



15 May 2009

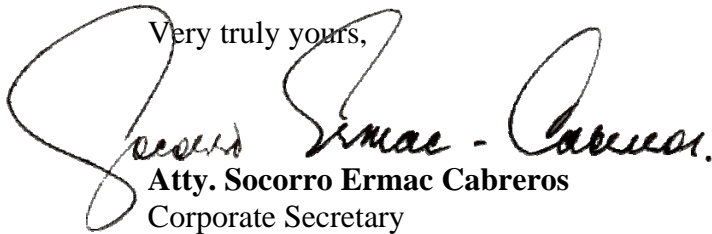
Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Dear *Ms. Encarnacion*:

We would like to submit the Company's First Quarter Report for period ended March 31, 2009 or SEC Form 17-Q in compliance with the Revised Disclosure Rules and Securities Regulation Code.

Thank you and best regards.

Very truly yours,



Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

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

www.phoenixphilippines.com

COVER SHEET

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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				
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

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SEC 17-Q
FORM TYPE

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6			
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Annual Meeting			

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Secondary License Type, if applicable

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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings											
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended: March 31, 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 March 31, 2008: P 2,285,933,525.00

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
March 31, 2009, DECEMBER 31, 2008
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 218,471,166	P 357,397,359
Trade and other receivables	5	670,962,222	765,217,736
Inventories	6	308,067,856	155,966,344
Land Held for Sale		465,142,400	
Due from related parties	19		16,240,705
Input value-added tax - net		60,936,338	44,411,280
Restricted deposits	7	60,227,043	80,640,980
Other current assets	8	52,689,912	37,353,377
		<u>1,836,496,937</u>	<u>1,457,227,781</u>
TOTAL Current Assets			
NON-CURRENT ASSETS			
Land, Property and equipment - net	9	1,299,402,906	881,346,333
Land Held for Future Development		315,874,750	
Deferred Tax Asset		10,938,766	10,650,027
Other non-current assets	10	37,374,817	18,856,720
		<u>1,663,591,239</u>	<u>910,853,080</u>
TOTAL Non-current Assets			
		<u>P 3,500,088,176</u>	<u>P 2,368,080,861</u>
TOTAL ASSETS			
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Loans and borrowings	11	996,573,251	831,478,373
Trade and other payables	12	659,010,200	750,441,962
Due to related parties	19	37,222,478	-
		<u>1,692,805,929</u>	<u>1,581,920,335</u>
TOTAL Current Liabilities			
NON-CURRENT LIABILITIES			
Loans and borrowings	11	570,130,823	72,297,113
Other Long-term Liabilities		22,996,773	23,105,550
		<u>2,285,933,525</u>	<u>1,677,322,998</u>
TOTAL Liabilities			
EQUITY			
Capital stock	20	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		816,292,343	292,895,556
		<u>1,214,154,651</u>	<u>690,757,863</u>
TOTAL Equity			
		<u>P 3,500,088,176</u>	<u>P 2,368,080,861</u>
TOTAL LIABILITIES AND EQUITY			

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 QUARTERS ENDED MARCH 31, 2009 AND 2008
(Amounts in Philippine Pesos)

	Note	March 31, 2009 (Unaudited)	March 31, 2008 (Unaudited)
CAPITAL STOCK	20		
Balance at beginning of year		P 188,000,198	P 145,000,000
Additional issuance during the year		<u>-</u>	<u>-</u>
Balance at end of year		<u>188,000,198</u>	<u>145,000,000</u>
ADDITIONAL PAID-IN CAPITAL	20	<u>227,114,249</u>	<u>227,114,249</u>
TREASURY SHARES	20	<u>(17,252,140)</u>	<u>(8,570,800)</u>
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year		292,895,552	77,748,252
Net income		<u>523,396,791</u>	<u>31,247,655</u>
Balance at end of year		<u>816,292,343</u>	<u>108,995,907</u>
TOTAL EQUITY		<u>P 1,214,154,651</u>	<u>P 472,539,356</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS ENDED MARCH 31, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	<u>March 31, 2009</u>	<u>March 31, 2008</u>
REVENUES			
Sale of goods - net		998,682,536	772,058,120
Fuel service and storage income		24,179,432	23,696,428
		<u>1,022,861,968</u>	<u>795,754,548</u>
COST AND EXPENSES			
Cost of sales and Services	13,14	924,377,630	719,357,971
Selling and administrative expenses	14	64,607,497	43,034,835
		<u>988,985,127</u>	<u>762,392,806</u>
INCOME BEFORE TAX AND OTHER INCOME (LOSS)		33,876,841	33,361,742
OTHER INCOME			
Finance costs (net)		(7,498,100)	(2,114,087)
Other Costs		(170,307)	-
		<u>(7,668,408)</u>	<u>(2,114,087)</u>
INCOME BEFORE TAX & OTHER ITEMS		<u>26,208,433</u>	<u>31,247,655</u>
EXCESS OF FAIR VALUE OVER ACQUISITION COSTS		<u>497,188,358</u>	<u>-</u>
NET INCOME	21	<u>523,396,791</u>	<u>31,247,655</u>
Basic earnings per share	21	<u>P 2.84</u>	<u>P 0.22</u>

