



May 12, 2009

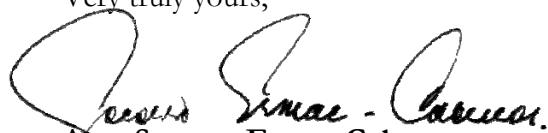
Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
PSE Center, Exchange Road
Ortigas, Pasig City

Dear ***Ms. Encarnacion:***

Pursuant to the Revised Rules on Disclosure, we are herewith submitting our Definitive Information Statement (DIS) or SEC Form 20-IS duly received by the SEC.

Thank you and best regards.

Very truly yours,


Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, 8000 Davao City, Philippines
Davao Trunkline: 082-235-8888 Fax: 082-2330168

Manila Office: 7th Floor, Unit A, ACT tower, Sen. Gil Puyat Ave., Salcedo Village, 1227 Makati City, Philippines
Manila Trunkline: 02-8134588 Fax: 02-8171155
www.phoenixphilippines.com

COVER SHEET

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S.E.C. Registration Number

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

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

(Company's Full Name)

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

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

Dennis A. Uy

Contact Person

(082) 233-0168

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year Ending

SEC 20-IS
FORM TYPE

6

Month

last Thursday

XX

Day

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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Domestic

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Foreign

To be accomplished by SEC Personnel Concerned

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File Number

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LCU

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Document I.D.

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Cashier

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



1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

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

3. Country of Incorporation: Philippines

4. SEC Identification Number: A200207283

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

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

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

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

May 29, 2009, 2:00 p.m.
Marco Polo Hotel
Davao City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: May 8, 2008

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

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Shares, Php1.00 par value	184,151,198

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

Yes X No _____

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

Philippine Stock Exchange, 188,000,198 Common Shares

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

- (a) Date : **May 29, 2009**
 Time : **2:00 p.m.**
 Place : **Marco Polo Hotel**
 Davao City
- Mailing **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
 Address: **Office of the Corporate Secretary**
 Stella Hizon Reyes Road, Bo. Pampanga
 Lanang, Davao City 8000
- (b) Approximate date on which the Information Statement is first to be sent or given to security holders: **May 8, 2009**

Item 2. Dissenter's Right of Appraisal

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

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Voting Securities

As of March 31, 2009, the total number of shares outstanding and entitled to vote are 184,151,198 shares. These figures already exclude the treasury shares purchased by the Company through its Shares Buy-back scheme.

- (b) Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Meeting is **April 30, 2009**.

- (c) Voting Rights

In the election of directors, stockholders of record as of April 30, 2009 shall be entitled to vote in person or by proxy, as many votes as there are directors elected. If he will vote thru a proxy, the By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Meeting.

A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's

decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Meeting.

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

(d) Security Ownership of Certain Record and Beneficial Owners and Management as of March 31, 2009

(1) Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2009, the following are the owners of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Phoenix	Name of Beneficial Owners/Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Phoenix Petroleum Holdings, Inc. Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City	Record Owner is the direct beneficial owner	Filipino	102,050,000	54.28%
	Majority Shareholder				
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Record Owner is the indirect beneficial owner	Filipino	44,139,070	23.48%
	Shareholder				
Common	Udenna Corporation (Formerly Udenna Holdings Corporation) Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City	Record Owner is the direct beneficial owner	Filipino	25,674,993	13.66%

As of March 31, 2009, the following are the beneficial owners under the PCD Nominee Corp. of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Phoenix	Name of Beneficial Owners/Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	ATR Kim Eng Securities, Inc. 17/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, 1226 Shareholder	Record Owner is a trading participant/stockbroker	Filipino	13,179,690	7.16%

The persons voting for and in behalf of the following stockholders are as follows:

Name of Stockholders	Representative
1. Phoenix Petroleum Holdings, Inc.	Jose Manuel R. Quimson
2. Udenna Corporation	Cherylyn C. Uy
3. PCD Nominee/ Trading Participants	<i>Ultimate Beneficial Owners shall be available after lapse of the Record Date and upon submission of their respective proxy forms for validation</i>

(2) Security Ownership of Management

As of March 31, 2009, the security ownership of management is as follows:

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Ownership
Directors:				
Common	Dennis A. Uy Penthouse Valero Tower, 122 Valero St., Salcedo Village, Makat City	1,153,000 direct beneficial owner	Filipino	0.61%
Common	Dennis A. Uy &/or Cherylyn C. Uy Penthouse Valero Tower, 122 Valero St., Salcedo Village, Makat City	221,000 direct beneficial owner	Filipino	0.12%

Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	730,001 direct beneficial owner	Filipino	0.39%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City	6,501 direct beneficial owner	Filipino	0.00%
Common	Jose Manuel R. Quimson 28 Osmeña St., Xavierville Subd., Loyola Heights, Katipunan, Quezon City	1 direct beneficial owner	Filipino	0.00%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City	50,001 direct beneficial owner	Filipino	0.00%
Common	Ricardo S. Pascua 16 Solar St., Bel-Air III, Makati City	1 direct beneficial owner	Filipino	0.00%
Common	Monico V. Jacob 7 th flr Philippine First Bldg, 6764 Ayala Ave., Makati City	1 direct beneficial owner	Filipino	0.00%
Senior Management:				
Common	Nicholas D. Dy * Insular Village Phase II, Lanang, Davao City	775,000 direct beneficial owner	Filipino	0.00%
Common	Romeo De Guzman Hillsborough, Alabang Village, Muntinlupa City	115,000 direct beneficial owner	Filipino	0.00%
Common	Sandra Elecerio Parra ** Guadalupe Village, Lanang, Davao City	6,500 direct beneficial owner	Filipino	0.00%
Common	Alberto D. Alcid Doña Socorro St., Belisario Heights Subd., Lanang, Davao City	6,500 direct beneficial owner	Filipino	0.00%

Common	Edgardo A. Alerta Arellano St., Davao City	26,000	Filipino	0.01%
		direct beneficial owner		
Common	Rebecca Pilar C. Caterio Margarita Village, Bajada, Davao City	6,500	Filipino	0.00%
		direct beneficial owner		

* On terminal leave and resignation is effective May 16, 2009

** Resignation effective April 15, 2009

The other executive officers of the Company, Messrs. Alexander A. Lumbuan, Alejandro U. Suan, Chryss Alfonsus V. Damuy, Felix Cesar L. Zerrudo, Jr., Jerome Z. Nava, Alan Raymond T. Zorilla and Rey A. Phala do not own shares in the Company.

The number of aggregate shares for all directors and executive officers is Three Million Ninety Six Thousand Six (3,096,006).

There are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

(e) Change in Control

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

Item 5. Directors and Executive Officers

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

Office	Name	Age	Citizenship
Directors			
Chairman	Domingo T. Uy	63	Filipino
Director/President and Chief Executive Officer	Dennis A. Uy	35	Filipino
Director/Vice President	Jose Manuel R. Quimson	60	Filipino
Corporate Secretary/Asst. Vice President for Corporate Legal	Socorro T. Ermac Cabrerros	44	Filipino
Director	J.V. Emmanuel A. de Dios	43	Filipino
Independent Director	Ricardo S. Pascua	60	Filipino
Independent Director	Monico V. Jacob	63	Filipino
Other Executive Officers			
Vice President for Treasury	Felix Cesar L. Zerrudo Jr.	48	Filipino
Asst. Vice President for Corporate Affairs	Alan Raymond T. Zorilla	40	Filipino

Asst. Vice President for Human Resources	Jerome Francis Z. Nava	41	Filipino
Asst. Vice President for Sales in Mindanao	Edgardo A. Alerta	55	Filipino
Asst. Vice President for Lubes and Chemicals	Alberto D. Alcid	53	Filipino
Asst. Vice President for Engineering and Maintenance	Alexander A. Lumbuan	43	Filipino
Manager, Davao Depot Operations and Logistics	Alejandro U. Suan	45	Filipino
Comptroller	Chryss Alfonsus V. Damuy	35	Filipino
Treasury Manager	Rebecca Pilar C. Caterio	36	Filipino
Credit and Collection Manager	Rey A. Phala	42	Filipino

Directors

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

Domingo T. Uy

Chairman

Domingo T. Uy, Filipino, 63 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. Likewise, he is the Chairman of Granscor Corporation, a holding company of the Uy brothers engaged in real estate, mining and commodities trading. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development, and Aquamines, Philippines, a firm engaged in prawn farming. Mr. Uy is currently involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association, Davao Chapter.

Dennis A. Uy

President and Chief Executive Officer

Dennis A. Uy, Filipino, 35 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is currently the Chairman of the Board of Directors of Phoenix Petroleum Holdings, Inc., the holding company of the Company and Udenna Corporation, the ultimate parent entity of the Company. Mr. Uy is also the President and Chief Executive Officer of Udenna Management & Resource Corp. and its subsidiaries namely: Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation (UDEVCO), Value Leases Inc. and Udenna Foundation, Inc. In addition, he was an Independent Director of Transpacific Broadband Group, International, a publicly-listed

firm. Mr. Uy is also a Member of the Management Association of the Philippines (MAP), the American Chamber of Commerce, Davao Chapter, the Davao City Chamber of Commerce and a Business Sector representative to the Chinatown Development Council in Davao. He was also Past-President of Apo Golf & Country Club and was a Director of Elias Lopez Sports Foundation. Mr. Uy holds a Bachelor of Science Degree in Business Management from the De La Salle University.

Jose Manuel R. Quimson
Vice President

Jose Manuel R. Quimson, Filipino, 60 years old, is Vice President of the COMPANY and concurrently the General Manager of Petroterminals Philippines, Inc., a wholly-owned subsidiary of the COMPANY. He was elected to the Company's Board of Directors on February 15, 2007. He is also the Vice President & Chief Operating Officer of Chelsea Shipping Corp. Currently, Mr. Quimson is a member of the Board of Directors of the Udenna Corporation and its subsidiaries. Previously, he was President of Petrotrade Philippines, Inc. a company providing bunkering services to international vessels. Mr. Quimson was also Vice Chairman of Herma Shipyard, Inc., a company engaged in the business of ship building, repair, port terminal services and fabrication. He also worked as President of Transman Shipping Corporation, operators of cargo vessels for inter-island shipping and the Transport Managers, Inc. a company engaged in customs brokerage, freight forwarding, general transport and heavy lift handling. Mr. Quimson was also the Managing Director of Delbros Group of Companies, where he started his professional career in 1970 as Financial Analyst. Mr. Quimson has more than 30 years of work experience in the shipping industry. He is a graduate of the MBA Program of the Ateneo de Manila University Graduate School of Business in 1972 and completed the first year of the MBM Program at the Asian Institute of Management. He holds a Bachelor of Arts Degree from the Ateneo De Manila University.

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

Socorro T. Ermac-Cabreros, Filipino, 44 years old, is currently Asst. Vice President for Corporate Legal of the COMPANY. She was elected Director and appointed Corporate Secretary of the COMPANY on February 15, 2007. She is likewise appointed as Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, Atty. Ermac-Cabreros was a Legal Counsel of Philippine National Bank in Davao City where she handled and managed the various legal cases of the branches in Southern Mindanao particularly in the areas of General Santos City and the provinces of Davao del Norte and Davao Oriental. Atty. Ermac-Cabreros has also worked for various government agencies such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She holds a Bachelor of Science Degree Major in Behavioral Science from Maryknoll College Foundation, Inc. and finished her law degree at the Ateneo de Davao University College of Law. She is also an active member of the Integrated Bar of the Philippines, and was the immediate past Vice President for the Davao City Chapter. Atty. Ermac-Cabreros was recently elected as the

President of the Integrated Bar of the Philippines Davao City Chapter. Atty. Ermac-Cabreros has over 15 years experience in the practice of law rendering legal opinions and consultation and handling and management of criminal, civil and administrative cases including investigation, litigation and prosecution.

Atty. J.V. Emmanuel A. De Dios

Director

J.V. Emmanuel A. De Dios, Filipino, 43 years old, was initially elected as Independent Director of the Company on February 15, 2007. He was elected as a regular director last March 7, 2008. He was recently appointed as President of Nido Petroleum Philippines, Inc. and Atty. De Dios served previously as Chairman of the Philippine National Oil Company, Exploration Corporation. Prior to PNOC-EC, Atty. De Dios was the Undersecretary of the Philippine Department of Energy where he supervised the Department's Planning Bureau and Administration, and Downstream Oil and Gas Industry. He was also an Associate of Romulo Mabanta Buenaventura Sayoc & De Los Angeles Law Office where he practiced Corporate, Commercial, Energy and Securities Law. Atty. De Dios also worked under former Chief Justice Hilario G. Davide, Jr. as a Senior Law Clerk where he engaged in legal research and drafting decisions. He also took time to be a Contributor of the Philippine Daily Star, responsible for reporting on the U.S. System of legal education and law practice. Atty. De Dios was also a professor at the St. Scholastica's College and a Senior Instructor at the University of the Philippines where he taught cost accounting and business law. He is an active member of the Integrated Bar of the Philippines where he served as Director for the KAMANAVA Chapter. He is also a member of the Council of Advisers at the Harvard Law School Club of the Philippines. Atty. De Dios took his Master of Laws at the Harvard Law School and completed his Bachelor of Laws at the Ateneo de Manila University School of Law. He holds a Bachelor of Science degree in Business Administration from the University of the Philippines.

Ricardo S. Pascua

Independent Director

Ricardo S. Pascua, Filipino, 60 years old, was elected Independent Director of the Company on February 15, 2007 and currently serves in the same capacity for various corporate and foundation boards. He retired from active employment but sits as Chairman of the Board of Readyfoods Manufacturing Corporation, a manufacturer of ready-to-eat foods. Mr. Pascua is also the Chairman of the Facilities and Property Management Technologies, Inc., the Biometrix Technology Philippines Corporation, which distributes IP-based security and communications systems. Prior to his retirement, Mr. Pascua was the Vice Chairman, President and Chief Executive Officer of the Metro Pacific Corporation, where he was tasked to refocus Metro Pacific as a premier property holding and development company in the Philippines. He was the Executive Director of the First Pacific Company Limited involved in setting overall group policy and strategic direction. As part of his investment oversight duties, he served in companies such as SMART Communications, Inc., the United Commercial Bank in San Francisco, CA, the First Pacific Bank in Hong Kong, and the 1st eBANK in Manila. Mr. Pascua oversaw the preparation and initial execution of the Master Development Plan when he was Vice Chairman, President and Chief Executive Officer of Fort Bonifacio Development

Corporation, now known as the Bonifacio Land Corporation. Mr. Pascua completed his Master in Business Management from the Asian Institute of Management. He graduated with a Bachelor of Arts Degree Major in Economics, Cum Laude, from the Ateneo de Manila University.

Monico V. Jacob
Independent Director

Monico V. Jacob, 63 years old, was elected as Independent Director of the Company on March 7, 2008. He is at present the President and Chief Executive Officer of the STI Education Services Group, a network of over 100 colleges and educational centers in the Philippines. Concurrently, Mr. Jacob also sits as Chairman and Managing Partner of CEOs, Inc., a business and management consultancy Firm; Chairman of Global Resource for Outsourced Worker, Inc., a professional placement company for healthcare and ICT workers. His areas of specialty include energy, corporate law, corporate recovery and rehabilitation work. Prior to his present positions, Mr. Jacob was Chairman and Chief Executive Officer of Petron Corporation. As Chairman, he presided over its privatization and implemented and led the partnership of the government with Saudi Aramco in Petron. He also presided over the Initial Public Offering (IPO) of Petron shares which has since been hailed as the most successful IPO offering in the country. He retired from Petron at the close of the President Fidel V. Ramos presidency in July 1998. He was also Chairman and CEO of Philippine National Oil Company (PNOC) and all of its subsidiaries. As Chairman of the PNOC, he presided over the privatization of the PNOC Dockyard and Engineering Corporation. Prior to joining the government, Mr. Jacob was Partner of the law firm of Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. He is a member of the following group: Management Association of the Philippines (MAP) where he served as President for 1998; Board of FINEX; Integrated Bar of the Philippines. Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Directorships in Other Reporting Companies

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

Name of Director	Name of Reporting Company	Position Held
Ricardo S. Pascua	Boulevard Holdings, Inc.	Independent Director
Monico V. Jacob	Jollibee Foods Corporation	Independent Director
	Chemrez Technologies, Inc.	Independent Director

Period of Directorship in the Company

<u>Name</u>	<u>Period of Service</u>	<u>Term of Office</u>
Dennis A. Uy	since incorporation to present	1 year
Domingo T. Uy	since incorporation to present	1 year
Socorro T. Ermac Cabrerros	since incorporation to present	1 year
Jose Manuel R. Quimson	2007 to present	1 year
J.V. Emmanuel De Dios	2007 to present	1 year
Ricardo S. Pascua	2007 to present	1 year
Monico V. Jacob	March 7, 2008 to present	1 year

Certificate of Attendance of Directors for 2008

A copy of the Corporate Secretary's Sworn Certification on the attendance of Directors for the year 2008 is herein attached as **Annex "D"**.

