Land	134,853,747	-	134,853,747
Property, Plant and Equipment	853,252,494	(106,759,908)	746,492,586
TOTAL	**988,106,241**	**(106,759,908)**	**881,346,333**

The additional land amounting to P21,153,846 was acquired from Philippine Investment Management (PHINMA), Inc.

10. OTHER NON-CURRENT ASSETS

The composition of this account as of June 30, 2009 and December 31, 2008 is shown below:

	Note	June 30, 2009	December 31, 2008
Goodwill		**P 9,344,134**	P 9,344,134
Refundable rent deposits		**8,507,140**	7,277,348
Deferred minimum lease payments	23	**15,463,271**	2,299,880
Others		**13,329,415**	5,358
		P 46,643,960	P 18,856,720

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.

Refundable rent deposits represent deposit of the Group for the lease of various parcels of land.

11. LOANS AND BORROWINGS

This account consists of the following as of June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
Current:		
Liabilities under letters of credits and trust receipts	**P 855,410,106**	P 732,177,470
Installment and notes payable	**78,132,344**	97,147,890
Mortgage payable	**2,762,819**	2,153,013
	P 936,303,252	P 831,478.373
Non-current:		
Installment and notes payable	**P 584,466,069**	P 69,937,865
Mortgage payable	**3,323,960**	2,359,248
	P 587,790,029	P 72,297,113

11.1 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. These short-term trust receipts bear interests based in prevailing market interest rates at an average of 8.25%.

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

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

11.2 Credit Line

In October 2008, the Group entered into a P750,000,000 Omnibus Term Credit Facility Agreement with Syndicate of Banks. In that facility, the Syndicate of Banks have agreed to provide financing to the parent company to support the working capital requirements, specifically the purchase of petroleum products, locally or through importation, for trading and distribution, and to partially finance the Group's capital expenditure requirements.

The credit line will be collaterized by the Group's future inventories and certain property and equipment.

The financing to be provided under this agreement consists of domestic/import LC and TR line by the banks for domestic or import LC of up to P600,000,000 and loan by the lenders in the aggregate amount of P150,000,000.

11.3 Installment Payable

The installment payable represents liability to Phinma Group for the purchase of the 100% shares of stocks BIPC by the Company. The following are the provisions indicated in the contract to sell entered by the Company and Phinma Group:

(a) The installment payable shall earn an interest at PDST-F (Philippine Dealings System Treasury-Fixing plus 3% and are payable monthly starting the seventh month from the signing of the agreement until February 2014.

11.4 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 24 months. The mortgages are secured by certain service vehicles of the Group, presented as part of Property and Equipment account in the consolidated balance sheets (see Note 9).

12. TRADE AND OTHER PAYABLES

This account consists of:

	June 30, 2009	December 31, 2008
Trade payables	**P 807,147,785**	P 690,398,533
Accrued expenses	**33,364,158**	54,924,248
Others	**219,839**	5,119,181
	P 840,731,781	P 750,441,962

Accrued expenses mostly pertain to payables to various contractors for construction of retail stations which is based on percentage of completion that remains unpaid during the year.

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

13. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	June 30, 2009	December 31, 2008
Security deposits		**P 17,750,000**	P 16,190,545
Retirement benefit obligation	16.2		2,970,928
Unearned rent			3,944,077
Deposit for Construction		**2,246,773**	
		P 19,996,773	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.