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 MARCH 31, 2009 AND MARCH 31, 2008

	<u>March 31, 2009</u>		<u>March 31, 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	523,396,791		31,247,655
Adjustments for:			
Depreciation and amortization	14 14,447,070	14	10,891,350
Excess of Fair Value over Acquisition Costs	(497,188,358)		
Interest expense	9 17,896,798	9	4,116,023
Interest income	<u>(10,398,697)</u>		<u>(2,001,936)</u>
Operating income before working capital changes	48,153,604		44,253,093
Decrease (Increase) in trade and other receivables	94,255,513		(199,492,800)
Decrease (increase) in inventories	(152,101,513)		114,290,118
Increase in Land Held for Sale	(465,142,400)		-
Decrease in restricted deposits	20,413,937		-
Increase in other current assets	(31,861,595)		(2,938,371)
Increase (Decrease) in trade and other payables	<u>(91,431,763)</u>		<u>392,703,705</u>
Cash generated from operations	(577,714,217)		348,815,744
Excess of Fair Value over Acquisition Costs	<u>497,188,358</u>		<u>-</u>
Net Cash From (Used in) Operating Activities	<u>(80,525,860)</u>		<u>348,815,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisitions of property and equipment	14 (432,503,643)	14	(119,809,880)
Advances from (to) related parties	37,222,478		(32,216,595)
Collections from related parties	16,240,705		
Increase in Land Held for Future Development	(315,874,750)		
Decrease (increase) in other non-current assets	(18,806,837)		(947,044)
Interest received	<u>10,398,697</u>		<u>2,001,936</u>
Net Cash Used in Investing Activities	<u>(703,323,349)</u>		<u>(150,971,583)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in loans and borrowings	662,928,589		(172,657,119)
Interest paid	(17,896,798)		(4,116,023)
Payments of cash dividends	15 -	15	
Increase in non-current liabilities	(108,776)		-
Increase in treasury shares	<u>-</u>		<u>(2,931,500)</u>
Net Cash Used in Financing Activities	<u>644,923,015</u>		<u>(179,704,642)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(138,926,194)		18,139,519
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>357,397,360</u>		<u>114,178,772</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>218,471,166</u>		<u>132,318,291</u>

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
MARCH 31, 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) 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.

The Company has a total of 100 service stations, including three service stations in Luzon operating as of March 31, 2009. As of March 31, 2009, there are a total of 19 service stations under construction.

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

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

(c) *Reclassification of Accounts*

Certain accounts in the 2007 and 2006 consolidated financial statements have been reclassified to conform to the 2008 consolidated financial statement presentation and classification.

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

Various Standards : Arising on Liquidation
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).

Excess of fair value over acquisition costs 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Functional Currency

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

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

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

2.13 Impairment of Non-financial Assets

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

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

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

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

2.14 Employee Benefits

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined

benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, 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 analyzed 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 P10.6 million and P10.6 million as of March 31, 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. 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 (P156.1 million as at December 31, 2008) is affected by price changes. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories in the next financial year.

(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:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Cash on hand and in banks	P 218,471,166	P 297,380,830
Short-term placements	<u>-</u>	<u>60,016,529</u>
	<u>P 218,471,166</u>	<u>P 357,397,359</u>

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

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Trade receivables	P 526,265,114	P 556,234,756
Advances to suppliers	100,470,574	159,453,618
Non-trade receivables	42,774,866	35,284,040
Other receivables	<u>1,451,667</u>	<u>14,155,322</u>
	<u>P 670,962,221</u>	<u>P 765,217,736</u>

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

	<u>Note</u>	<u>March 31, 2009</u>	<u>December 31, 2009</u>
Lubricants	14	P 97,004,133	P 84,230,244
Fuel	14	<u>211,063,723</u>	<u>71,736,100</u>
		<u>P 308,067,856</u>	<u>P 155,966,344</u>

Under the terms of agreements covering the liabilities under trust receipts, certain inventories have been released to the Group in trust for the bank. The Group is accountable to the bank for the 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 1st quarter of 2009 and 3.125% to 5.975% per annum in 2008.