Executive Officers

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

Romeo B. De Guzman, Filipino, 59 years of age, is currently the Chief Operating Officer of the Company. Mr. De Guzman has 35 years of experience in the oil industry, covering retail, commercial, operations, distribution, finance, and corporate affairs. Prior to joining the COMPANY, Mr. De Guzman was the former Vice President-External Affairs for Asia Pacific of Shell, directly reporting to London, from 2004 to 2006. He was with Pilipinas Shell for twenty-five (25) years and served in various positions nationwide. National Accounts Manager from 1982 to 1983, Mindanao District Manager-General Sales from 1983 to 1986, later on as Retail Regional Manager for Metro Manila from 1986 to 1988 and he was later on appointed as Retail Regional Manager for Visayas and Mindanao from 1988 to 1991. From 1991 to 1994, De Guzman served as the Area Manager for North Luzon of Pilipinas Shell, until he was appointed GM/Vice President for Sales – Philippines and North Pacific Islands from 1995 to 2003. He also had attended various management and leadership courses in London, The Hague, and in other Asian countries. Mr. De Guzman also worked with Getty Oil Philippines Inc. for ten (10) years, holding various positions in retail and sales in the said company. Mr. De Guzman completed his Masters in Business Administration at San Sebastian College Manila. He holds a degree in Bachelor of Science in Commerce, Major in Management-Marketing also in San Sebastian College Manila.

Felix Cesar L. Zerrudo, Jr., Filipino, 48 years old, is the Vice President for Treasury of the COMPANY. He had been involved in various facets of banking during his past 28 years in the financial markets. Mr. Zerrudo began his banking career with Multinational Investment Bancorporation doing investment management, liquidity management, securities underwriting and trading, and merchant banking activities. He then did funds management and investment banking work with International Capital Corporation, from 1987 to 1995. He was later affiliated with Lippo Asia Investment Corporation doing

fixed-income trading and brokerage in addition to investment banking work. His most recent stint was in Philippine National Bank where he worked its Treasury Sector as Vice President. Mr. Zerrudo had also been involved in various business and socio-civic various organizations such as the Money Market Association of the Philippines, the Investment House Association of the Philippines, and the Don Bosco Alumni Philippine National Federation. Mr. Zerrudo holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Jerome Francis Z. Nava, Filipino, 41 years old, is the Asst. Vice President for Human Resources of the Company. Prior to joining the Company, Mr. Nava has worked in the following corporations: Toyota Motor Philippines, Shell Companies in the Philippines, International Business Machines (IBM) and HAVI Logistics Phil., Inc. He then joined Pilipinas Shell where he was given extensive opportunities in Sales and Marketing. He spent eight years in Commercial Sales, handling 6 geographical areas as an Account Manager. He also handled several industries like Paper, Land Transport, Steel, Power, Textile and Conglomerate business, specifically the Lucio Tan and John Gokongwei Group of companies. His last five years in Shell was spent on Human Resource Development handling Attraction and Recruitment. He managed the Shell Assessment Centres as a tool to attract high-potential candidates and retain consistent high performers. Mr. Nava later on engaged in a large BTO (Business Transformation Outsourcing) company – IBM Business Services, Inc in 2007. He was accountable for an end-to-end transition of HR Business processes of a large US pharmaceutical company, which include: Compensation, Recruitment, Payroll, Payroll Tax, Benefits, Employee Data Management with Contact Center and involves a total FTE (full-time-equivalent) of 260 staff. He then joined HAVI Logistics Philippines, Inc. - a Supply Chain & Distribution company supporting McDonald's, where he worked as an HR Manager, and assumed over-all HR Management employing 150 staff. Mr. Nava obtained his Mechanical Engineering degree from the De La Salle University.

Alan Raymond T. Zorrilla, Filipino, 40 years of age and is currently appointed as the Asst. Vice President for Corporate Affairs. Prior to his employment with the Company, he was Chief Legal Counsel of Unioil Group of Companies. He also sat as Director for Freeport Services Corporation, as 100% subsidiary of Subic Bay Metropolitan Authority. Atty. Zorrilla was engaged in the litigation practice with Pangilinan Britanico Sarmiento And Franco Law Offices, a Makati-based Law Office before his engaging into Corporate Practice. Atty. Zorrilla is a graduate of the San Beda Law School in 1994.

Edgardo A. Alerta, Filipino, 55 years old, is the Assistant Vice President for Sales in Mindanao. Prior to joining the COMPANY, Mr. Alerta served as Municipal Councilor of the Municipality of Matanao, Davao Del Sur, Philippines. He worked with Pilipinas Shell Petroleum Corporation for 15 years where he started as a Marketing Sales Executive and later progressed to District Sales Manager. He also worked as a Technical Services Engineer of Getty Oil Philippines and was an Energy Examiner of the Department of Energy. Mr. Alerta, who is a licensed Mechanical Engineer, has more than 25 years work experience in the energy and petroleum industries from the government and multinational corporations. He holds two degrees in Engineering: Bachelor of Science Degrees Major in Mechanical Engineering and Electrical Engineering from the Cebu Institute of Technology.

Alberto D. Alcid, Filipino, 54 years old, is the Assistant Vice President for Lubes and Chemicals of the COMPANY. Mr. Alcid started his professional career in the petroleum industry with Caltex Philippines, Inc. as a Sales Representative. He later became the Regional Manager for the Visayas and Mindanao where he strengthened the market position of Caltex in those regions. He was later promoted as the National Manager for Lubes and Greases of Caltex Philippines where he lead the integration of the manufacturing and marketing operations of lubes and greases and strengthened the market position of the brand in the retail, commercial and high street trades. Mr. Alcid holds a Bachelor of Science Degree Major in Mechanical Engineering from the De La Salle University.

Alexander A. Lumbuan, Filipino, 44 years old, is the Assistant Vice President for Engineering and Maintenance of the COMPANY. Previously, he was the Engineering and Operations Manager of NDT Philippines. He also worked as Inspection Services Consultant for the V-5 Construction Company. Mr. Lumbuan was the Designer Consultant of the Davao Oil Terminal Corporation and, at one time, he was the Group Operations and Engineering Manager of the Unioil Group of Companies. He also worked as Plant Manager for Union Refinery Corporation and was the Supervisor of the Pandacan Terminal Maintenance under Petron Corporation. Mr. Lumbuan started his professional career as a Maintenance Engineer for Basin Dredging and Development Corporation in 1989. Mr. Lumbuan holds a Bachelor of Science Degree in Mechanical Engineering at the Central Colleges of the Philippines and acquired his Diploma in Industrial Engineering from the University of the Philippines in 1991. Mr. Lumbuan is a Licensed Mechanical Engineer.

Alejandro U. Suan, Filipino, 46 years old, is currently the Manager of the Davao Depot Operations and Logistics of the COMPANY. Prior to his employment with the Company, he worked with Paramina Earth Technologies, Inc. where he started as General Foreman and later progressed to General Manager. Mr. Suan also worked for Atlas Mining, Inc. in both Mining Operations and Marketing and Sales. He holds a Bachelor of Science Degree in Mining Engineering from the Cebu Institute of Technology and is a licensed Mining Engineer. Mr. Suan has over 18 years work experience in the mining industry.

Chryss Alfonsus V. Damuy, Filipino, 36 years old, is the Comptroller of the COMPANY. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Rebecca Pilar C. Caterio, Filipino, 37 years old, is currently the Treasury Manager of the COMPANY. Previously, she was the Controller of Lapanday Packaging Inc., a company engaged in the manufacturing of cartons and in the production of fresh pineapple and vegetable. She was also the Accounting Manager of Fresh Asia Produce Company International Corporation, a company which is also owned by the Lapanday

Group and is primarily engaged in the trading and marketing of bananas. Ms. Caterio started her professional career with the SGV & Co. as a Staff Auditor. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants (PICPA) since 1993. Ms. Caterio holds a Bachelor of Science Degree in Commerce, Major in Accounting from the Ateneo De Zamboanga.

Rey A. Phala, Filipino, 42 years old, joined the Company on October 16, 2008 as its Credit and Collection Manager. Before joining the Company, he was with various banks for seventeen (17) years. The recent was with a branch of International Exchange Bank, now Union Bank of the Philippines as Account Officer/Relationship Manager from year 2005 to 2008. He was also then a Manager-Business Development of Planters Development Bank (PDB) in 2004-2005. Prior to PDB, he was with United Coconut Planters Bank (UCPB) for thirteen (13) years and was a Branch Operations Officer when he leaves the said bank. He also had worked with the Department of Trade and Industry as Municipal Trade and Industry Office for a year. He is a graduate of Bachelor of Science in Civil Engineering from the Mindanao State University-General Santos City. Mr. Phala is a licensed Civil Engineer having passed the Civil Engineering Licensure Examination last May 1989.

Period of Service in the Company

<u>Name</u>	<u>Period of Service</u>
Edgardo A. Alerta	2006 to present
Alberto D. Alcid	2006 to present
Alexander A. Lumbuan	2007 to present
Alejandro U. Suan	since incorporation to present
Chryss Alfonsus V. Damuy	2008 to present
Rebecca Pilar C. Caterio	2005 to present
Rey A. Phala	October 16, 2008 to present
Alan Raymond T. Zorilla	April 1, 2009 to present
Jerome Francis Z. Nava	May 4, 2009 to present

Nominations of Directors and Independent Directors

The following are nominated for election to the Board of Directors at the forthcoming Annual Meeting: (For individual write-ups, please refer to Item 5 of this Information Sheet)

1. Domingo T. Uy
2. Dennis A. Uy
3. Jose Manuel R. Quimson
4. Romeo B. De Guzman
5. J.V. Emmanuel A. de Dios
6. Ricardo S. Pascua (Independent Director)
7. Monico V. Jacob (Independent Director)

Messrs. Ricardo S. Pascua and Monico V. Jacob were nominated Independent Directors by Jose Manuel R. Quimson. Mr. Quimson or any of the nominated directors is not related to either Mr. Pascua or Mr. Jacob by consanguinity or affinity and has no professional or business dealings with them. Messrs. Pascua and Jacob are neither officers nor substantial stockholders of the Company. They have always possessed the qualifications and none of the disqualifications of independent directors. Jacob Acaban Corvera Valdez and Del Castillo law offices, of which Mr. Jacob is a partner, has not at any time rendered any service to the Company. Atty. Jacob holds only one (1) share in the Company. He has not at any time rendered any service to the Company.

On the other hand, Mr. Romeo B. de Guzman was nominated by Atty. Socorro T. Ermac Cabrereros.

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

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code ("SRC") and the Company's New By-laws and Manual of Corporate Governance. Amendments to the By-laws of the Company incorporating the provisions of SRC Rule 38 were approved by the SEC on February 19, 2007.

(b) Significant Employees

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

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

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

- (i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- (ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- (iii) Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- (iv) Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

(e) **Certain Relationships and Related Transactions**

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

a.) Rentals

The Company has an operating lease agreement from Udenna Corporation, a related party. Total rent expense incurred during the years 2008 and 2007 is about P 5.84 million and P3.485 million, respectively. Recognition is on a straight-line basis over the duration of the lease contract in compliance with Philippine Accounting Standards 17 (PAS 17).

b.) Contract of Affreightment

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

c.) Due to and Due from Related Parties

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

The breakdown of due from related parties as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Advances to parent company:		
Balance at beginning of year	P 22,498,464	P 14,347,683
Additions	33,454,326	114,989,652
Collections	(<u>53,015,060</u>)	(<u>106,838,871</u>)
Balance at end of year	<u>P 2,937,730</u>	<u>P 22,498,464</u>
Advances to related parties:		
Balance at beginning of year	P 13,100,611	P 41,386,680
Additions	633,282	48,920,207

Collections	(430,918)	(77,206,275)
Balance at end of year	<u>P 13,302,975</u>	<u>P 13,100,611</u>
Total advances to related parties:		
Balance at beginning of year	P 35,599,076	P 55,734,363
Additions	34,087,608	163,909,858
Collections	(53,445,978)	(184,045,146)
Balance at end of year	<u>P 16,240,705</u>	<u>P 35,599,076</u>

Item 6. Compensation of Directors and Executive Officers

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

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

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

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

Compensation of Executive Officers and Directors (in thousand Pesos)				
Name	Principal Position	Salaries (in ₱)	Bonuses / 13 th Month / Other Income (in ₱)	Total (in ₱)
<u>Domingo T. Uy</u>	<u>Chairman</u>			
<u>Dennis A. Uy</u>	<u>President and Chief Executive Officer</u>			
<u>Nicholas D. Dy</u>	<u>Chief Operating Officer</u>			
<u>Sandra B. Elecerio</u>	<u>Vice President for Human Resources and Shared Services</u>			
<u>Edgardo A. Alerta</u>	<u>Assistant Vice President for Sales in Mindanao</u>			
<u>Alberto D. Alcid</u>	<u>Assistant Vice President for Lubes and Chemicals</u>			
<u>Jose Manuel R. Quimson</u>	<u>General Manager of Manila Operations</u>			
<u>Alexander A. Lumbuan</u>	<u>Assistant Vice President for Engineering and Maintenance</u>			
<u>Alejandro U. Suan</u>	<u>Manager of the Davao Depot Operations and Logistics</u>			
<u>Socorro T. Ermac-Cabreros</u>	<u>Corporate Secretary and Director of Corporate Legal</u>			

<u>Chryss Alfonsus V. Damuy</u>	<u>Comptroller</u>			
<u>Rebecca Pilar C. Caterio</u>	<u>Treasury Manager</u>			
<u>Rey A. Phala</u>	<u>Credit and Collection Manager</u>			
Total 2008		19,417,744.36	2,410,405.35	₱ 21,828
Total 2007				₱ 21,587
Total 2006				₱ 6,867
Estimates in 2009				₱ 24,000

Generally, a typical employment contract executed between the Company and its named executive officers has the following terms:

1. Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise;
2. A probation period of six months probationary period from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular basis.
3. Salary & Benefits: specifies that the executive shall receive his monthly salary and a guaranteed 13th month pay less the necessary government deductions allowed by law such as but not limited to SSS premium, Philhealth, Pag-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his performance and the achievement of a mutually-agreed goals.
4. Exclusivity: The employment contract provides that the executive shall render exclusive service to the Company and the prohibition to work with other companies regardless of whether such work is done outside office hours, without the consent of the Company.
5. Confidentiality: The executive/employee is duty bound to keep all information, materials and records which he or she may access in the course of his/her employment with the Company are confidential in nature and he or she may not disclose or reproduce the same without the consent of the Company.
6. Professional Conduct: The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company

Item 7. Independent Public Accountants

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2007 and 2008. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Punongbayan & Araullo will be recommended for re-appointment at the scheduled Annual Meeting.

Representatives of the firm are expected to be present at the Annual Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Punongbayan & Araullo was first appointed external auditor of the Company in 2006. The Company is compliant with SRC Rule 68, paragraph 3(b)(IV) (Rotation of External Auditors). The certifying partner for the examination of the Company's financial statements for the year/s 2008 is Mr. Ramilito L. Nañola

Audit Fees

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

**Audit and Related
Fees**

Particulars	Nature	For the years ended December 31 (In ₱ thousands)			
		2006	2007	2008	2009
Francia Auditing Firm	Audit of FS for the year 2004 / 2005	6			
Lorenzo Gomez & Co., CPAs	Audit of FS for the year 2005	3			
Punongbayan and Araullo	Audit of FS for the year 2006		440		
Punongbayan and Araullo	Audit of FS for the year 2007 – Parent and Subsidiaries			725	875
Sub-total		9	440	725	875

**Tax Advisory
Services**

Sycip, Gorres and Velayo	Tax Consultancy	113	113	38
Sub-total		0	113	113
All Other Fees				
Entia Accounting Office	Audit of FS for increase in capital stock	20		
Francia Auditing Firm	Audit of FS for increase in capital stock	5		
Sub-total		25	0	0
GRAND TOTAL		34	553	838

Audit Committee

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

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Internal Audit systems are currently being formalized. For year end 2008, it is the Board of Directors that set the audit policies in accordance with Philippine Accounting Standards and Philippine Financial Reporting Standards.