14. COST OF SALES AND SERVICES

This account is composed of the following:

	Note	**June 30, 2009**	June 30, 2008
Inventory, Beginning	6	**155,966,344**	178,059,559
Net Purchases		**2,187,060,985**	1,998,584,617
Goods Available for Sale		**2,343,027,329**	2,176,644,176
Inventory, End	6	**373,384,124**	448,366,708
		1,969,643,205	1,728,277,468
Costs of Services		**19,499,212**	2,081,976
TOTAL		**1,989,142,417**	1,730,359,444

15. OPERATING EXPENSE BY NATURE

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

	June 30, 2009	June 30, 2008
Salaries and Employees' Benefits	**31,453,411**	26,913,393
Depreciation and Amortization	**37,556,072**	23,510,033
Trucking Charges	**9,032,541**	5,966,961
Fuel, Oil and Lubricants	**8,288,855**	7,472,419
Advertisements and Promotion	**8,103,465**	4,318,562
Rent	**17,540,104**	4,264,126
Office & Warehouse Supplies	**2,397,810**	1,115,722
Repairs and Maintenance	**5,762,808**	2,169,996
Travel and Transportation	**5,952,486**	3,909,354
Professional Fees	**5,332,915**	2,730,506
Utilities	**3,985,358**	3,870,784
Taxes and Licenses	**8,212,396**	1,532,277
Representation	**2,216,971**	903,332
Insurance	**3,463,894**	842,214
Bank Charges	**4,197,700**	1,147,590
Security Fees	**1,556,600**	1,185,345
Dues and Subscription	**872,254**	485,400
Service Fee	**2,216,134**	3,190,349
Miscellaneous	**2,051,857**	1,391,301
	160,193,632	**96,919,664**

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

	June 30, 2009	June 30, 2008
Cost of Sales and Services	**1,989,142,417**	1,730,359,444
Selling and Administrative Expenses	**160,193,632**	96,919,664
	2,149,336,049	1,827,279,108

16. EMPLOYEE BENEFITS

16.1 Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 15) are presented below:

	June 30, 2009	June 30, 2008
Salaries and wages	**25,732,754**	21,985,695
13th month pay and bonuses	**903,716**	1,865,457
Employee welfare and other benefits	**4,816,941**	3,062,241
	31,453,411	26,913,393

17. REGISTRATION WITH THE BOARD OF INVESTMENTS (BOI)

The Parent Company was registered with the BOI on November 16, 2005, as new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 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.

18. 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.

19. TAXES

The Parent Company availed of the income tax holiday under its registration with the BOI (see Note 17) starting on January 1, 2006.

20. RELATED PARTY TRANSACTIONS

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

20.1 Rentals

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. Total rent expense incurred in the years 2008, 2007 and 2006 is about P4.8 million, P2.8 million and P2.1 million, respectively and is presented as part of Rent expense (see Note 15).

20.2 Due from Related Parties

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

The breakdown of due from related parties as of end of Semester/Year is as follows:

		June 30, 2009		December 31, 2008
Due to from PPHI				
Balance at beginning of year	**P**	**2,937,730**	**P**	22,498,464
Additions		**15,299,652**		33,454,326
Collections/Receipts		**(68,981,049)**		(53,015,060)
Balance, end	**P**	**(50,743,667)**	**P**	2,937,730
Due to Related Parties				
Balance at beginning of year	**P**	**13,302,975**	**P**	13,100,611
Additions		**258,878**		633,282.11
Collections/Receipts				(430,918)
Balance, end	**P**	**13,561,853**	**P**	13,302,975
TOTAL Due to Related Parties				
Balance at beginning of year	**P**	**16,240,705**	**P**	35,599,076
Additions		**15,558,530**		34,087,608
Collections/Receipts		**(68,981,049)**		(53,445,978)
Balance, End	**P**	**(37,181,814)**	**P**	16,240,705

The Group's advances to related parties is presented as Due from Related Parties in the consolidated balance sheet.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	June 30, 2009			June 30, 2008		
	Shares		Amount	Shares		Amount
Common shares – P1 par value						
Authorized:						
Balance at beginning of year	400,000,000	P	400,000,000	400,000,000	P	400,000,000
Increase during the Semester						
Balance at end of Semester	400,000,000	P	400,000,000	400,000,000	P	400,000,000
Issued:						
Balance at beginning of year	188,000,198	P	188,000,198	145,000,000	P	145,000,000
Stock dividends						
Issued during the semester						
Balance at end of semester	188,000,198	P	188,000,198	145,000,000	P	145,000,000

21.2 Increase in Authorized Capital Stock

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

(a) On June 12, 2006, the Company's authorized capital stock was increased from P10,000,000 divided into 10,000,000 shares with par value of P1 per share to P50,000,000 divided into 50,000,000 shares with par value of P1 per share;

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

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

21.3 Additional Paid-in Capital

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

21.4 Retained Earnings

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 all 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.