8. OTHER CURRENT ASSETS

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

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Prepayments	P 50,424,363	P 34,896,771
Supplies	766,619	1,795,851
Others	<u>1,538,930</u>	<u>660,755</u>
	<u>P 58,689,912</u>	<u>P 37,353,377</u>

9. PROPERTY AND EQUIPMENT

Certain properties with an aggregate carrying value of P5,122,135 and P5,522,405 as of March 31, 2009 and December 31, 2008 respectively, are mortgaged with local banks.

In addition, 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 March 31, 2009 and December 31, 2008 is shown below:

	<u>Note</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Goodwill		P 9,344,134	P 9,344,134
Refundable rent deposits		9,102,589	7,277,348
Deferred minimum lease payments	23	6,038,214	2,299,880
Others		<u>12,827,380</u>	<u>5,358</u>
		<u>P 37,374,817</u>	<u>P 18,856,720</u>

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

Refundable rent deposits represent deposit 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 amounting to P2.2 million 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.

11. LOANS AND BORROWINGS

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

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Current:		
Liabilities under letters of credits and trust receipts	P 923,322,266	P 732,177,470
Installment and notes payable	69,999,410	97,147,890
Mortgage payable	<u>3,251,575</u>	<u>2,153,013</u>
	<u>P 996,573,251</u>	<u>P 831,478,373</u>
Non-current:		
Installment and notes payable	P 556,474,693	P 69,937,865
Mortgage payable	<u>13,656,130</u>	<u>2,359,248</u>
	<u>P 570,130,823</u>	<u>P 72,297,113</u>

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 collateralized 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. Draw down for the Term Facility and use of LC/TR Facility is planned by the Group to between May and June 2009.

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:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Trade payables	P 690,398,533	P 146,528,514
Accrued expenses	54,924,248	17,434,381
Others	<u>5,119,181</u>	<u>5,468,198</u>
	<u>P 750,441,962</u>	<u>P 169,431,093</u>

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:

	<u>Note</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Security deposits		P 20,750,000	P 16,190,545
Retirement benefit obligation	16.2		2,970,928
Unearned rent			3,944,077
Deposit for Construction		<u>2,246,773</u>	<u> </u>
		<u>P 22,996,773</u>	<u>P 23,105,550</u>

Security deposits represent deposits received from dealers for the lease of equipment that are installed in retail 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 to P3,944,077 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.

14. COST OF SALES

This account is composed of the following:

	<u>Note</u>	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Inventories at beginning of year	6	P 155,966,344	P 178,059,559
Net purchases during the year		<u>1,071,782,813</u>	<u>605,067,853</u>
Goods available for sale		1,227,749,157	783,127,412
Inventories at end of year	6	(<u>308,067,856</u>)	(<u>63,769,441</u>)
		<u>P 919,681,301</u>	<u>P 719,357,971</u>

15. OPERATING EXPENSE BY NATURE

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

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Cost of Sales and Service		
Fuels	876,235,990	702,825,351
Lubricants	43,445,311	16,532,620
Services	4,696,329	-
Salaries and employees' benefits	14,366,302	11,380,807
Depreciation and amortization	14,447,070	10,891,350
Trucking charges	3,898,718	2,038,968
Fuel, oil and lubricants	3,984,469	3,008,554

Advertisements and promotion	2,761,513	1,117,981
Rent	4,438,279	1,968,983
Office supplies	1,024,361	437,486
Repairs and maintenance	2,014,507	844,872
Travel and transportation	2,755,458	1,693,267
Professional fees	1,979,548	1,360,863
Taxes and licenses	1,818,944	573,911
Representation	1,021,967	598,404
Insurance	742,931	371,368
Bank charges	1,461,528	532,390
Security fees	1,081,308	577,999
Dues and Subscription	438,239	356,482
Service Fee	825,682	582,541
Utilities	1,645,462	849,375
Provisions for Bad Debts	696,774	-
Miscellaneous	3,204,437	3,849,233
	<u>988,985,127</u>	<u>762,392,806</u>

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

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Cost of Sales	919,681,301	719,357,971
Selling and Administrative Expense	<u>988,985,127</u>	<u>762,392,806</u>
	<u>1,908,666,427</u>	<u>1,481,750,777</u>