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

Changes In and Disagreements With Accountants

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

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

On Declaration of Stock Dividends for the Company's Issued and Outstanding shares as of March 31, 2009

On April 22, 2009, the Board of Directors of the Company approved the declaration of 40% stock dividends which shall be issued out from the Company's unrestricted retained earnings. Record date and Payment date are to be determined and announced later. The declaration of stock dividends of the Company shall be submitted to the stockholders at the Annual Meeting for their approval.

The Board approved the declaration of stock dividends aggregating forty percent (40%) of the total issued and outstanding shares of the Company or a total of Seventy Three Million Six Hundred Sixty Thousand Four Hundred Seventy-Nine (73,660,479) shares, more or less, amounting to Seventy Three Million Six Hundred Sixty Thousand Four Hundred Seventy Nine Pesos (₱73,660,479.00), more or less, out of the surplus profit of the Company as of December 31, 2008. The stock dividend declaration shall increase the paid-up capital of the Company from One Hundred Eighty Four Million One Hundred Fifty One Thousand One Hundred Ninety Eight Pesos (₱184,151,198.00) to Two Hundred Fifty Seven Million Eight Hundred Eleven Thousand Six Hundred Seventy-Seven Pesos (₱257,811,677.00).

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

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

For 2008, the Company declared and paid the following dividends: 30% stock dividends and cash dividends amounting to Php 0.10 per share.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

The audited financial statements of the Company as of December 31, 2008 are attached as **Annex C**. The Consolidated Management Report is attached herein as **Annex B**.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

A. The parties to the Merger are the Company, and its wholly-owned subsidiaries, Petrologistix Services Corporation and Petroterminals Philippines Corp.

The Company, P-H-O-E-N-I-X Petroleum Philippines, Inc., is the parent company of the two other parties to this merger. It is listed with the Philippine Stock Exchange and is presently engaged in trading of petroleum products on wholesale basis and operating of oil depots, storage facilities and allied services. Its principal address is at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City.

Petrologistix Services Corporation (“Petrologistix”) is a wholly owned subsidiary of the Company, with an authorized capital stock of Php 1,500,000.00 out of which Php 375,000.00 has been subscribed and the paid up capital is Php 375,000.00. It was incorporated in the Philippines and was registered with the Securities and Exchange Commission on January 31, 2007. Its primary purpose is to engage in providing hauling, trucking services and other logistic services. Petrologistix’s principal office address is at the Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati, Metro Manila.

Petroterminals Philippines Corp. (“Petroterminals”) is likewise a wholly owned subsidiary of the Company with an authorized capital stock of Php 100,000,000.00, out of which Php 50,000,000.00 has been subscribed and the amount paid up capital is Php 12,500,000.00. It is a corporation duly organized and existing under Philippine laws and was registered with the Securities and Exchange Commission on March 26, 2007, with a principal office address at the Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati, Metro Manila. Petroterminals 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 depots, storage facilities.

Both companies, Petrologistix and Petroterminals, though incorporated in 2007, have yet to start commercial operations.

B. Material Feature of the Merger

The Merger will be undertaken with the Company surviving and absorbing all the assets and liabilities of Petrologistix and Petroterminals.

C. Reasons for the Merger

The Company plans to enter into merger with Petrologistix and Petroterminals essentially to achieve operational and cost efficiencies. Moreover, the merger is proposed to be undertaken in order to further strengthen its operations and provide better integrated services to its customers.

D. Material Differences in the rights of security holders as a result of the merger

No material difference in the rights of the security holders will result from the Merger.

E. Accounting Treatment of the Transaction

The merger will be accounted for under the Purchase Method. Under the Purchase Method, the following main principles will be applied:

- Assets and liabilities, including the unrecorded intangible assets and contingent liabilities of the “acquiree” will be taken up at fair value as of the date of the Merger in the books of the “acquiror”
- Prior years financial statements will not be restated and the income statement will only incorporate the results of the “acquiree” from the date of merger.

F. The effectivity of the Merger will be subject to the approval of the Securities and Exchange Commission (SEC) and will be further conditioned on the issuance of the Bureau of Internal Revenue (BIR) of a ruling that the merger qualifies a tax free merger of Sec 40 (c) 2 of the National Internal Revenue Code of 1997.

G. No report, opinion or appraisal materially relating to the transaction has been received from an outside party.

H. There are no dividends in arrears/defaults in principal or interest in respect of any securities of the Company.

I. Historical information of the Company and other person for the last three fiscal years.

	Phoenix Petroleum Philippines, Inc.(THE COMPANY) (Consolidated Figures)			Petroterminal Philippines, Corp. (PPC) (A Wholly owned Subsidiary of THE COMPANY)			Petrologistix Services Corp. (PSC) (A Wholly owned Subsidiary of THE COMPANY)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Book Value Per Share ¹	3.75	3.93	1.67	*	*		**	*	
Cash Dividend Per Share	0.10	-	-	-	-	-	-	-	-
Income Per Share	0.91	0.94	3.10	*	*		**	*	

** Construction Period Stage

** Pre-operating Stage

J. Per share data of the Company for the last two (2) fiscal years.

	Phoenix Petroleum Philippines, Inc.(THE COMPANY) (Consolidated Figures)			Petroterminal Philippines, Corp. (PPC) (A Wholly owned Subsidiary of THE COMPANY)			Petrologistix Services Corp. (PSC) (A Wholly owned Subsidiary of THE COMPANY)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Operating Revenue (in 000)	4,615,217	2,364,232	1,493,683	*	*		**	*	
Income from Continuing Operations (in '000)	150,289	122,359	74,262	-	-	-	-	-	-
Long Term Obligation (in '000)	95,403	93,586	1,316	58,481	84,207		-	-	

** Construction Period Stage

** Pre-operating Stage

K. No past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past two fiscal years between the other person or its affiliates and the Company or its affiliates

L. Market Information

(1) The Company's common shares were listed and traded at the Philippine Stock Exchange ("PSE") starting on July 11, 2007. The high and low sale prices of each period for year 2007 to 2009 are hereunder shown:

Period	Highest Close		Lowest Close	
	Price	Date	Price	Date
Year 2009				
First Quarter	5.50	Mar-23	P 3.95	Feb- 23
Year 2008				
First Quarter	5.40	Jan-02	4.00	Feb-07
Second Quarter	4.30	Apr-04	3.80	Jun-27
Third Quarter	4.00	Sept-26	2.50	Jul-02
Fourth Quarter	3.85	Oct-08	2.55	Oct-27
Year 2007				
First Quarter	N/A	N/A	N/A	N/A
Second Quarter	N/A	N/A	N/A	N/A
Third Quarter	13.75	July -13	6.60	Sept - 13
Fourth Quarter	8.60	Oct - 16	6.50	Nov-22

As of December 31, 2008, the market capitalization of the Company, based on the closing price of P 3.70, was approximately P 695.6 million.

Interim Financial Statement and Management Discussion and Analysis

The Company is currently in the process of preparing its first quarterly report for period ended March 31, 2009. Thus, management financial analysis for the first quarter shall be available on May 15, 2009 and before the Annual Stockholders' Meeting of the Company on May 29, 2009;

An affidavit of undertaking to submit the necessary interim financial report for the first quarter for period ended March 31, 2009 which shall include the Management Discussion and Analysis is herein attached as **Annex "E"**.

(2) Top 20 Stockholders**
As of March 31, 2009

#	<u>NAME OF STOCKHOLDERS</u>	<u>No. of Common Shares</u>	<u>Percentage of Ownership % *</u>
1	Phoenix Petroleum Holdings Inc.	102,050,000.00	54.28%
2	PCD Nominee Corporation (Filipino)	44,139,070.00	23.48%
3	UDENNA Corporation	25,674,993.00	13.66%
4	UDENNA Management & Resources Corp.	6,500,000.00	3.46%
5	PCD Nominee Corporation (Non Filipino)	5,764,070.00	3.07%
6	Paul Gerard B. Del Rosario	2,276,560.00	1.21%
7	Dennis Uy	803,400.00	0.43%
8	Udenco Corporation	324,999.00	0.17%
9	Dennis A. Uy &/Or Cherylyn C. Uy	221,000.00	0.12%
10	Domingo T. Uy	130,001.00	0.07%
11	Edgardo Alvarado Alerta	26,000.00	0.01%
12	Orlando Lansangan	26,000.00	0.01%
13	Leo M. Bernaldez	10,400.00	0.01%
14	Roque A. Lim	7,800.00	0.00%
15	Socorro Ermac Cabreros	6,501.00	0.00%
16	Alberto D. Alcid	6,500.00	0.00%
17	Rebecca Pilar Claridad Caterio	6,500.00	0.00%
18	Stephen T. Teo &/Or Teresita R. Teo	6,500.00	0.00%
19	Romeo B. Molano	5,600.00	0.00%
20	Bernardita P. Bautista	5,200.00	0.00%

* based on the total shares (net of treasury shares) as of March 31, 2009 of 188,000,198

** disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of March 31, 2009 and disclosed April 13, 2009.

(3) Recent Sale of Unregistered Securities

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

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

Last September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities, the program commenced on second week of October 2007. It will conclude upon exhaustion of the approved allotment subject to the proper disclosure to the SEC and the PSE. As of December 31, 2008 and December 31, 2007, treasury shares has cumulative costs of ₱ 17,252,140 and ₱ 5,639,300 respectively.

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

(5) Description of Share

The Company's shares consist of common shares with a par value of P1.00 per share. As of December 31, 2008 and March 31, 2009, total outstanding common shares with voting rights are shares 188,000,198 and 188,000,198 shares, respectively.

(6) Stock Options Plan

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

(7) Debt Securities

There are no debt securities to be registered by the Company.

(8) Securities Subject to Redemption or Call

There are no convertible securities that are subject to redemption or call are being registered by the Company.

(9) Warrants

There are no warrants issued by the Company

M. The representatives of the principal accountants for the current year and for the most recently completed fiscal year:

- Are expected to be present at the Annual Stockholders' Meeting;
- Will have the opportunity to make a statement if they desire to do so; and
- Are expected to be available to respond to appropriate questions.

N. Description of Business of the Company, Petrologistix and Petroterminals.

Please refer to the accompanying Consolidated Management Report of the Company, Petrologistix and Petroterminals.

O. Description of Property of the Company, Petrologistix and Petroterminals.

Please refer to the accompanying Consolidated Management Report of the Company, Petrologistix and Petroterminals.

P. Legal Proceedings involving the Company, Petrologistix and Petroterminals.

Please refer to the accompanying Consolidated Management Report of the Company, Petrologistix and Petroterminals.

Item 13. Acquisition or Disposition of Property

Acquisition of Bacnotan Industrial Park Corporation (BIPC) and the 3.9 Hectare Property located in Calaca, Batangas owned and registered under the name of Philippine Investment Management Inc. (PHINMA)

A. General character and location of the Property

(i) *BIPC*

Bacnotan Industrial Park Corporation (BIPC) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission on March 7, 1996. BIPC is engaged in the business of real estate development. BIPC is also registered with the Housing and Land Use and Regulatory Board (HLURB) under Executive Order No. 648 and was granted license to sell

parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of BIPC's Project, the Batangas Union Industrial Park (BUIP).

BUIP, which is situated in Calaca, Batangas, consists of 101 hectares of land, with industrial park and port facilities. BIPC was granted a permit to operate permanent and non-commercial port by the Philippine Ports Authority on April 6, 1999 until the expiration date of the Foreshore Lease Contract on July 22, 2022. BIPC's other real and other properties have an appraised value ranging from Php 1,268 MM to Php 1,073 MM.

BIPC has an authorized capital stock of Eight Hundred Million Pesos (Php800,000,000.00) divided into eight million (8,000,000) common shares of stocks, with a par value of One Hundred Pesos (Php100.00), of which Six Million (6,000,000) common shares have been subscribed and fully paid by the following shareholders:

<i>Shareholders</i>	<i>Percentage of Ownership</i>
Bacnotan Consolidated Industries, Inc.	60%
Trans-Asia Oil and Energy Development Corporation	30%
Trans-Asia Power Generation Corporation	5%
Atlas Holdings Corporation	<u>5%</u>
	100%

As of December 31, 2007, BIPC's total assets amounted to Php 655.61MM and total liabilities amounting to Php 110.24 MM leaving an equity value of Php 544.37 MM.¹

As of December 31, 2008, BIPC's total assets amounted to Five Hundred Ninety-Six Million Five Hundred Fifty Two Thousand Eight Pesos (Php 596,552,808.00) and total liabilities amounting to Forty-Seven Million Ninety-Four Thousand Forty Three Pesos (Php 47,094,043.00), leaving an equity value of Five Hundred Forty-Nine Million Four Hundred Fifty-Eight Thousand Seven Hundred Sixty-Five Pesos (Php 549,458,765.00).

(ii) *3.9 Hectare Property in BUIP, Calaca, Batangas*

The Company also acquired a parcel of land located inside the BUIP in Calaca, Batangas, owned and registered in the name of PHINMA, consisting of 39,420 square meters, more or less, and covered by Transfer Certificate of Title No. T-109812 issued by the Register of Deeds for the Municipality of Nasugbu, of the Province of Batangas.

B. Nature and amount of consideration to be paid or received by the Company

The total principal consideration for the acquisition of BIPC and the 3.9 hectare property by the Company amounts to Six Hundred Eighty Million Pesos (Php680,000,000.00), divided as follows:

¹ At the time the Company conducted its legal audit on BIPC, the figures available were for 2007.

- (1) The Eight Million (8,000,000) common shares of stocks, of which Six Million (6,000,000) common shares have been issued and outstanding, for a total purchase price of Six Hundred Fifty Eight Million Eight Hundred Forty Six Thousand One Hundred Fifty Three & 86/100 Pesos (Php 658,846,153.86), which is equivalent to One Hundred and 81/100 Pesos (Php 109.81) per share; and
- (2) The 39,420 square meters, more or less, property inside the BUIP, for a total purchase price of Twenty One Million One Hundred Fifty Three Thousand Eight Hundred Forty Six and 14/100 Pesos (Php 21,153,846.14).

The total principal consideration for both BIPC and the 3.9 hectare property in the amount of Six Hundred Eighty Million Pesos (Php680,000,000.00) shall be payable as follows:

Downpayment of One Hundred Forty Million Pesos (Ph140,000,000.00)

Balance of Five Hundred Forty Million Pesos (Php540,000,000.00), plus interest, shall be payable in fifty four (54) monthly amortizations in the next five (5) years, after a grace period of six (6) months. Annually, the contracted principal amortization shall be as follows:

- (1) 7th to 12th month - Php 54.0MM
- (2) 13th to 24th month - Php 81.0MM
- (3) 25th to 36th month - Php 108.0MM
- (4) 37th to 48th month - Php 135.0MM
- (5) 49th to 60th month - Php 162.0MM

A discount of Ten Million Pesos (Php10,000,000.00) shall be given upon full and timely payment of the consideration.

(C) Name and address of the transferors and the nature of any material relationship

(i) BIPC Acquisition:

Name of Transferors	Address
Bacnotan Consolidated Industries, Inc.	12 th Floor, The Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City
Trans-Asia Oil And Energy Development Corporation	11 th Floor, The Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City
Trans-Asia Power Corporation	11 th Floor, The Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City
Atlas Holdings Corporation	The Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

(ii) 3.9 Hectare Property in Calaca, Batangas

Name of Transferor	Address
Philippine Investment Management (Phinma), Inc.	Penthouse, The Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Bacnotan Consolidated Industries, Inc., Trans-Asia Oil and Energy Development Corporation, Trans-Asia Power Generation Corporation, Atlas Holdings Corporation the (“Sellers”), and Philippine Investment Management (Phinma), Inc. are the transferors in the acquisition by the Company of BIPC and of the 3.9 hectare property located in Calaca, Batangas. They are not subsidiaries or affiliates of the Company.