22. EARNINGS PER SHARE

Earnings per share were computed as follows:

		June 30, 2009		June 30, 2008
Net income	P	**551,204,861**	P	47,839,854
Divided by weighted average number of outstanding common shares		**184,151,198**		143,767,078
Earnings per share	**P**	**2.99**	P	0.33

The Parent Company does not have dilutive shares as of June 30, 2009 and December 31, 2008. Accordingly, no diluted earnings per share was computed by the Group.

23. COMMITMENTS AND CONTINGENCIES

23.1 Capital Commitments

As of December 31, 2008, the Parent Company has commitments of more than P200.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Parent Company has a network of 108 opened retail service stations as of June 30, 2009. An additional of 38 other retail service stations were under various stages of completion as of end June 30, 2009.

In this year, the Parent Company 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, complete its chain of logistical support to strengthen its foothold in the industry.

23.2 Letters of Credits

As of June 30, 2009, December 31, 2008 the Parent Company has unused letters of credit amounting to P 179.3 million and P250.0 million respectively.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

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

24.1 Foreign Currency Risk

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

24.2 Credit Risk

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

	Notes	June 30, 2009	December 31, 2008
Cash and cash equivalents	4	**P 157,113,697**	P 357,397,359
Trade and other receivables	5	**700,061,451**	765,217,736
Due from related parties	20	**-**	16,240,705
Restricted deposits	7	**60,717,741**	80,640,980
Refundable rent deposits	10	**14,958,978**	7,277,348
		P 932,851,867	P1,266,744,128

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

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:

	June 30, 2009	December 31, 2008
Not more than one month	**P 43,546,240**	P 62,495,128
More than one month but not more than two months	**15,796,371**	17,941,554
More than two months but not more than four months	**67,314,485**	93,364,406
	P 126,657,096	P 173,801,288

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

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

24.3 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 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.

This compares to the maturity of the Group's financial liabilities as of June 30, 2009, as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 936,303,252	P	P 587,790,029
Trade and other payables	840,731,781	-	-
Security Deposit & Others			19,996,773
	P 1,777,035,033	P 0	P 607,786,802

As of December 31, 2008, the Group's liabilities have contractual liabilities which are summarized as follows:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 3 years
Loans and borrowings	P 819,491,691	P 14,830,542	P 72,297,113
Trade and other payables	757,033,065	-	-
Security deposits	-	-	16,190,545
	P 1,576,524,756	**P 14,830,542**	**P 88,487,658**

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

25. CAPITAL MANAGEMENT OBJECTIVE, POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

The Group's goal in capital management is to maintain at most 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.

	June 30, 2009	December 31, 2008
Total liabilities	**P2,422,003,650**	P1,677,322,998
Total equity	**1,241,962,725**	690,757,863
Debt-to-equity ratio	**1.95 : 1.0**	2.43 : 1.0

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

Comparable discussion on Material Changes in Results of Operations for the Three Months' Period Ended June 30, 2009 vs. June 30, 2008

Revenues

The Company generated total revenues of ₱ 2,218 million in 2009 which is 18% higher than its 2008 level of ₱ 1,880 million. This was brought about by the 84% and 118% increase on volume of sales of Petroleum Products and Lubricants respectively. At the same time, the company's service revenue also posted a substantial increase triggered by the 48% increase in volume of fuels handled during the period.

Sales revenues from trading and distribution of petroleum products increased by about 17% from ₱1,846 million in 2008 to ₱ 2,160 million in 2009 resulting principally from a wider distribution network and expanded institutional customer base. The effective increase in absolute sales amount was not proportionate to the increase in volume, as average unit selling price this year declined to ₱ 25.45 per liter compared to ₱ 37.82 per liter in 2008 or a 33% drop.