16. EMPLOYEE BENEFITS

16.1 Employee Benefits

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

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Salaries and Wages	10,972,285	9,492,986
13th Month Pay	145,264	506,163
Other Benefit	<u>3,248,754</u>	<u>1,381,658</u>
	<u>14,366,302</u>	<u>11,380,807</u>

16.2 Retirement Benefit Obligation

The Company has an unfunded defined benefit pension plan covering all qualifying employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. The present value of the obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The amount of retirement benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 13) in the consolidated balance sheets as of December 31 follows:

	<u>2008</u>
Present value of obligation	P 2,418,400
Unrecognized actuarial gains (losses)	<u>552,528</u>
	<u>P 2,970,928</u>

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

	<u>2008</u>
Balance at beginning of year	P 2,799,612
Current service cost	865,425
Interest cost	232,928
Actuarial loss (gain)	(<u>1,479,565</u>)
Balance at end of year	<u>P 2,418,400</u>

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

	<u>2008</u>
Current service cost	P 865,425
Interest cost	232,928
Loss recognized in the year	<u>28,825</u>
	<u>P 1,127,178</u>

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

	<u>2008</u>
Discount rate	15.50%
Expected rate of salary increase	10.00%

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

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 tax income for the years 2008 and 2007 pertains to the subsidiaries. The Parent Company availed of the income tax holiday under its registration with the BOI (see Note 17) starting on January 1, 2006.

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

	<u>Balance Sheets</u>		<u>Income Statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
NOLCO	P 10,650,027	P 4,813,793	P 5,836,235	P 4,351,788
Deferred Tax Income			P 5,836,235	P 4,351,788
Deferred Tax Assets	P 10,650,027	P 4,813,793		

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

<u>Taxable Years</u>	<u>Amount</u>	<u>Until</u>
2008	P 25,774,508	2011
2007	8,406,033	2010
2006	<u>1,320,010</u>	2009
	<u>P 35,500,551</u>	

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 (see Note 23.3). 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 December 31 is as follows:

	<u>March 31, 2009</u>	<u>December 31,</u> <u>2008</u>
Due to Parent Company		
Balance at beginning of year	P 2,937,730	P 22,498,464
Additions	15,258,988	33,454,326
Collections	(68,981,049)	(53,015,060)

Balance, end	P	(50,784,332)	P	2,937,730
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Due to Related Parties

Balance at beginning of year	P	13,302,975	P	13,100,611
Additions		258,877.96		633,282.11
Collections				(430,918)

Balance, end	P	13,561,853	P	13,302,975
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TOTAL Due to Related Parties

Balance at beginning of year	P	16,240,705	P	35,599,076
Additions		15,517,866		34,087,608
Collections		(68,981,049)		(53,445,978)

Balance, End	P	(37,222,478)	P	16,240,705
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The Group's advances to related parties is presented as Due from Related Parties in the consolidated balance sheet.

20.3 Key Management Compensations

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

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Salaries and Wages	<u>2,626,491</u>	<u>1,870,875</u>

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	<u>March 31, 2009</u>		<u>March 31, 2008</u>	
	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 year				
Balance at end of year	<u>400,000,000</u>	<u>P 400,000,000</u>	<u>400,000,000</u>	<u>P 400,000,000</u>
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 year				
Balance at end of year	<u>188,000,198</u>	<u>P 188,000,198</u>	<u>145,000,000</u>	<u>P 145,000,000</u>

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 Deposits on Future Stock Subscriptions

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

21.5 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:

		<u>March 31, 2009</u>		<u>March 31, 2008</u>
Net income	P	523,396,791	P	31,247,655
Divided by weighted average number of outstanding common shares		184,151,198		116,000,000
Earnings per share	P	<u>2.84</u>	P	<u>0.27</u>

The Parent Company does not have dilutive shares as of December 31, 2008, 2007 and 2006. 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 100 opened retail service stations as of March 31, 2009. An additional of 19 other retail service stations were under various stages of completion as of end March 31, 2009.

In this year, the Parent Company plans to expand further its petroleum retail service stations and carry out its investments in its 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 March 31, 2009, December 31, 2008 the Parent Company has unused letters of credit amounting to P125.3 million and P250.0 million respectively.

23. 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.