(D) Material features of the Transaction

(i) Rationale for the Acquisition of BIPC²

Attractive Discount to Net Asset Value

1. The purchase price of Php109.81 per share implies a discount of about 47.1% percent of the Company’s 2007 net asset value of Php207.72 per share.

Based on Punongbayan & Araullo’s valuation and due diligence reports on 2008, the Net Asset Value of BIPC as of December 31, 2007 amounts to Php1,250 MM, broken down as follows:

Total Assets	Php658.7 MM
<u>Less: Total Liabilities</u>	<u>109.0 MM</u>
Total Equity	549.7 MM
Add: Adjustments:	
Appraisal increase in value of land	515.2 MM
<u>Appraisal increase in value of port</u>	<u>181.4 MM</u>
Adjusted Net Asset Value	Php 1,246.3 MM
Divided by: 6.0MM shares equals	207.72/per share

2. The purchase price of Six Hundred Fifty Million Pesos (Php650,000,000.00) would mean a discount to Appraised Value (on the property assets alone) of around 46.4 percent.

Based on the appraisal reports prepared by Philippine Appraisal and Intech Property Appraisal the past two (2) years, BIPC has real properties appraised between Php 945.7 MM and Php 844.6 MM and a 135 meter L-shaped multi purpose Port facility appraised between Php 322.37 MM and Php 228.48 MM. The total appraised value ranges from Php 1,268 MM to Php 1,073 MM or an average of Php 1,170 MM.

² Based on 2008 due diligence and appraisal reports, which were based on 2007 figures of BIPC.

Boost in the Company's 2009 Equity Position.

1. After discussions with the Company's auditors, upon acquisition, the excess of fair value over acquisition cost which amounts to around Php 567MM will have to be booked as an addition to the Company's equity position in the form of revaluation increment and income. This transaction thereby enhances the Company's capital structure from its 2008 year-end level of Php 690 MM to Php 1,258 MM.
2. The acquisition would also increase the Company's net book value by an additional Three Pesos (Php 3.00) per share.

Increased Capacity to Borrow for Growth.

1. With the increase in the Company's equity position, the Company now has more elbow room to borrow funds both for its heightened working capital requirements and its capital expenditure needs.

The Total Cash Outlay Lower Than Actually Required

1. The Company's prior acquisition, through Petroterminals Philippines Corporation, of a 3.5 hectare property within BUIP is in line with its medium term thrust to have a logistics center as an importation point for all the Company's depots scattered around the Philippines and would service the needs of commercial and retail accounts of Luzon area. The land acquisition cost of this property amounts to One Hundred Thirty Million Pesos (Php130,000,000.00) of which Ninety Million Pesos (Php90,000,000.00) has not yet been paid to BIPC.
2. With the prospective merging of Petroterminals with the Company and this intended acquisition of the BIPC, the net additional cash outlay by the Company for the initial payment of the entire Php1,270 MM would only be Php 50MM, since the Company would thereafter be paying the balance of Php 90MM to its subsidiary (BIPC) for the 3.5 hectare it acquired earlier.

Other Features of the Contract:

(a). Security. The payment of the Balance of the Purchase Price is secured by a pledge constituted on the BIPC Shares and real estate mortgages over all unsold parcels of land owned by BIPC.

(b) Assistance During Transition. The Sellers shall make its core management team for BIPC, available for consultation upon the reasonable request of the Buyer, for a period of not more than six (6) months from Closing Date, for the purpose of ensuring the smooth transition in the management of BIPC and the introduction of the Buyer to the officers and employees of the Locators.

(c) Termination.

Grounds. (i) The Agreement may be terminated by the Buyer, upon written notice to the Sellers, for failure of any of the Seller to comply in any material respect with any provision of this Agreement or any obligation hereunder, or for breach of any of its representations, warranties and covenants under this Agreement and which failure to comply or breach, if capable of being remedied, shall remain unremedied for more than fifteen (15) days after written notice thereof shall have been given to the Seller;

(ii) On the other hand, the Agreement may be terminated by the Sellers, upon written notice to the Buyer, for failure of the Buyer to comply in any material respect with any provision of this Agreement or any obligation hereunder, or for breach of any of its representations, warranties and covenants under this Agreement and which failure to comply or breach, if capable of being remedied, shall remain unremedied for more than fifteen (15) days after written notice thereof shall have been given to the Buyer.

Effects of Termination. In the event of termination of the Agreement by the Sellers as provided in item (i), any and all payments made by the Buyer under this Agreement shall be forfeited in favor of the Sellers, except if the grounds for termination is under item (ii), in which case, the Sellers shall agree to return to the Buyer any and all payments made by the Buyer under the Agreement.

(ii) *3.9 Hectare Property*

Other Features of the Contract:

(a) Taxes. The payment for Real Estate Taxes due on the Property up to first quarter of 2009 shall be paid by and be for the account of PHINMA, thereafter, the same shall be for the account of the Company. Any and all taxes on the gain arising out of or in connection with the sale of the Property shall be paid by and be for the sole account of PHINMA.

On the other hand, the documentary stamp tax, transfer taxes, and other registration fees and charges due in connection with registration and transfer of title over the Property in the name of the Company shall be borne by the Company.

(b) Remedies. Upon failure of either party to perform their respective obligations under this Deed, the aggrieved party shall the right to compel by specific performance or rescind this Deed, with damages in either case, and to recover the cost of litigation, attorney's fees and other expenses which the law may entitle the aggrieved party to recover from the party at fault.

Item 14. Reclassification of Accounts

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports and Other Proposed Action

1. Approval of the Minutes of the June 16, 2008 Annual Stockholders' Meeting covering the following matters:
 - Annual report of officers;
 - Approval and the ratification of all Acts and Resolutions of the Board Directors and Management for fiscal year 2007;
 - Approval of the declaration of stock dividends;
 - Amendment to the By-Laws of the Corporation;
 - Election of the members of the Board of Directors;
 - Election of the external auditors and fixing their rates.
2. Approval of the Company's 2008 Annual Report and 2008 Audited Financial Statement.
3. Ratification and Confirmation of all Acts and Resolutions of the Board of Directors as set forth in **Annex A**;
4. Approval of the declaration of stock dividends;
5. Proposed amendment of SECOND Article of the Articles of Incorporation of the Company;
6. Approval of the Merger of the Petrologistix, Petroterminals into the Company;
7. Election of the Members of the Board of Directors;
8. Election of External Auditor.

Item 16. Matters Not Required to be Submitted

There are no actions to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws or Other Documents

Amendment of the Articles of Incorporation

At the scheduled Annual Meeting of the Company, the following proposed amendment to the articles of Incorporation of the Company shall be submitted to the stockholders for approval:

A. Second:

SECOND Article shall be amended to read as follows:

SECOND: That the purposes for which the corporation is formed are as follows:

Primary Purpose

xxx

Secondary Purpose

1. *To engage in the business of operating oil depots, storage facilities and allied services;*
2. *To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machinery, equipment and other personal properties as may be necessary or beneficial to the conduct of the corporate activities and other activities advanced by the corporation;*
3. *To borrow or raise money by but not limited to the issuance of bonds, promissory notes and other evidences of indebtedness, to secure the repayment thereof by mortgage, pledge, deed of trust, assignments and such other means allowed by law to meet the financial requirements of its activities;*
4. *To invest and deal with the money and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests;*
5. *To enter into any lawful arrangement for sharing profits, union of interest, utilization or farm-out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or government, municipal or public authority, domestic or foreign, in the carrying on of any transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the corporation;*

The Company proposes to amend and add more secondary purpose to allow the Company to acquire, own and invest properties which are beneficial to the interest of the Company. The current secondary purpose as indicated in the Articles of Incorporation is limited as it only specifies the operation of oil depot, storage facilities and other services. Considering that the Company is currently expanding its entire operations, it needs to further include among others the purpose or authority to acquire, own, lease real properties, to invest, borrow and raise money for its operations and such necessary and reasonable purposes to advance the interest of the Company.

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the declaration the stock dividends equivalent to 30% of the issued and outstanding shares of the Company. The affirmative vote of stockholders representing a majority of the outstanding capital stock of the Company at the Annual Meeting shall be necessary for the approval of the amendments to the New By-laws.

Except in cases provided above, or where the law provides otherwise, all matters subject to vote shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

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

The external auditor of the Company, Punongbayan & Araullo, will validate the votes when voting is done by secret ballot. Likewise, Punongbayan & Araullo will count the number of hands raised when voting by show of hands is done.

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

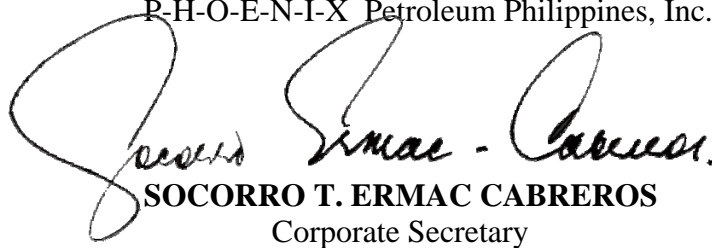
1. Adjournment
2. Call to Order
3. Certification of Notice and Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held last June 16, 2008
5. Report of the President and Chief Executive Officer
6. Approval of the 2008 Audited Financial Statements and 2008 Annual Report
7. Approval of Corporate Actions:
 - a) Proposed merger of Petrologistix Services Corporation and PetroTerminals Philippines Corp. into Phoenix Petroleum Philippines, Inc.;
 - b) Amendments of Article II of the Articles of Incorporation of the Company relating to Secondary Purpose;
 - c) Approval of the declaration of 40% stock dividends.
8. Ratification and Confirmation of all Acts and Resolutions of the Board and Management
9. Election of the Members of the Board of Directors
10. Appointment of External Auditor
11. Other Matters
12. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in Davao City on **22 APRIL 2009**.

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

A handwritten signature in black ink, appearing to read 'Socorro T. Ermac Cabreros', is written over the printed name. The signature is fluid and cursive, with the first name 'Socorro' being particularly large and stylized.

SOCORRO T. ERMAC CABREROS
Corporate Secretary

ANNEX “A”

Board Meeting Date	Action
July 01, 2008	Authorizing the Corp. to negotiate and obtain a Direct Lease Facility from UCPB in the principal amount of P7,150,000.00 Authorizing R. Diray to process the corporation’s renewal of truck exemption with LTFRB Authorizing Josie Silverio to apply for termination of 2 PLDT accounts for PTT Cainta and Tayta Authorizing E. Tagudina to apply for PLDT and Globe Telecom Account for Phoenix Office in Cebu City Authorizing MRQ to apply for accreditation with MIAA as one of the valid suppliers/contractors, to operate its business pursuant to its agreement with Air Philippines
August 04, 2008	Authorizing DAU to transfer and convey to BMI the corporation’s 2005 Toyota Camry Sedan with Plate No. PHO888 Authorizing DAU/DTU to obtain a loan agreement with MTRCB for purchase of 2 service vehicle Authorizing DAU/DTU to open account, borrow and obtain credit accommodations from RCBC Authorizing ADA to purchase for the corporation a 2005 Toyota Vios from MDL Central Hub, Inc.
September 3, 2008	Authorizing ADA to lease for the corporation 2 warehouse building owned by Honai Foods Corporation at Caloocan City Authorizing EAA and NDD to lease a 383 commercial land in Ponciano Sts., Davao City Authorizing the Corporation to negotiate and obtain an Omnibus Credit Term Facility in the amount of P750M with a number of Banks
October 6, 2008	Authorizing the company to bid for the 100 MW Power Barge (PB) 118 in Maco, Compostela Valley Authorizing the company to bid for the 100 MW Power Barge (PB) 117 in Maco, Compostela Valley Authorizing the corporation to obtain a working capital credit facility with BPI in the amount of P90M Authorizing the corporation to transact and/or avail of products through the intermediation of LBP-Bajada Branch Authorizing the corporation to transact and/or avail of products through the intermediation of Robinsons Savings Bank Authorizing the corporation to transact and/or avail of products through the intermediation of BPI Lanang Branch Authorizing NDD to lease a lot area in Talisayan, Zamboanga City for establishing terminal and depot storage facilities and likewise enter into Docking and Berthing Agreement and Right of Way Privileges for the laying of pipelines
October 16, 2008	Approval by the Board of Directors to negotiate and secure a P750,000,000.00 omnibus term credit facility from a syndicate of banks

November 7, 2008	Authorizing CAVD to apply for an availment of a local fiscal incentives with the City of Davao Authorizing the company to apply with Marco Polo Davao a corporate account Authorizing DAU/DTU to open Dollar account with BDO Lizada Branch
December 17, 2008	Authorizing the corporation to participate in the bidding of Supply and Delivery of Oil Based Fuel to NPC, its IPP's and SPUG Power Plants and Barges for Jan. to Dec. 2008 and that if awarded the project shall enter into a contract with NPC
December 2, 2008	Authorizing the corporation to bid for a commercial property lot no. 269-Gss-592 located alongs A.C. Cortes Ave., Looc, Mandaue City
January 6, 2009	To enter into a Memorandum of Agreement with Philippine National Police Service Store System (PNPSSS)
January 16, 2009	Board's approval on the date of the ASM, approval of the merger and consolidation of two subsidiaries, negotiation and purchase of a parcel of land in Lanang, Davao City from Udenna Corporation and the appointment of Atty. Gigi Fuensalida as Asst. Corporate Secretary. Ratification and confirmation of the P750,000,000.00 omnibus term credit facility from a syndicate of banks
February 23, 2009	Phoenix announces the appointment of its Chief Operating Officer, Romeo B. De Guzman and Vice President for Treasury, Felix Cesar L. Zerrudo
March 6, 2009	Board's approval to purchase a 100% of the shares of BIPC and the acquisition of a 3.9 hectare parcel of land owned by PHINMA located inside the Batangas Union Industrial Park.

The aforementioned list of Board resolutions are some of the corporate actions taken by the Board of Directors of the company. A listing of all acts, resolutions taken by the Board of Directors and Management is too voluminous to include in this report. However, most relate to transactions such as but not limited to opening of bank accounts, obtaining minor credit facilities, contracts with dealers and suppliers and such other transactions done in the regular course of business of the Company, which the Board of Directors is required to act upon.

Copies of the Minutes of the Meetings of the Board of Directors may be examined by the stockholders of record as of April 30, 2009 at the Office of the Corporate Secretary during business hours.

MANAGEMENT REPORT

A. Consolidated Audited Financial Statements

P-H-O-E-N-I-X Petroleum Philippines Inc (the “Company”) consolidated financial statements for the year ended December 31, 2008.

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

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

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

(A) Audited Financial Statements

The following is a discussion and analysis of the Company and its Subsidiaries’ financial performance for the years ended December 31, 2008, 2007 and 2006. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. **In the discussion of financial information, any reference to the “Company” means the Parent Company and its Subsidiaries.**

The selected financial information set forth in the following table has been derived from the Company’s audited consolidated financial statements for the years ended December 31, 2006, 2007 and 2008.

The Company’s financial statements were audited by Punongbayan & Araullo for 2006, 2007 and 2008, in accordance with Philippine Financial Reporting Standards.