The Company had one hundred eight (108) operating Phoenix Fuels Life retail service stations as of June 30, 2009 compared to sixty-two (62) retail stations as of the same period of last year. The company will continue to open more stations during the year.

The Company generated ₱46 million from its fuels service, lease of its storage facilities and other service revenue in 2009 versus ₱ 33.4 million in 2008 a 37% increase compared to last year. In addition, the company added ₱ 12.1 million to its revenue which was derived from consolidating the performance of BIPC, its recently-acquired wholly owned subsidiary.

Cost and expenses

The Company's recorded this year a cost of sales of ₱ 1,989 million, an increase of 15% from its 2008 level of P 1,730 million driven by the 84% increase in the sales volume of petroleum products. In relation also to price, the effective increase in absolute amount was not proportionate to the increase in volume as average unit costs this year is lower compared to the same period of last year.

Selling and administrative expenses increased as a result of the increasing volume and the ongoing expansion and growth of the Company's 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 Company's net income jumped to ₱ 551 million in the first semester of 2009 compared to its 2008 first semester level of P47.8 million. Of this increase, ₱ 497 million represented non-recurring income due to the booking of the "excess of fair value over acquisition costs" arising from the Company's purchase of 100% of the capital of Bacnotan Industrial Park Corporation (BIPC).

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

Financial Condition
(As of June 30, 2009 versus December 31, 2008)

Total resources of the Company as of June 30, 2009 stood at ₱ 3.66 billion, a growth of 55% over the P2.368 billion as of December 31, 2008.

Cash and cash equivalents decreased by 56% from ₱ 357 million to ₱ 157 million due cash utilization in operation and in payment for its major capital expenditures.

The Company's liquidity position continued to hold strong with Current Assets amounting to ₱ 1.886 billion as of June 30, 2009, up from ₱1.457 billion as of December 31, 2008.

Trade and other receivables decreased by 9%, from ₱ 765 million as of December 31, 2008 to ₱ 700 million as of June 30, 2009 as a result of a better accounts receivable management. The Company continue to exercise prudence in its credit policies in order to manage customer receivable risk.

Inventories increased by 139%, from ₱155 million as of December 31, 2008 to ₱ 373 million as of June 30, 2009 as part of the Company's inventory management strategy. In the period of rising prices, it would be necessary to build good level of inventory. This was made possible with the company doubling its storage capacity in Davao Depot as of June 30, 2009 compared to December 31, 2008. The company also leased a number of tanks in various sites to strengthen its inventory positioning.

Due from related parties net balance is negative ₱ 37.2 million as of June 30, 2009 versus ₱16.2 million as of December 31, 2008. The Parent Company extended advances to the Company to support its cash requirement for its capital expenditures.

Other current assets increased by 99%, from ₱ 37 million as of December 31, 2008 to ₱ 74 million as of June 30, 2009 due to prepayments on rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments .

As of June 30, 2009, the Company's property and equipment, net of accumulated depreciation, increased to ₱ 1.404 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 substantial assets to include Pier and Pier Facilities also boosted the fixed assets of the Company.

Loans and Borrowings increased by 69% from total ₱ 904 million as of December 31, 2008 to ₱ 1.524 billion as of June 30, 2009 due the increase of ₱ 104.8 million and ₱ 515.5 million on short term and long term financing respectively. The long term portion is mainly the instalment payable on the BIPC acquisition.

Trade and other payables increased by 12%, from ₱ 750 million as of December 31, 2008 to ₱840.7 million as of June 30, 2009 as a result of the inventory build-up of the Company mostly using suppliers' credit.

Total Stockholders' Equity increased to ₱ 551 million as of June 30, 2009 from ₱ 691 million as of December 31, 2008 substantially because of the one-time non-recurring income of ₱497 million as a result of the acquisition of BIPC plus the net income from operation of ₱54 million during the first semester of the year.