23.1 Foreign Currency Risk

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

23.2 Interest Rate Sensitivity

The Group's policy is to minimize interest rate cash-flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At March 31, 2009 and 2008, the Group is exposed to changes in market interest rates through its bank borrowings and cash and cash equivalents, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

24.3 Credit Risk

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

	Notes	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Cash and cash equivalents	4	P 218,471,166	P 357,397,359
Trade and other receivables	5	670,962,222	765,217,736
Due from related parties	20	-	16,240,705
Restricted deposits	7	60,277,043	80,640,980
Refundable rent deposits	10	<u>8,766,763</u>	<u>7,277,348</u>
		<u>P 958,477,194</u>	<u>P1,266,744,128</u>

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:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Not more than one month	P 69,651,870	P 62,495,128
More than one month but not more than two months	17,017,213	17941,554
More than two months but not more than four months	<u>68,068,851</u>	<u>93,364,406</u>
	<u>P 154,701,934</u>	<u>P 173,801,288</u>

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with 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.

24.4 Liquidity Risk Analysis

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

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

This compares to the maturity of the Group's financial liabilities as of March 31, 2009, as follows:

	<u>Current</u>		<u>Non-current</u>	
	Within	6 to 12		1 to 3
	6 months	months		years
Loans and borrowings	P 996,573,251	P	P	570,130,823
Trade and other payables	659,010,200	-		-
Security Deposit				20,750,000
	<u>P 1,655,583,450</u>	<u>P 0</u>	<u>P</u>	<u>590,880,823</u>

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

	<u>Current</u>		<u>Non-current</u>	
	Within	6 to 12		1 to 3
	6 months	months		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
	<u>P 1,576,524,756</u>	<u>P 14,830,542</u>	<u>P</u>	<u>88,487,658</u>

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

24. CAPITAL MANAGEMENT OBJECTIVE, POLICIES AND PROCEDURES

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,

- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

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

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Total liabilities	P2,285,933,525	P1,677,322,998
Total equity	1,214,154,651	690,757,863
Debt-to-equity ratio	<u>1.88 : 1.0</u>	<u>2.43 : 1.0</u>

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 March 31, 2009 vs. March 31, 2008

Revenues

The Company generated total revenues of ₱ 1,023 million in 2009 which is 22% higher than its 2008 level of ₱ 795 million, primarily due to 86 % increase in sales volume of petroleum products and revenues from fuels service and storage.

Sales revenues from trading and distribution of petroleum products increased by about 23% from ₱772 million in 2009 to ₱ 999 million in 2009 resulting principally from a wider distribution network and expanded institutional customer base. The Company had forty six (100) operating Phoenix Fuels Life retail service stations as of March 31, 2009 compared to twenty-one (46) retail stations as of the same period of last year. The company will continue to open more stations during the year and expects to have an additional 10 more stations by June 2009, bringing the total to seventy (110) retail service stations.

The Company generated ₱24.2 million from its fuels service and lease of its storage facilities in 2009 versus ₱ 23.7 million in 2008 a slight increase compared to last year.

Cost and expenses

The Company's recorded cost of sales of ₱ 924million, an increase of 79% from its 2009 level of P 719 million primary due to the 86% increase in the sales volume of petroleum products minimized by the decline in unit costs from average of Php 35.50 in 2008 to 24.50 in 2009 or 11% drop.

Selling and administrative expenses increased as a result of the increasing volume and the ongoing expansion and growth of the Company's business operations. Recently, the company has its ongoing advertising campaign increasing its advertising costs.

Net Income

The Company's net income jumped to ₱ 523 million in the first quarter of 2009, from its 2008 1st quarter level of P31.2 million. ₱ 497 million is a non-recurring income as "excess of fair value against acquisition costs" as a result of the Company's move in acquiring 100% of Bacnotan Industrial Park Corporation (BIPC) through stock purchase.

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

Financial Condition

(As of March 31, 2009 versus December 31, 2008)

Total resources of the Company as of March 31, 2009 stood at ₱ 3.5 billion, a growth of 47.8% over the P2.368 billion of December 31, 2008.

Cash and cash equivalents decreased by 39% from ₱ 357 million to ₱ 218 million due cash utilization in operation and in payment for its capital expenditures.

The Company's liquidity position continued to be strong with Current Assets amounting to ₱ 1.836 billion as of March 31, 2009, up from ₱1.457 billion as of December 31, 2008.

Trade and other receivables decreased by 12%, from ₱ 765 million as of December 31, 2008 to ₱ 670 million as of March 31, 2009 as a result of a better accounts receivable management. The Company continue to enhance its credit policies to minimize to the lowest possible level the past due accounts.