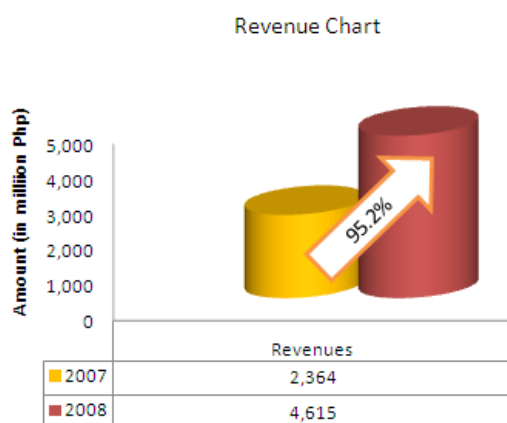
In ₱ thousands, except for Per Share amounts	As of and for the years ended December 31		
	2006	2007	2008
Income Statement Data:			
Revenues.....	1,493,683	2,364,232	4,615,217
Cost of sales.....	1,330,317	2,097,438	4,194,196
Net income.....	74,262	122,359	150,289
Balance Sheet Data:			
Current Assets.....	413,351	762,661	1,457,228
Non-current Assets.....	94,293	429,543	910,853
Total Assets	507,644	1,192,204	2,368,081
Total Liabilities.....	313,896	625,622	1,677,323

Stockholders' Equity.....	193,748	566,582	690,758
Earnings per Share.....	3.10	0.94	0.91
Book Value per Share.....	1.67	3.93	3.76

Review of 2008 versus 2007

Revenues

The
of
of
of



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

- Sales revenues from trading and distribution of petroleum products increased by over 97% from ₱ 2.315 billion in

2007 to ₱ 4.563 billion in 2008 resulting principally from a wider distribution network and expanded institutional customer base which resulted to 65% increase in volume. The average revenue per liter also increased to ₱ 40.49 in 2008 compared to ₱ 34.02 in 2007. The Company had eighty-six (86) operating Phoenix Fuels Life retail service stations as of December 2008 compared to thirty-three (33) retail stations as of December 31, 2007. The company will continue to open more stations during the year in 2009 and onwards.

VOLUME (IN '000)	2008	2007	INCREASE (DECREASE)		VOLUME IN BARREL	
			QUANTITY	PERCENT	2008	2007
Refined Products	112,015	67,480	44,534	66%	705	424
DIESEL	63,510	37,666	25,844	69%	399	237
MOGAS	34,567	14,814	19,753	133%	217	93
KEROSENE	859	527	332	63%	5	3
SFO	12,219	13,508	(1,290)	-10%	77	85
JET-A1	861	965	(105)	-11%	5	6
Lubes						
Lubricants	1,475	591	884	150%	9	4
Rental and Into-Plane Services:						
Storage	16,645	14,273	2,372	17%	105	90
Into-Plane	17,057	14,810	2,248	15%	107	93

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

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

Costs and Expenses

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

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

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

Net Income

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

Tax due

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

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

Financial Condition

Total resources of the Company as of December 31, 2008 amounted to ₱ 2.370 billion, a growth of 99% as compared to ₱ 1.192 billion as of December 31,

2007. The improvement in its financial assets reflected the continuous growth and expansion of the Company's and working on its strategic directions as well as its overall outstanding performance.

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

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

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

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

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

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

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

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

As of December 31, 2008, the Company's property and equipment, net of accumulated depreciation, increased to ₱ 881 million compared to ₱ 414 million as of December 31, 2007 as the Company continue with its expansion programs. The financial commitments were primarily in the establishment of additional petroleum retail network, acquisition of land/ construction of depot and terminaling facilities, increase in lorry and refueller tankers to support its logistical requirements and roll-out of the nationwide distributorship network of its Lubricants & Chemicals Division.

Other non-current assets increased to ₱18.9 million as of December 31, 2008 from ₱ 11 million as of December 31, 2007 due mainly to increase in various rental deposits on leased land for stations and depot/terminal sites.

Loans and borrowings under current liabilities primarily consist of liabilities under letters of credit and trust receipts and current portion of installment payable and mortgage payable. Liabilities under letters of credit and trust receipts increased by 135% from ₱330 million as of December 31, 2007 to ₱ 732 million as of December 30, 2008 due to higher volume of sales which is double if to compare the December 2008 VS. December 2007 volume. Installment payable and mortgage payable refers to the acquisition of land in strategic locations and service vehicles respectively. Installment payable on land was pre-terminated this March 2009.

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

Loans and borrowings under non-current liabilities substantially refer to installment payable on the acquisition of land and mortgage payable for acquisition of service vehicles. This stood at the level of ₱ 88 million as of December 31, 2008. The land purchased in these strategic locations has either been constructed depot in 2008 or construction of depot/terminal is nearing completion. The bulk of the amount is due to Bacnotan Industrial Park Corporation (BIPC), from which the Company bought some 35,000 square meters of land and payable over a period of Five (5) years until March 1, 2012. This installment payable with BIPC was however pre-terminated last March 2009.

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

Cashflow

Net Cash outflow from operating activities in 2008 amounted to ₱ 334 million as a result of the year's Earnings before Interest depreciation and amortization. The

Company was also able to utilize properly the suppliers' credit for both on its purchases of supplies and on its Capital Expenditures and move aggressively to increase sales as well as proceed with its expansion program.

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

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

Review of 2007 versus 2006

Results of Operations

Revenues

The Company generated total revenues of ₱2.364 billion in 2007, a 58% increase over 2006's ₱ 1.494 billion, primarily due to substantial increases in sales and distribution of petroleum products and income from fuel service and storage.

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

Costs and Expenses

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

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

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

Net Income

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

Tax due

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

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

Financial Condition

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

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

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

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

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

Due from related parties decreased by 36% from ₱ 56 million as of December 31, 2006 to ₱ 36 million as of December 31, 2007 due to collection of advances,

granted in support of initiatives geared towards seizing business opportunities to strengthen the Company's competitive position in the industry.

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

Other current assets increased to ₱ 5.9 million as of December 31, 2007 from ₱1 million as of December 31, 2006 due to increase in prepaid advance rental for lease of various properties for retail stations and other prepayments.

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

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

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

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

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

Loans and borrowings under non-current liabilities substantially refer to installment payable on the acquisition of land and mortgage payable for acquisition of service vehicles. This stood at the level of ₱ 88 million as of December 31, 2007. The purchase of land in strategic locations is for the construction of depot and terminal facilities in line with the Company's expansion moves. The amount is primarily due to Bacnotan Industrial Park Corporation, from which the Company bought some 35,000 square meters of land and payable over a period of Five (5) years payable until March 1, 2012.

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

Cashflow

Net Cash outflow from operating activities in 2007 amounted to ₱ 201 million as a result of management's strategic decision to invest in inventories and move aggressively to increase sales.

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

Cash provided from financing activities amounted to ₱ 440 million primarily coming from the proceeds from issuance of new shares of stocks during the Parent Company's Initial Public Offering in July 2007, additional borrowing through Letters of Credit and Trust Receipts and collection of advances from related parties.

Review of 2006 versus 2005

Results of Operations

Revenues

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

- Sales on trading of petroleum products increased by 119% from ₱ 668 million in 2005 to ₱ 1.47 billion in 2006 resulting principally from wider distribution network. The number of Phoenix Fuels Life retail service stations increased to twenty (20) at the end of December 2006 against only five (5) in 2005.
- The Company generated ₱ 27 million from its fuel service and lease of its storage facilities in 2006 versus ₱ 11 million in 2005 due to higher volume stored and withdrawn.
- Interest income from money market placements increased to ₱ 1 million in 2006 from ₱0.512 million in 2005 attributable to higher volume of placements in 2006.

Costs and Expenses

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

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

Net Income

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

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

Financial Condition

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

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

As of December 31, 2006, the Company's property and equipment stood at ₱ 93.4 million, net of accumulated depreciation as the Company made substantial investments in gasoline station equipment, and office furniture and equipment totaling P40 million compared to ₱ 60.7 million, net of accumulated depreciation as of December 31, 2005. Other non-current assets increased from ₱0.372 million as of December 31, 2005 to ₱ 0.922 million as of December 31, 2006.

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

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

Cashflows

Operating activities for the twelve month period in 2006 generated a net cash inflow amounting to about ₱ 41.7 million as a result of its substantial increase in its trading volume.

Net cash used in investing activities amounted to ₱ 95.4 Million in 2006. The Company's additional investments and expansion are concentrated on its depot, terminaling and logistical facilities and equipment as well as its Phoenix petroleum retail network.

Net cash provided by financing activities amounted to ₱ 118 Million principally from the additional equity infusions from shareholders.

Top Five (5) Key Performance Indicators

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

	2008	2007	2006
Current Ratio ¹	0.92	1.42	1.32
Debt to Equity ²	2.43	1.10	1.62
Return on Equity ³	24%	32%	68%
Net Book Value Per Share ⁴	3.75	3.93	1.67
Earnings Per Share ⁵	0.91	0.94	3.10

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Net income divided by average total stockholders' equity

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

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

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

The Company current ratio for the year ended December 31, 2008 may have been challenged as internally generated funds of the Company out of its Earnings before Interest, depreciation and amortization (EBITDA) was utilized for its continuous expansion program. This however will be re-strengthened once the

term-loan package with the Omnibus Credit Facility is drawn by the Company. This in effect reimburses the Company's Capital Expenditures (CAPEX) or a sort of refinancing of CAPEX. The Financial Condition is further strengthened by the effect of the acquisition of the Batangas Industrial Park Corporation March 2009 as the property was acquired lower than its fair value.

II. Interim Financial Statements (CAVD)

The Interim Financial Statements particularly for the first quarter of 2009 will be available by May 14, 2009.

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

1. Business Description

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

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

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

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

Its operations are divided between Trading, Terminaling and Hauling Services. Under Trading, the Company offers its refined petroleum products and lubricants to retailers and commercial/industrial customers. The Company has a network of eighty-six (86) opened retail service stations as of December 31, 2008. The retail service stations are classified as Company-

Owned, Company-Dealer-Operated (CODO) or Dealer-Owned, Dealer-Operated (DODO).

The Company's Terminaling and Hauling Services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City and Zamboanga City. Starting 2008, Cebu Pacific designated the Company as its exclusive logistics partner in all of these locations.

Subsidiaries:

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

- **Petroterminals Philippines Corp.** ("Petroterminals") was established last March 26, 2007 to conduct and carry on the business of manufacturing, processing, trading and delivery of petroleum and other chemical products and to engage in the business of operating oil depots and storage facilities.
- **Petrologistix Services Corporation** ("Petrologistix") is a logistics and trucking company established on January 31, 2007. Its main business purpose is the delivery, hauling and transport of various petroleum products and other logistical services. Currently, Petrologistix serves PTT Philippines Corp. in Northern Luzon and the logistics needs of the Company in its Luzon operations and PFL Petroleum Management, Inc., a subsidiary
- **P-h-o-e-n-i-x Global Mercantile, Inc.** ("PGMI") was incorporated on July 31, 2006. It is the exclusive Philippine Distributor of Emarat Lubricants, a major petroleum company based in the United Arab Emirates. In October 2007, the commercial operation on the importation and distribution of lubricants was transferred to PPPI.
- **PFL Petroleum Management Inc.** ("PFL or PPMI") was incorporated last January 31, 2007 and is currently engaged in the management of six (6) retail stations owned by PTT Philippines Corporation.
- **P-H-O-E-N-I-X Philippines Foundation, Inc.** ("Phoenix Foundation") was organized on July 3, 2007 primarily for the purposes of supporting and participating in social and charitable projects, activities geared toward the development, protection, alleviation, education or empowerment of the needy and less fortunate members of society. Phoenix Foundation likewise supports and participates in activities which are aimed toward the promotion of sports and takes active role in the protection, conservation and preservation of our natural environment. Phoenix Foundation is the Corporate Social Responsibility arm of the Company

Operating Highlights

Marketing

The Company successfully continued the momentum in its marketing activities. Total sales volume, excluding services, of refined petroleum products increased to 112 million liters (699,000 barrels) or a 65% increase over sales volume in 2007. More significantly, the volume sold through its retail network increased by 170%, affirming a key strategic move of the Company of developing its own network of retail stations.

The Company continued its unrelenting pursuit of its cornerstone strategies: branding and expanding its retail network. Even as the Company opened its 86th retail service station by end December 2008, a substantial number were under various stages of completion. By the end March 2009, the Company had opened its 100th retail service station. The Company has programmed the opening of additional retail service stations in more geographical locations within the year 2009.

In a mere four years of commercial operations, the Company estimates that it has now approximately 23% and 11% share of retail service stations for the Davao Region and total Mindanao respectively. Indeed, the Company continues to corner a substantial market share in the Region.

Phoenix Lubricants started to gain momentum in 2008 with the appointment of new Territory Distributors in Luzon and Mindanao. These new territories enabled Phoenix lubricants to penetrate the high street markets in the National Capital Region, Calabarzon, Socsksargen and Zamboanga. At the same time, the significant growth in the number of Phoenix Service Stations in Mindanao to 83 contributed to the volume growth for the region and for the retail sector, giving Phoenix Petroleum a respectable 3.2% share of the Mindanao lubes market. A modest contribution to sales and earnings came from the Commercial & Industrial sector, with the successful entry into Commercial and Industrial accounts. Major successes in these three distribution channels contributed to the total growth of Phoenix lubricants in 2008 compared to 2007.

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

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

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

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

Branding

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

A. Celebrity Endorsement:

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

Marian personifies the qualities of Phoenix: fresh, bold, and full of life and energy. Like Phoenix Petroleum, Marian traces her roots to the provinces. The actress, born to a Filipina mother and Spanish father, grew up in Cavite. Her breakout role came two years after she started acting. In 2007, she was cast to play the title role in the Philippine remake of "Marimar." The show catapulted Marian to stardom, leading to box-office hits and the coveted role of TV's "Dyesebel."

The dedication Marian puts in her work reflects Phoenix's dedication to becoming the benchmark for excellence in the petroleum retail industry.

Excellence is also embodied by Manny Pacquiao, the world's top pound for pound boxer. In the ring, Pacquiao electrifies with his speed, daring, and fierceness, attributes that one also finds in Phoenix.

The partnership between Pacquiao and Phoenix Petroleum began in 2006 at the super featherweight bout in Las Vegas between Manny and Erik Morales of Mexico. Pacquiao overwhelmed Morales in the third round. The Phoenix-Pacquiao partnership continued with Manny's awaited bout last December 6 with Oscar dela Hoya, where Pacquiao defeated dela Hoya.

Both Pacquiao and Phoenix Petroleum are proud to hail from Mindanao. Pacquiao's achievements mirror the Phoenix values of dedication to hard work, confidence in abilities, and courage to face challenges.

B. Trade Expo

1. The Company joined the July 11-13, 2008 Franchise Exposition held in SMX Convention Center, Manila. In its participation, the Company won

the Best Booth award on the non-food category. The participation was a great success as thousands of visitors viewed the booth as well as the number of inquiries from potential business partners and job applicants.

2. The Company was also an exhibitor in the OFW Pangarap Madness in SM Cagayan de Oro City, the biggest five-day affair intended to educate our Overseas Filipino Workers (OFW) on how to invest their money through business development and entrepreneurship.
3. During the 9th Cebu Franchise Expo held at SM City Cebu Trade Hall last September 12-14, 2008 with about 70 exhibitors; the Company was one of the major sponsors. Exhibitors presented various business opportunities.

In these Trade Expos, the Company gained mileage out of these events as it showcased its products as well as the potentials for business partnership. .

C. Brand Manual

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

D. Sponsorship and Events

1. MEDSA-Mayor's Cup- The Company was one of the sponsors of this activity held last August 22, 2008 at the Apo Golf and Country Club in Davao City. The Golf Invitational Tournament was for the benefit of a village for women detainees of Davao City Jail. The event also coincided with the City's celebration of "Kadayawan" Festival.
2. Philippine Basketball Association (PBA) – Phoenix recently went into the sponsorship of the PBA in its Provincial on-tour games. This deal was consummated in February 2009 and the sponsorship covers out-of-town games where Phoenix is the main presenter and sponsor of the games appearing in National Television and Sports sections of Print media. In addition to media mileage, the sponsorship entails complimentary tickets that go to loyal Phoenix customers and business partners as a way of Phoenix's showing its gratitude for the continuous business and growth.
3. National Chess Federation Philippines Battle of the Grandmasters Chess Tournament Sponsorship – As one of only two major sponsors, Phoenix supported this sporting event that helps promote future Filipino chess grandmasters. The tournament, held in Dapitan City on March 24-31, 2009, was a battle of 24 Filipino chess greats.

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

Supply and Operations

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

With the apparent shortage of marine tankers, the Company made a significant step to assure a seamless supply chain. In May 2007, the Company entered into a Contract of Affreightment with Chelsea Shipping Corp. (CSC), an affiliate. Currently, CSC, manages a fleet of 15 vessels to transport petroleum products. It owns seven (7) of these oil tankers: the M/T Chelsea Denise, M/T Chelsea Enterprise, M/T Chelsea Intrepid, M/T Chelsea Excellence, M/T Chelsea Integrity, M/T Chelsea Passion, and MT Chelsea Cherylyn. The latter is a brand new 6,000 MT HULL CYC – 108 Oil Tanker (with total cost of US \$15 million) which will be delivered in May 2009. CSC also acquired control over Bunkers Manila Inc (BMI) as well as Michael Inc (MI) to further strengthen its position in its industry.