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

Selected Financial Ratios	**Six (6) Months ended, June 30, 2009**	**Twelve months ended, December 31, 2008**
Current Ratio[1]	1.04 : 1	0.92 : 1
Debt to Equity[2]	1.95 : 1	2.43 : 1
Return on Equity[3]	57%	24%
Return on Assets[4]	18%	8%
Earnings Per Share[6]	2.99	0.91
Net Book Value Per Share[5]	6.74	3.75

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

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

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

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

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

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

Material Changes to the Company's Balance Sheet as of June 30, 2009 compared to December 31, 2008 (Increase/decrease of 5% or more)

56% decrease in Cash and cash equivalents
Largely due to investment in Inventories and Capital Expenditures.

9% decrease in Trade and other receivables
Primarily due to enhanced accounts receivable management

139% increase in Inventories
Due to inventory positioning in the period of increasing prices utilizing new storage capacities.

100% decrease in Due from related parties
Due to collection of the said accounts, plus the parent company extended advances to the Company to support its continuous expansion.

100% increase in land held for sale
Due to acquisition of BIPC with Land Held for Sale Inventory

25% increase in Net Input VAT
Due to accumulation of Input Value Added Tax on the Capital expenditures of the Company

25% Decrease in Restricted Deposits
Due to a management of L/C- T/R line maximizing the utilization of clean lines.

99% increase in other asset
Due to prepaid rentals for retails stations and depot sites, creditable withholding taxes and other prepayments.

These subsidiary companies and their nature of business are:

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

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

c) P-F-L Petroleum Management, Inc. (PPMI) , engaged in the management of six (6) PTT gasoline retail station in first and second quarter of 2008. In 2009, it manages the Company-Owned-Company-Operated Stations of PPPI.

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

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

59% increase in Property and Equipment
Mainly due acquisition of BIPC with substantial assets and the additional construction of

Phoenix Fuels Life retail service stations, expansion of storage capacities and logistics equipment to support the Company's increasing volume.

69% increase in Loans and Borrowings
Current portion is due to increasing inventory, while long term portion is the result of the acquisition of BIPC under long term repayment arrangement.

12% increase in Trade and other payables
Due to increased inventory level utilizing suppliers' credit.

Material changes to the Company's Income Statement as of June 30, 2009 compared to June 30, 2008 (Increase/decrease of 5% or more)

17% increase in Sale of petroleum products
Principally due to higher sales volume though not proportionate to the 84% in sales volume due to lower average selling prices in the current year.

232% increase in Finance Costs (net)
Mainly as result of availment of Trust Receipts, Notes Payable and the interest on instalment payable.

15% increase in cost of sales
Primarily due to increase sales in petroleum product however minimized by the lower average costs compared to last year.

65% increase in selling and administrative expenses
Due to ongoing expansion, increase in area of coverage, volume of activity and continuous growth of the Company

493% increase in Other Income (Charges
Increase in rental revenue for the increasing number of stations and other miscellaneous income.

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

PART II – OTHER INFORMATION

1. On March 10, 2009, the Company acquired BIPC from its shareholders, BCII, Atlas Holdings Corporation, Trans-Asia Oil and Energy Development Corporation and Trans-Asia Power Generation Prior to this date, BIPC is majority owned by Bacnotan Consolidated Industries, Inc. (BCII). Its ultimate Parent company is Philippine Investment Management, Inc. (PHINMA).

2. As of June 30, 2009, there are no know trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

3. July 23, 2009, the Company inaugurated its 50-million liter terminal constructed inside the Phoenix Industrial Park in Calaca, Batangas. The said park has its own full-size pier capable of receiving vessels up to 50,000 MT of deadweight.

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

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

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

SIGNATURES

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

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

By:

DENNIS A. UY
President and Chief Executive Officer

FRANCIS DONALD A. CALUAG
Chief Finance Officer