Inventories increased by 98%, from ₱155 million as of December 31, 2008 to ₱ 308 million as of March 31, 2009 as the Company's inventory strategy on managing price fluctuations.

Due from related parties net balance is negative ₱ 37.2 million as of March 31, 2009 versus ₱16.2 million as of December 31, 2008. The Parent Company extended advances to the Company to support its cash requirement awaiting drawdown of the Omnibus Credit Facilities the Company had signed with syndicate of Banks.

Other current assets increased by 41%, from ₱ 37 million as of December 31, 2008 to ₱ 53 million as of March 31, 2009 or by ₱ 15 million due to accumulation of Input VAT on capital expenditures with in ongoing expansion of the Company and prepaid rentals on retail service stations and depot sites.

As of March 31, 2009, the Company's property and equipment, net of accumulated depreciation, increased to ₱ 1.299 billion compared to P 881 million as of December 31, 2008 as a result of the Company's acquisition of BIPC with substantial assets to include Pier and Pier Facilities. During the 1st quarter 2009 the Company is completing its Liquid Terminal in Calaca, Batangas plus retail stations in Luzon, Mindanao and Visayas.

Loans and Borrowings decreased by 73% from total ₱ 904 million as of December 31, 2008 to ₱ 1.566 billion as of March 31, 2009 of the long term instalment payable as a result of the BIPC acquisition.

Trade and other payables decreased by 12%, from ₱ 750 million as of December 31, 2008 to ₱659 million as of March 31, 2009 as a result of the lower price of inventory and financing part of these trade payable by Letters of Credit (L/C) and or Trust Receipts (T/R).

Total Stockholders' Equity increased to ₱ 523 million as of March 31, 2009 from ₱ 691 million as of December 31, 2008 substantially because of the one-time non-recurring income of Php 497million as a result of the acquisition of BIPC plus the net income from operation of P26.2 million during the 1st three (3) months of the year.

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

Selected Financial Ratios	Three (3) Months ended, March 31, 2009	Twelve months ended, December 31, 2008
Current Ratio ¹	1.08 : 1	0.92 : 1
Debt to Equity ²	1.88 : 1	2.43 : 1
Return on Equity ³	32%	24%
Return on Assets ⁴	18%	8%
Earnings Per Share ⁶	2.84	0.91
Net Book Value Per Share ⁵	6.59	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 March 31, 2009 compared to December 31, 2008 (Increase/decrease of 5% or more)

39% decrease in Cash and cash equivalents
Largely due to purchase of Inventories and Capital Expenditures.

12% decrease in Trade and other receivables
Primarily due to enhanced accounts receivable management

98% increase in Inventories
Due to inventory positioning in the period of increasing prices.

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

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

41% increase in Other current assets
Due to accumulation of Input Value Added Tax on the Capital expenditures of the Company and prepaid rentals for retail stations and depot sites.

These subsidiary companies and its nature of business are:

- a.) Petroterminal Philippines Corp. to operate the Depot facility in Calaca, Batangas
- b.) Petrologistix Services Corp. to provide ground logistics services and transport petroleum products of the Company.
- c) P-F-L Petroleum Management, Inc. (PPMI) , engaged in the management of six (6) PTT gasoline retail station.
- d.) Phoenix Global Mercantile Inc. to handle the Distribution Agreement of Lubricants under Foreign brand.
- e.) P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI), corporate social responsibility arm of the company.

47% 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 and pursue strategic directions.

73% increase in Loans and Borrowings
Due to the instalment payable on the acquisition of BIPC.

12% decrease in Trade and other payables
Due to settlement of accounts and utilization of LC/TR facilities.

Material changes to the Company's Income Statement as of March 31, 2009 compared to March 31, 2008 (Increase/decrease of 5% or more)

97% increase in Sale of petroleum products
Principally due to higher sales volume however minimized by the lower average selling prices.

254% increase in Finance Costs (net)
Mainly as result of availment of Instalment Payable, Trust Receipts and Notes Payable

22% increase in cost of sales
Primarily due to increase sales in petroleum product however minimized by the lower average costs compared to last year.

28% increase in selling and administrative expenses

Due to ongoing expansion, increase in area of coverage, volume of activity and continuous growth of the Company

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

PART II – OTHER INFORMATION

1. On 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 March 31, 2009, there are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.
3. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
4. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.
5. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

SIGNATURES

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

Registrant

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

By:



DENNIS A. UY
President and Chief Executive Officer



CHRYSS ALFONSUS V. DASMUY
Comptroller