Its major clients are Phoenix Petroleum Philippines Inc., Cebu Pacific Air, PTT Philippines, Marine Fuels, Total Bulk Corporation for Philippine Airlines and Air Philippines.

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

The Company, through Petroterminal Philippines Corp. (PPC), is nearing completion of its terminal facilities in Calaca, Batangas. PPC, a wholly owned subsidiary, acquired 35,000 square meters of land in the Batangas Union Industrial Park. This facility will serve as the Company's hub of operations in Southern Luzon. Also, through PPC, the Company completed construction of facilities for Jet A-1 fuel storage in a company owned property in New Washington, Aklan. This said facility was inaugurated last April 30, 2008 and received its first product shipment last July 16, 2008.

Other Significant Operational Highlights

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

Quality Management Systems

On February 1, 2008, the Company received its accreditation from Bureau Veritas for ISO 9001: 2000 accreditation. ISO 9000 is a family of standards for quality management systems. The scope of the quality system, intended for its Davao bulk plant and aviation fuel tank truck operations, included “Receiving, Storage and Distribution of Petroleum Fuels”. In the last quarter of 2008, audit for ISO process were done and the Company was evaluated to be in compliance.

Information Technology

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

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

Disbursement of IPO Proceeds/Major Capital Expenditures

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

a.)	Phoenix Service Station	116,774,128	46%
b.)	Depot and Terminal Expansion	91,585,940	36%
c.)	Logistics Support Facilities	30,450,435	12%
d.)	SAP Computerization Project	12,433,290	5%
e.)	Service Vehicle of Marketing Personnel	4,870,456	2%

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

- Completion of construction of Liquid Storage Facilities in Batangas Union Industrial Park;
- Finalization stage of the Company’s expansion of Storage and receiving facilities in Davao;

- Soil Testing of General Santos City proposed depot site.
- Plans and Designs for Depot sites in Misamis Oriental, Zamboanga City and Bacolod City.
- Additional Construction of Phoenix Service Stations.

Human Resources

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

i) Organization Development

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

ii) Competency Enhancement

This was done through the conduct of strategic planning and leadership workshops for all managers and supervisors. Participants were encouraged to think innovatively and creatively, while making reference to the Company's Vision, Mission and Core Values (VMV). The Company's leadership competencies are anchored in its VMV. In the second quarter of the year, through the Human Resource Department, a company-wide training for Role in Building a Service Culture Workshop for all Employees. The two-day workshop aimed to create ownership and commitment to improve teamwork and customer service, the Phoenix Way (Willing, Able and Yes We Can!). At the end of the activity, each team came up with specific action steps necessary to achieve the organization's desired Customer Service priorities and Standards.

iii) Performance Management

With the end view of motivating employees, HR continuously did a re-orientation of the designed and implemented a performance management system that was directly linked to the company's business plans and objectives. The thrust was to refresh the existing and as well as the new employees and link corporate plans and strategies to measurable and individual goals and objectives. HR designed the Performance Management and Career Development Program (PACE-Pro) with the view of objectively managing work performance and expectations while providing a systematic approach for development and career plans of individuals. Employees are always made aware of how their work

performance would be measured, how competencies can be improved as well as the consequences and rewards that go with the performance results. The PACE-Pro is a strategic HR tool with the goal of establishing a Pay-for-Performance culture in the organization.

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

iv) Employee Welfare

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

v) Employee Relations

By fostering open communication, family spirit and employee well-being, HR organized teambuilding activities which included Phoenixxtreme Quest 2008, a highly competitive, team-based and task-oriented event for all employees. The year’s team “Bigger, Faster, Stronger” speaks not only Company’s overall directions and motivation but also the aspiration of each Team Phoenix Member. The Annual Christmas Party, with the theme “Mardigras”, was a great way of showing the motivation and camaraderie of Team Phoenix. Employees performed in the much awaited group and individual singing and dancing, best in costume and other talent competition.

Corporate Social Responsibility

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

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

- b) **Bloodletting.** On May 10, 2008 and January 30, 2009, Phoenix Petroleum and its affiliates and subsidiaries underwent bloodletting activity under the supervision of the Philippine National Red Cross (PNRC). Some school teachers of the Company adopted school also participated in the said activity together. The donated blood will be stored in the facility of the Philippine National Red Cross so to support the emergency needs that may arise in Davao and or neighboring cities or municipalities.
- c) **Masara Relief Operation.** Phoenix Foundation, in cooperation with Udenna Foundation, donated two (2) relief houses to the victims of landslide in Masara, Compostela Valley. On top of this the Company distributed relief goods of affected families. This is also in coordination with the local government unit of Compostela Valley.
- d) **International Coastal Clean-up.** With the companies' concern to environment, officers and employees joined the International Clean-up program last September 20, 2008 in cooperation with the Department of Environment and Natural Resources (DENR), Local Government units and other Government and non-government organization. This is also in respond to the alarming signs and effects of global warming.
- e) **Panagsadya '08 at NCCC Mall.** During the said activity in the New City Commercial Center (NCCC), the Company donated sacks of rice of which recipients are our blind boys and girls.
- f) **Adopt a School Program.** In joint effort of Phoenix Foundation and the Department of Education (DepEd), the Company sponsored the salary of two (2) pre-school teachers which in result produces seventy-three (73) pre-school graduates, who are called "Phoenix Scholars" for school year 2007-2008. Educational materials were also donated by the company to the recipient school. This is part of the Company's "Adopt a School Program". The administration of Vicente Hizon, Sr. Elementary School, the recipient school, awarded the Company Plaque of Appreciation during the graduation rites last April 2, 2009.
- g) **Other Activities.**
- Phoenix Foundation Philippines sponsored a Defensive Driving Seminars on 2 occasions, namely:
 - The seminar participants were members of South Eastern Mindanao Diversified Drivers and Operators Cooperative (SEMDDOC).
 - The seminar participants were drivers, mechanics and maintenance crews of the Dept of Public Works and Highways.
 - As part of the foundation's support to the sports development program, Phoenix, sponsored the Taekwondo Regional Tournament in the amount in order to help develop the future of the youth and assist in discovering the hidden potentials of local athletes who may give the country our first Olympic gold.

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

Health, Safety and Environment

The Company recognizes that the pursuit of meeting society's needs and development and use of natural resources must be done in an environmentally sound manner. Simultaneously, protecting health and safety of its employees, business partners and the community, is of an equally primordial concern. With the preceding premise, the company has improved on the the following in 2008:

Health and Environment - Air emissions:

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

Our approach

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

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

Safety- Training Business Partners

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

Other Safety Measures

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

- Trained bomb sniffing dog that regularly checks the depot premises at least (three) 3 times a day. We have one specially trained dog handler that takes care of the dog and regularly makes their rounds every day. The dog checks on our tank farm, port, tankers etc.
- Installed Global Positioning System to Company tankers and Lorries to be able to do tracking of the exact whereabouts of these delivery equipments on almost real-time basis. This is very beneficial to ensure safety of drivers, tankers and products. This is also tracks the on time delivery of products.
- As additional safety and security measures, the Company raised the perimeter wall of the Davao Depot. This is intended to always ensure that facilities are safe and out of danger from terrorists, burglars, all kinds of treats, real and imaginary.
- Installed additional sprinkler system on the storage tanks from the top most part in order to cool the tanks and protect the Product and the depot in case of fire and to reduce vapor loss.
- The Company installed additional safety and security signs all over the Davao Depot premises to always caution everyone and to keep all persons and properties out of danger.

2. Business of Issuer

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

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

companies using petroleum products and lubricants as well as airline companies in need of specialized services.

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

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

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

ii) Percentage distribution of sales or revenues:

The Company had a Total Revenue of ₱ 4.615 billion in 2008 of which ₱ 4.562 billion or 98.87% was accounted for by the sales of refined petroleum products and ₱ 0.052 billion was accounted for by fuel service and storage income.

iii) New products or services:

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

iv) Competition:

The Company’s main competitors are the major players in the downstream oil industry namely, Petron, Shell and Caltex, and the new industry players with presence in Southern Mindanao such as Unioil, Jetti, Flying V and SeaOil. While the three major players control about 82.8% and 84.2% for 2008 and 2007 respectively of the Philippine market, the Company gained strong foothold in Mindanao Market and started to spread out to Luzon and Visayas regions.

The Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations of its service station retail network. As of December 31, 2008, the Company has a network of 86 retail stations and has approximately a 23% share of stations within the Davao Region.

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

The Company currently procures its petroleum products locally. Its main suppliers are PTT Philippines Corporation as well as Total Philippines

Corporation. The necessary infrastructures are on final stage or nearing completion to allow the Company to embark on a direct importation program.

The Company however imports some of its lubricants from the United Arab Emirates and Singapore.

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

The Company has transactions with related parties as follows:

- UDENNA Corporation.

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

- Chelsea Shipping Corporation (CSC).

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

vii) Patents, trademarks, licenses, franchises

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

Product/Device	Reg. No.	Date of Registration	Term/Duration
Phoenix Raptor X Premium & Device	4-2008-005932	Oct. 13, 2008	Oct 13, 2018
Phoenix Regular & Device	4-2008-005931	-do-	-do-
Phoenix Flame Kerosene & Device	4-2008-005929	-do-	-do-
Phoenix Glide Super Unleaded & Device	4-2008-005933	-do-	-do-
Phoenix Magma Diesel & Device	4-2008-005936	-do-	-d o-
Phoenix Jet A-1 & Device	4-2008-005934	-do-	-do

Cage Free Ur Spirit & Device	4-2008-012148	Feb. 09, 2009	Feb. 09, 2019
Nest Necessities for Life & Device	4-2008-012149	-do-	-do-

viii) Total number of employees

The Company has a total of 169 and 139 employees as of December 31, 2008 and December 31, 2007 respectively. This is broken down as follows:

	2008	2007
Chairman	1	1
President/CEO	1	1
Vice President	3	3
Assistant Vice President	4	5
Senior Manager	6	3
Managers	11	9
Supervisor/PTC*	54	49
Rank and File	89	68
	<hr/>	<hr/>
	169	139

** Professional, Technical and Confidential*

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

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

Major Risks Involved

Risk Factors

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

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

Major Risks

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

Volatility of prices of fuels.

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

Intense competition.

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

Material disruptions in the availability or supply of fuel.

As a trading concern, the Company largely depends on its ability to find stable source of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market. In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

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

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

Regulatory risk.

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

Risk Management and Mitigants

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

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

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

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

Regulatory risk. To keep itself updated of developments in the industry relative to policies and regulations, the Company has set-up a Corporate Affairs department to maintain lines of communications with government bureaus and to identify potential risk factors and proactively respond to these factors to protect company interest.

3. Description of Property:

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

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

Leased Properties

Lease with Udenna Corporation

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

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

- The current contract of lease has a term of three (3) years commencing from January 2007 to December 2009.
- The Company shall pay Udenna Corporation a monthly rental at the rate of P 237,877.89 inclusive of VAT and withholding tax. The rate shall be subject to a 10% increase every year.
- The leased premises shall be used exclusively by the Company for its storage of petroleum and fuel products and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the Lessor.
- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.
- Udenna shall have the right to pre-terminate the lease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Corporation one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

Leased Properties for Terminal/Depot Sites

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

- **General Santos City.** A fifteen-year (15) lease contract, with option to renew for another five (5) years, was entered with Southern Fishing Industries, Inc. for the 10,000 square meters property located at Tambler, General Santos City. Monthly rental is P300,000 (exclusive of VAT) per month and 5% increase every year commencing on the second year and thereafter. Contract was signed on May 7, 2008.
- **Zamboanga City.** The Company entered to a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of ten (10) years, with an option to renew for another five (5) years. Monthly lease rental is five hundred thousand pesos (₱ 500,000.00) with an increment of five percent (5%) every two years. The said lease agreement commenced November 16, 2008.
- **Bacolod City.** A parcel of land with a an area of 10,000 square meters more or less was leased from Jordan Fishing Corporation for ten (10) years starting January 01, 2008. Monthly lease rental is Five Hundred

Thousand Pesos (₱ 500,000.00) excluding Value Added Tax with a five percent (5%) increment of rental rate every two (2) years. An option to renew for another five (5) years is provided in the contract.

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

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

In addition to the lease covering the premises where the Company's headquarters is located, the Company has existing lease contracts with several landowners for the establishment of Phoenix Fuels Life Retail Stations. As of March 31, 2009, the Company has signed Lease Agreements for Forty (40) sites where CODO stations are established/being constructed/will be constructed. These are located in the following areas:

Locations	Number of Stations
North Cotabato	2
Davao City	14
Davao del Norte	6
Davao Oriental	1
Gen. Santos/South Cot	5
Bukidnon	2
Cagayan de Oro City	3
Compostela	2
Cebu	1
Luzon	4
	40

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

- The lease shall be for a term of fifteen years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.
- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. It may include convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a retail station and for no other purpose without the written consent of the Lessor.

- The Company is permitted to assign or sublet the leased premises upon the written approval of the Lessor, provided that it is leased to a single party to operate retail station, corner store and coffee shop as a whole.

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

As of March 31, 2009, the Company signed Lease Agreements with Ninety (90) DODO stations, including those where construction are yet to start. In a DODO arrangement, the Dealer legitimately owns or possesses the real property where the Phoenix Fuels Life Retail Station is established. The Company gains rights to the property by virtue of a lease agreement, which lease is duly incorporated in the Dealership Agreement executed between the landowner/dealer and the Company.

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

Locations	Number of Stations
Davao Oriental	3
Davao City	12
Davao del Norte	9
Davao del Sur	13
Comval	7
Gen. Santos/South Cot	4
Surigao/Agusan	8
North Cotabato	13
Sultan Kudarat/	2
Maguindanao	3
Agusan del Sur	0
Bukidnon	4
Cotabato City	3
Zamboanga	2
Cagayan de Oro City	2
Luzon	5
TOTAL	90

Inauguration of JETA1 Depot in New Washington, Aklan

On April 30, 2008, the Company inaugurated its Dumaguít, Aklan depot with a capacity of 580,000 liters to service storage and refueling requirements of various airline companies flying the route to and from Kalibo. This said depot was erected in the 8,348 square meter land purchased by the Company as part of its continuous expansion program.

E. Directors and Executive Officers of the Company

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

F. Market Price, Shareholder and Dividend Information

- (1) The Company's common shares were listed and traded at the Philippine Stock Exchange ("PSE") starting on July 11, 2007. The high and low sale prices of each period for year 2007 to 2009 are hereunder shown:

Period	Highest Close		Lowest Close	
	Price	Date	Price	Date
Year 2009				
First Quarter	5.50	Mar-23	P 3.95	Feb- 23
Year 2008				
First Quarter	5.40	Jan-02	4.00	Feb-07
Second Quarter	4.30	Apr-04	3.80	Jun-27
Third Quarter	4.00	Sept-26	2.50	Jul-02
Fourth Quarter	3.85	Oct-08	2.55	Oct-27
Year 2007				
First Quarter	N/A	N/A	N/A	N/A
Second Quarter	N/A	N/A	N/A	N/A
Third Quarter	13.75	July -13	6.60	Sept - 13
Fourth Quarter	8.60	Oct - 16	6.50	Nov-22

As of December 31, 2008, the market capitalization of the Company, based on the closing price of P 3.70, was approximately P 695.6 million.

Interim Financial Statement and Management Discussion and Analysis

The Company is currently in the process of preparing its first quarterly report for period ended March 31, 2009. Thus, management financial analysis for the first quarter shall be available on May 15, 2009 and before the Annual Stockholders' Meeting of the Company on May 29, 2009;

An affidavit of undertaking to submit the necessary interim financial report for the first quarter for period ended March 31, 2009 which shall include the Management Discussion and Analysis is herein attached as **Annex "E"**.

(2) Top 20 Stockholders**
As of March 31, 2009

#	<u>NAME OF STOCKHOLDERS</u>	<u>No. of Common Shares</u>	<u>Percentage of Ownership % *</u>
1	Phoenix Petroleum Holdings Inc.	102,050,000.00	54.28%
2	PCD Nominee Corporation (Filipino)	44,139,070.00	23.48%
3	UDENNA Corporation	25,674,993.00	13.66%
4	UDENNA Management And Resources Corp.	6,500,000.00	3.46%
5	PCD Nominee Corporation (Non Filipino)	5,764,070.00	3.07%
6	Paul Gerard B. Del Rosario	2,276,560.00	1.21%
7	Dennis Uy	803,400.00	0.43%
8	Udenco Corporation	324,999.00	0.17%
9	Dennis A. Uy &/Or Cherylyn C. Uy	221,000.00	0.12%
10	Domingo T. Uy	130,001.00	0.07%
11	Edgardo Alvarado Alerta	26,000.00	0.01%
12	Orlando Lansangan	26,000.00	0.01%
13	Leo M. Bernaldez	10,400.00	0.01%
14	Roque A. Lim	7,800.00	0.00%
15	Soccoro Ermac Cabreros	6,501.00	0.00%
16	Alberto D. Alcid	6,500.00	0.00%
17	Rebecca Pilar Claridad Caterio	6,500.00	0.00%
18	Stephen T. Teo &/Or Teresita R. Teo	6,500.00	0.00%
19	Romeo B. Molano	5,600.00	0.00%
20	Bernardita P. Bautista	5,200.00	0.00%

* based on the total shares (net of treasury shares) as of March 31, 2009 of 188,000,198

** disclosure based on records of the Stock Transfer Agent, BDO-Equitable Trust Co., as of March 31, 2009 and disclosed April 13, 2009.

(2) Recent Sale of Unregistered Securities

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

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

Last September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities,

the program commenced on second week of October 2007. It will conclude upon exhaustion of the approved allotment subject to the proper disclosure to the SEC and the PSE. As of December 31, 2008 and December 31, 2007, treasury shares has cumulative costs of ₱ 17,252,140 and ₱ 5,639,300 respectively.

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

(4) Description of Share

The Company's shares consist of common shares with a par value of P1.00 per share. As of December 31, 2008 and March 31, 2009, total outstanding common shares with voting rights are shares 188,000,198 and 188,000,198 shares, respectively.

(5) Stock Options Plan

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

(7) Debt Securities

There are no debt securities to be registered by the Company.

(8) Securities Subject to Redemption or Call

There are no convertible securities that are subject to redemption or callare being registered by the Company.

(9) Warrants

There are no warrants issued by the Company

(10) Dividends

On Declaration of Stock Dividends for the Company's Issued and Outstanding shares as of March 31, 2009

On April 22, 2009, the Board of Directors of the Company approved the declaration of 40% stock dividends which shall be issued out from the Company's unrestricted retained earnings. Record date and Payment date are to be determined and announced later. The declaration of stock dividends of the Company shall be submitted to the stockholders at the Annual Meeting for their approval.

The Board approved the declaration of stock dividends aggregating forty percent (40%) of the total issued and outstanding shares of the Company or a total of Seventy Three Million Six Hundred Sixty Thousand Four Hundred Seventy-Nine (73,660,479) shares, more or less, amounting to Seventy Three Million Six Hundred Sixty Thousand Four Hundred Seventy Nine Pesos (₱73,660,479.00), more or less, out of the surplus profit of the Company as of December 31, 2008. The stock dividend declaration shall increase the paid-up capital of the Company from One Hundred Eighty Four Million One Hundred Fifty One Thousand One Hundred Ninety Eight Pesos (₱184,151,198.00) to Two Hundred Fifty Seven Million Eight Hundred Eleven Thousand Six Hundred Seventy-Seven Pesos (₱257,811,677.00).

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

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

For 2008, the Company declared and paid the following dividends: 30% stock dividends and cash dividends amounting to Php 0.10 per share.

G. Compliance with Leading Practices on Corporate Governance

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

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

The Company has substantially complied with its Manual of Corporate Governance. As of the date of this Report, the Board of Directors or management is not aware of any action or event that would constitute a deviation from the Company's Manual of Corporate Governance, except in respect of the attendance of directors at corporate governance seminars. The Company shall ensure that the other directors who have yet to attend corporate governance seminars shall attend such seminars as soon as practicable.

Last January 22, 2009, the Company through the Corporate Secretary submitted a document certifying the attendance of the members of the Board of Directors in all regular meetings for the year 2008 as well as the compliance to the provisions of the Manual of Corporate Governance.

There are no plans to amend the corporate governance of the Company.

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

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2008 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, STELLA HIZON REYES ROAD, BO. PAMPANGA, LANANG, DAVAO CITY, PHILIPPINES 8000.

COVER SHEET

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S.E.C. Registration Number

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

P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

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

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

Dennis A. Uy
Contact Person

(082) 233-0168
Company Telephone Number

1	2		3	1
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Month Day
Fiscal Year Ending

AAFS
FORM TYPE

6 **XX**
Month Day
Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of P-H-O-E-N-I-X Petroleum Philippines, Inc. is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.


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

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

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

Signature 
Name of the Chairman of the Board

DOMINGO T. UY

Signature 
Name of President and Chief Executive Officer

DENNIS A. UY

Signature 
Name of Vice President - Treasury

FELIX CESAR L. ZERRUDO, JR.

PHOENIX PETROLEUM PHILIPPINES, INC.

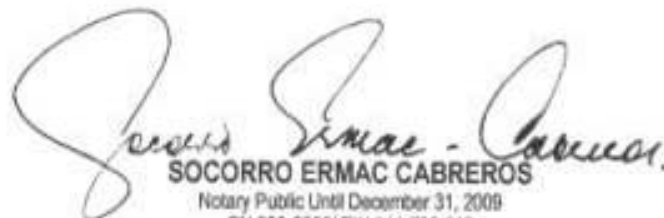
Head Office: Phoenix Bulk Supply Center, 5400 Davao City, Phil. 082 235-8888 Fax 082 235-0288
Davao Office: 5400 Davao City, Phil. 082 235-8888 Fax 082 235-0288
www.phoenixpetroleum.com

SUBSCRIBED AND SWORN TO before me this 15th day of April, 2009 in Davao City, Philippines. Affiants have exhibited to me their competent proofs of identity containing their photos and signatures.

DENNIS A. UY
FELIX CESAR L. ZERRUDO JR.
DOMINGO T. UY

TIN No. 172-020-135
TIN No. 106-933-342
TIN No. 140-162-193

Doc. No. : 70
Page No. : 11
Book No. : VI
Series of 2009


SOCORRO ERMAC CABREROS

Notary Public Until December 31, 2009
SN 090-2008/ TIN 111-790-618
Phoenix Petroleum Philippines, Inc.
Phoenix Bulk Depot, Lanang, Davao City
Roll of Attorney No. 37121
PTR No. 7350424/1-14-09/Davao City
IBP No. 763112/1-08-09/Davao City

**Report of Independent
Certified Public Accountants
to Accompany Income Tax Return**

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

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

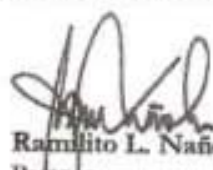
**The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc.
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
Stella Hizon Reyes Road
Barrio Pampanga, Davao City**

We have audited the financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. for the year ended December 31, 2008, on which we have rendered the attached report dated April 8, 2009.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid and accrued by the above Company for the year ended December 31, 2008, are shown in the Schedule of Taxes and Licenses.
2. No partner of our Firm is related by consanguinity or affinity to the president, managers or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO


By: **Ramilito L. Nafola**
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 1566070, January 5, 2009, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 8, 2009





Punongbayan & Araullo

Report of Independent Auditors

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

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

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

We have audited the accompanying consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

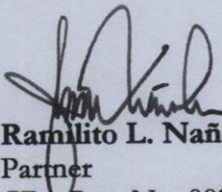
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries as of December 31, 2008 and 2007, and of their consolidated financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 1566070, January 5, 2009, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 8, 2009

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 357,397,359	P 114,178,773
Trade and other receivables	5	765,217,736	361,064,245
Inventories	6	155,966,344	178,059,559
Due from related parties	20	16,240,705	35,599,076
Restricted deposits	7	80,640,980	44,751,820
Input value-added tax		44,411,280	23,084,399
Other current assets	8	37,353,377	5,923,448
		<hr/>	<hr/>
Total Current Assets		1,457,227,781	762,661,320
		<hr/>	<hr/>
NON-CURRENT ASSETS			
Property and equipment - net	9	881,346,333	413,703,395
Deferred tax assets	19	10,650,027	4,813,793
Other non-current assets - net	10	18,856,720	11,026,000
		<hr/>	<hr/>
Total Non-current Assets		910,853,080	429,543,188
		<hr/>	<hr/>
TOTAL ASSETS		P 2,368,080,861	P 1,192,204,508
		<hr/>	<hr/>

	Notes	2008	2007
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Loans and borrowings	11	P 831,478,373	P 362,605,399
Trade and other payables	12	750,441,962	169,431,093
Total Current Liabilities		1,581,920,335	532,036,492
NON-CURRENT LIABILITIES			
Loans and borrowings	11	72,297,113	87,882,299
Other non-current liabilities - net	13	23,105,550	5,703,750
Total Non-current Liabilities		95,402,663	93,586,049
Total Liabilities		1,677,322,998	625,622,541
EQUITY			
Capital stock	21	188,000,198	145,000,000
Additional paid-in capital	21	227,114,249	227,114,249
Treasury shares	21	(17,252,140)	(5,639,300)
Retained earnings		292,895,556	200,107,018
Total Equity		690,757,863	566,581,967
TOTAL LIABILITIES AND EQUITY		P 2,368,080,861	P 1,192,204,508

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES				
Sale of goods - net		P 4,562,905,713	P 2,315,981,493	P 1,465,481,108
Fuel service, storage income and other revenue		<u>52,311,246</u>	<u>48,250,811</u>	<u>27,149,668</u>
		<u>4,615,216,959</u>	<u>2,364,232,304</u>	<u>1,492,630,776</u>
COST AND EXPENSES				
Cost of sales and services	14	4,194,195,752	2,097,437,575	1,330,317,443
Selling and administrative expenses	15	<u>255,821,298</u>	<u>156,531,497</u>	<u>83,535,112</u>
		<u>4,450,017,050</u>	<u>2,253,969,072</u>	<u>1,413,852,555</u>
OTHER INCOME (CHARGES)				
Finance costs	11	(46,050,530)	(8,701,202)	(5,568,558)
Finance income	4, 20	25,328,030	12,584,885	1,052,395
Others		(<u>19,978</u>)	<u>-</u>	<u>-</u>
		(20,742,478)	3,883,683	(4,516,163)
INCOME BEFORE TAX AND PRE-ACQUISITION LOSS		144,457,431	114,146,915	74,262,058
PRE-ACQUISITION LOSS	2	<u>-</u>	<u>3,861,745</u>	<u>-</u>
INCOME BEFORE TAX		144,457,431	118,008,660	74,262,058
TAX INCOME	17, 19	<u>5,831,307</u>	<u>4,350,106</u>	<u>-</u>
NET INCOME	22	<u>P 150,288,738</u>	<u>P 122,358,766</u>	<u>P 74,262,058</u>
Earnings per share	22	<u>P 0.91</u>	<u>P 0.94</u>	<u>P 3.10</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Note	<u>2008</u>	<u>2007</u>	<u>2006</u>
CAPITAL STOCK	21			
Balance at beginning of year		P 145,000,000	P 116,000,000	P 10,000,000
Stock dividends		43,000,198	-	-
Additional issuance during the year		<u>-</u>	<u>29,000,000</u>	<u>106,000,000</u>
Balance at end of year		<u>188,000,198</u>	<u>145,000,000</u>	<u>116,000,000</u>
ADDITIONAL PAID-IN CAPITAL	21	<u>227,114,249</u>	<u>227,114,249</u>	<u>-</u>
TREASURY SHARES - At Cost	21			
Balance at beginning of year		(5,639,300)	-	-
Additional purchases during the year		(11,612,840)	(5,639,300)	-
Balance at end of year		(17,252,140)	(5,639,300)	-
DEPOSITS ON FUTURE STOCK SUBSCRIPTIONS	21			
Balance at beginning of year		-	-	10,000,000
Conversion to common stock during the year		<u>-</u>	<u>-</u>	<u>(10,000,000)</u>
Balance at end of year		<u>-</u>	<u>-</u>	<u>-</u>
RETAINED EARNINGS				
Balance at beginning of year		200,107,018	77,748,252	3,486,194
Net income		150,288,738	122,358,766	74,262,058
Stock dividends	21	(43,000,198)	-	-
Cash dividends	21	(14,500,002)	-	-
Balance at end of year		<u>292,895,556</u>	<u>200,107,018</u>	<u>77,748,252</u>
TOTAL EQUITY		<u>P 690,757,863</u>	<u>P 566,581,967</u>	<u>P 193,748,252</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings, Inc.)
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 144,457,431	P 118,008,660	P 74,262,058
Adjustments for:				
Depreciation and amortization	9	58,801,456	32,740,544	16,270,399
Interest expense	11	46,050,530	6,246,974	3,021,158
Interest income		(25,328,030)	(12,584,884)	(1,052,395)
Operating income before working capital changes		223,981,387	144,411,294	92,501,220
Increase in trade and other receivables		(404,153,491)	(152,883,692)	(176,499,777)
Decrease (increase) in inventories		22,093,215	(134,517,047)	(2,614,966)
Increase in restricted deposits		(35,889,160)	(30,566,588)	(14,185,232)
Decrease (increase) in other current assets		(52,756,810)	(28,264,803)	1,900,716
Increase in trade and other payables		581,010,869	676,682	140,682,572
Cash generated from (used in) operations		334,286,010	(201,144,154)	41,784,533
Cash paid for income taxes	19	(4,926)	(1,682)	-
Net Cash From (Used in) Operating Activities		334,281,084	(201,145,836)	41,784,533
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions of property and equipment	9	(526,444,394)	(238,329,682)	(40,217,076)
Collections from related parties	20	53,445,979	184,045,145	99,467,594
Interest received		25,328,030	12,584,884	1,052,395
Advances to related parties	20	(34,087,608)	(163,909,858)	(155,201,957)
Net increase in other non-current assets		(7,830,720)	(10,566,769)	(550,529)
Net Cash Used in Investing Activities		(489,588,713)	(216,176,280)	(95,449,573)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in loans and borrowings		453,287,788	190,743,944	45,095,275
Interest paid		(46,050,530)	(6,246,974)	(3,021,158)
Increase in non-current liabilities		17,401,800	5,703,750	-
Payments of cash dividends	21	(14,500,002)	-	-
Increase in treasury shares	21	(11,612,840)	(5,639,300)	-
Additional paid-in capital	21	-	227,114,249	-
Repayments of due to related parties		-	(140,200)	(19,235,055)
Proceeds from issuance of shares of stock	21	-	29,000,000	96,000,000
Net Cash From Financing Activities		398,526,216	440,535,469	118,839,062
NET INCREASE IN CASH AND CASH EQUIVALENTS		243,218,587	23,213,353	65,174,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		114,178,773	90,965,420	25,791,398
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 357,397,359	P 114,178,773	P 90,965,420

Supplemental Information on Non-cash Investing and Financing Activities

In 2008, the Group declared and distributed stock dividends amounting to P43.0 million.

In 2007, the Group acquired land amounting to P134.9 million through installment. The outstanding installment payable as of December 31, 2008 and 2007 amounted to P82.6 million and P114.7 million, respectively (see Note 11).

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

In 2006, deposits on future stock subscriptions amounting to P10.0 million were converted to common stock (see Note 21).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
(A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(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 86 service stations, including three service stations in Luzon operating as of December 31, 2008. As of December 31, 2008, there are a total of 31 service stations under construction.

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

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

All the subsidiaries were organized and incorporated in the Philippines.

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

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.

The financial statements of the Parent Company and Subsidiaries (the Group) for the year ended December 31, 2008 (including the comparatives for the years ended December 31, 2007 and 2006) were authorized for issue by the Group's President and Chief Executive Officer on April 8, 2009.

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 Arising on Liquidation
Various Standards	:	2008 Annual Improvements to PFRS

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

- (i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.
- (ii) PAS 23 (Revised 2007), *Borrowing Costs* (effective from January 1, 2009). Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed. The Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.

- (iii) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The Group does not expect any impact on its financial statements when it applies the amendments in 2009.
- (iv) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008*. These amendments became effective in the Philippines in annual periods beginning on or after January 1, 2009. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies:
- PAS 23 (Amendment), *Borrowing Costs*. The amendment clarifies the definition of borrowing costs to include interest expense determined using the effective interest method under PAS 39. This amendment will be applied by the Group in 2009. The Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.
 - PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. Presently, the Group has no financial instruments held for trading financial assets, thus, this amendment will have no impact in the Group's 2009 financial statements.
 - PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:
 - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.
 - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

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

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

- PAS 38 (Amendment), *Intangible Assets*. The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. In the case of supply of goods, the entity recognizes such expenditure as an expense when it has a right to access the goods. For services, an expense is recognized on receiving the service. Also, prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. Presently, the Group has no investment property, thus, this amendment will have no impact in the Group's 2009 financial statements.

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

2.3 Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

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

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).

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.

Rent expense charged to operations amounted to P30,872,124, P6,915,184 and P3,005,065 for the years ended December 31, 2008, 2007 and 2006, respectively (see Note 15).

Rent income earned for the years 2008, 2007 and 2006 amounted to P17,237,494, P10,329,087 and P9,304,298, respectively (see Note 23). These are presented as part of the Fuel Service, Storage Income and Other Revenue account in the consolidated income statements.

(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 2008, 2007 and 2006.

(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 P4.8 million as of December 31, 2008 and 2007 (see Note 19).

(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 and P178.1 million as at December 31, 2008 and 2007, respectively) 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 and P1.8 million in 2008 and 2007, respectively, and nil in 2006 (see Note 16.2).

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	<u>2008</u>	<u>2007</u>
Cash on hand and in banks	P 297,380,830	P 53,178,773
Short-term placements	<u>60,016,529</u>	<u>61,000,000</u>
	<u>P 357,397,359</u>	<u>P 114,178,773</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>2008</u>	<u>2007</u>
Trade receivables	P 556,234,756	P 269,827,336
Advances to suppliers	159,453,618	73,527,684
Non-trade receivables	35,284,040	13,861,221
Other receivables	<u>14,245,322</u>	<u>3,848,004</u>
	<u>P 765,217,736</u>	<u>P 361,064,245</u>

All of the Group's trade and other receivables have been reviewed for indicators of impairment. There are no trade receivables found to be impaired as of December 31, 2008 and 2007.

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>2008</u>	<u>2007</u>
Lubricants	14	P 84,230,244	P 31,836,849
Fuel	14	<u>71,736,100</u>	<u>146,222,710</u>
		<u>P 155,966,344</u>	<u>P 178,059,559</u>

Under the terms of agreements covering the liabilities under trust receipts, certain inventories have been released to the Group in trust for the bank. The Group is accountable to the bank for the trusted inventories or their sales proceeds (see Note 11.1).

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 3.125% to 5.975% per annum.

8. OTHER CURRENT ASSETS

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

	<u>2008</u>	<u>2007</u>
Prepayments	P 34,896,771	P 5,307,269
Supplies	1,795,851	366,007
Others	<u>660,755</u>	<u>250,172</u>
	<u>P 37,353,377</u>	<u>P 5,923,448</u>

9. PROPERTY AND EQUIPMENT

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

	<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2008									
Cost	P 74,228,994	P 20,067,069	P 249,002,393	P 44,393,068	P 103,229,136	P 40,607,337	P 134,853,747	P 338,399,426	P1,004,781,170
Accumulated depreciation and amortization	(18,757,638)	(7,491,121)	(39,307,495)	(17,042,195)	(27,420,428)	(13,415,960)	-	-	(123,434,837)
Net carrying amount	<u>P 55,741,356</u>	<u>P 12,575,948</u>	<u>P 209,694,898</u>	<u>P 27,350,873</u>	<u>P 75,808,708</u>	<u>P 27,191,377</u>	<u>P 134,853,747</u>	<u>P 338,399,426</u>	<u>P 881,346,333</u>
December 31, 2007									
Cost	P 51,041,187	P 17,726,959	P 62,402,292	P 38,398,442	P 57,914,015	P 28,231,061	P 134,853,747	P 85,764,364	P 476,332,067
Accumulated depreciation and amortization	(12,786,672)	(3,962,832)	(17,199,262)	(12,310,696)	(12,017,482)	(4,351,731)	-	-	(62,628,672)
Net carrying amount	<u>P 38,254,515</u>	<u>P 13,764,127</u>	<u>P 45,203,030</u>	<u>P 26,087,746</u>	<u>P 45,896,533</u>	<u>P 23,879,330</u>	<u>P 134,853,747</u>	<u>P 85,764,364</u>	<u>P 413,703,395</u>
January 1, 2007									
Cost	P 35,312,907	P 9,324,129	P 32,589,976	P 20,340,326	P 21,216,052	P 4,475,187	P -	P -	P 123,258,487
Accumulated depreciation and amortization	(8,813,335)	(1,624,841)	(5,584,254)	(5,206,885)	(6,562,475)	(2,096,338)	-	-	(29,888,128)
Net carrying amount	<u>P 26,499,572</u>	<u>P 7,699,288</u>	<u>P 27,005,722</u>	<u>P 15,133,441</u>	<u>P 14,653,577</u>	<u>P 2,378,849</u>	<u>P -</u>	<u>P -</u>	<u>P 93,370,359</u>

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

		<u>Buildings, Depot and Pier Facilities</u>	<u>Leasehold and Land Improvements</u>	<u>Gasoline Station Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Hauling and Heavy Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2008, net of accumulated depreciation and amortization	P	38,254,514	P 13,764,126	P 45,203,030	P 26,087,750	P 45,896,533	P 23,879,330	P 134,853,747	P 85,764,365	P 413,703,395
Additions		23,187,807	2,324,596	132,265,622	5,705,605	44,059,419	10,656,994	-	307,004,782	525,204,825
Transfers	-	-	-	54,334,479	-	-	-	-	(54,334,479)	-
Disposals	-	-	-	-	-	-	(888,913)	-	-	(888,913)
Adjustments	-	-	16,479	-	288,957	1,255,702	602,586	-	(35,242)	2,128,482
Depreciation and amortization charged for the year	(5,970,965)	(3,529,253)	(22,108,233)	(4,731,432)	(15,402,946)	(7,058,620)	-	-	(58,801,456)
Balance at December 31, 2007 net of accumulated depreciation and amortization	<u>P</u>	<u>55,471,356</u>	<u>P 12,575,948</u>	<u>P 209,694,898</u>	<u>P 27,350,873</u>	<u>P 75,808,708</u>	<u>P 27,191,377</u>	<u>P 134,853,747</u>	<u>P 338,399,426</u>	<u>P 881,346,333</u>
Balance at January 1, 2007, net of accumulated depreciation and amortization	P	26,499,572	P 7,699,288	P 27,005,722	P 15,133,351	P 14,653,577	P 2,378,849	P -	P -	P 93,370,359
Additions		15,728,280	8,402,830	29,812,316	18,058,206	36,697,963	23,755,874	134,853,747	85,764,364	353,073,580
Adjustments	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization charged for the year	(3,973,337)	(2,337,991)	(11,615,008)	(7,103,808)	(5,455,007)	(2,255,393)	-	-	(32,740,544)
Balance at December 31, 2006 net of accumulated depreciation and amortization	<u>P</u>	<u>38,254,515</u>	<u>P 13,764,127</u>	<u>P 45,203,030</u>	<u>P 26,087,749</u>	<u>P 45,896,533</u>	<u>P 23,879,330</u>	<u>P 134,853,747</u>	<u>P 85,764,364</u>	<u>P 413,703,395</u>

Certain properties with an aggregate carrying value of P5,522,405 and P5,392,198 as of December 31, 2008 and 2007, respectively, are mortgaged with local banks (see Notes 11.4).

In addition, land amounting to P114,743,898 was acquired from Bacnotan Industrial Park Corporation (BIPC) through installment payable (see Note 11.3).

10. OTHER NON-CURRENT ASSETS

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

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Goodwill	P	9,344,134	P 9,344,134
Refundable rent deposits		7,277,348	1,681,866
Deferred minimum lease payments	23	2,229,880	-
Others		5,358	-
		<u>P 18,856,720</u>	<u>P 11,026,000</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 (see Note 2.3).

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 December 31:

	<u>2008</u>	<u>2007</u>
Current:		
Liabilities under letters of credits and trust receipts	P 732,177,470	P 329,652,673
Installment and notes payable	97,147,890	30,536,933
Mortgage payable	<u>2,153,013</u>	<u>2,415,793</u>
	<u>P 831,478,373</u>	<u>P 362,605,399</u>
Non-current:		
Installment and notes payable	P 69,937,865	P 84,206,965
Mortgage payable	<u>2,359,248</u>	<u>3,675,334</u>
	<u>P 72,297,113</u>	<u>P 87,882,299</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%.

Interest expense for 2008, 2007 and 2006 amounted to P33,559,798, P6,246,974 and P3,021,158, respectively, and were presented as part of the finance costs in the consolidated income statements.

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 be on April 2009.

11.3 Installment Payable

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

- (a) The installment payable shall earn an interest of 9% per annum and are payable monthly until March 1, 2012.
- (b) The Group will be charged 2% as penalty on delayed installments due computed from the due date until full payment is made. However, if the delay in the installments due is more than 120 days from and after the due date, BIPC may at its option, elect to extra-judicially rescind the contract by written notice to the Group and without need of judicial intervention in which case BIPC shall have the right to retain 50% of the downpayment and any other payment made as liquidated damages for non-payment. Also, all improvements introduced by the Group on the land shall become properties of BIPC. This installment payable was preterminated on March 2009.
- (c) The Deed of Absolute Sale shall be executed and ownership of the land shall be transferred to the Group only upon full payment of installment payable, effectively using the land as security for the liability. The installment payable to a certain individual is payable monthly until March 2009.

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>2008</u>	<u>2007</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>2008</u>	<u>2007</u>
Security deposits		P 16,190,545	P 3,890,000
Retirement benefit obligation	16.2	2,970,928	1,813,750
Unearned rent		<u>3,944,077</u>	<u>-</u>
		<u>P 23,105,550</u>	<u>P 5,703,750</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:

	Note	2008	2007	2006
Inventories at beginning of year	6	P 178,059,559	P 43,542,512	P 40,927,546
Net purchases during the year		<u>4,170,603,537</u>	<u>2,231,954,622</u>	<u>1,332,932,409</u>
Goods available for sale		<u>4,348,663,096</u>	<u>2,275,497,134</u>	<u>1,373,859,955</u>
Inventories at end of year	6	(<u>155,966,344</u>)	(<u>178,059,559</u>)	(<u>43,542,512</u>)
		<u>P 4,192,696,752</u>	<u>P 2,097,437,575</u>	<u>P 1,330,317,443</u>

15. OPERATING EXPENSE BY NATURE

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

	Notes	2008	2007	2006
Cost of sales:				
Fuels		P 4,079,631,960	P 2,051,253,972	P 1,330,317,443
Lubricants		113,064,791	46,183,603	-
Cost of services		1,499,001	-	-
Depreciation and amortization	9	58,801,456	32,740,544	16,270,399
Salaries and employee benefits	16.1	52,807,485	43,898,747	15,895,572
Rent	20	30,872,124	6,915,184	3,005,065
Fuel, oil and lubricants		17,945,361	8,387,492	5,693,008
Trucking charges		12,573,778	2,278,463	3,580,251
Ads and promo		12,437,160	8,255,498	6,970,022
Office supplies		10,423,649	7,193,268	2,066,814
Travel and transportation		10,383,468	5,720,417	2,580,270
Utilities		6,833,648	6,350,572	1,797,820
Professional fees		6,089,715	4,038,325	2,880,189
Repairs and maintenance		5,294,260	5,320,096	10,652,681
Representation		4,230,721	3,512,357	3,546,070
Sales commissions		4,191,711	-	-
Security fees		3,292,615	1,908,075	1,074,292
Taxes and licenses		2,945,398	7,412,244	4,146,791
Insurance		2,698,250	2,091,100	1,075,309
Outside services		2,572,710	2,902,195	-
Service fee		456,265	2,800,000	-
Miscellaneous		<u>10,971,524</u>	<u>4,806,920</u>	<u>2,300,559</u>
		<u>P 4,450,017,050</u>	<u>P 2,253,969,072</u>	<u>P 1,413,852,555</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cost of sales and services	P 4,194,195,752	P 2,097,437,575	P1,330,317,443
Selling and administrative expenses	<u>255,821,298</u>	<u>156,531,497</u>	<u>83,535,112</u>
	<u>P4,450,017,050</u>	<u>P 2,253,969,072</u>	<u>P1,413,852,555</u>

16. EMPLOYEE BENEFITS

16.1 Employee Benefits

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Salaries and wages	P 40,863,335	P 32,056,842	P 10,997,855
Employee welfare and other benefits	8,117,163	7,072,292	1,859,314
13 th month pay and bonuses	<u>3,826,987</u>	<u>4,769,613</u>	<u>3,038,403</u>
	<u>P 52,807,485</u>	<u>P 43,898,747</u>	<u>P 15,895,572</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>	<u>2007</u>
Present value of obligation	P 2,418,400	P 2,799,612
Unrecognized actuarial gains (losses)	<u>552,528</u>	(<u>985,862</u>)
	<u>P 2,970,928</u>	<u>P 1,813,750</u>

There was no retirement benefit obligation recognized as of December 31, 2006 since the amount is deemed insignificant.

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

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	P 2,799,612	P -
Current service cost	865,425	1,781,175
Interest cost	232,928	32,575
Actuarial loss (gain)	(1,479,565)	985,862
Balance at end of year	<u>P 2,418,400</u>	<u>P 2,799,612</u>

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

	<u>2008</u>	<u>2007</u>
Current service cost	P 865,425	P 1,781,175
Interest cost	232,928	32,575
Loss recognized in the year	<u>28,825</u>	<u>-</u>
	<u>P 1,127,178</u>	<u>P 1,813,750</u>

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

	<u>2008</u>	<u>2007</u>
Discount rate	15.50%	8.32%
Expected rate of salary increase	10.00%	5.00%

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 major components of tax income reported in the consolidated income statements for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current tax expense:		
Final tax at 20%	(P <u>4,926</u>)	(P <u>1,682</u>)
Deferred tax income:		
Deferred tax income relating to net operating loss carryover (NOLCO)	9,021,080	4,351,788
Relating to tax application of NOLCO	(1,409,840)	-
Deferred tax resulting from reduction in tax rate	(<u>1,775,005</u>)	-
	<u>5,836,235</u>	<u>4,351,788</u>
	<u>P 5,831,307</u>	<u>P 4,350,106</u>

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

	<u>2008</u>	<u>2007</u>
Tax on pretax income at 35%	P 7,604,209	P 4,348,444
Adjustment for income subjected to lower income tax rates	3,693	1,662
Tax effects of:		
Reduction in tax rate	(1,775,005)	-
Non-deductible interest expense	(<u>1,590</u>)	-
Tax expense reported in the consolidated income statements	<u>P 5,831,307</u>	<u>P 4,350,106</u>

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

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>2008</u>	<u>2007</u>
Due from parent company:		
Balance at beginning of year	P 22,498,464	P 14,347,683
Additions	33,454,326	114,989,652
Collections	(53,015,060)	(106,838,871)
Balance at end of year	P 2,937,730	P 22,498,464

	<u>2008</u>	<u>2007</u>
Due from related parties:		
Balance at beginning of year	P 13,100,611	P 41,386,680
Additions	633,282	48,920,206
Collections	(430,918)	(77,206,275)
Balance at end of year	<u>P 13,302,975</u>	<u>P 13,100,612</u>
Total due from related parties:		
Balance at beginning of year	P 35,599,076	P 55,734,363
Additions	34,087,608	163,909,857
Collections	(53,445,978)	(184,045,146)
Balance at end of year	<u>P 16,240,705</u>	<u>P 35,599,076</u>

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>2008</u>	<u>2007</u>	<u>2006</u>
Salaries and wages	P 17,770,685	P 18,439,923	P 4,888,369
13 th month pay and bonuses	2,410,405	2,576,032	285,827
Honoraria and allowances	<u>1,647,060</u>	<u>570,689</u>	<u>1,692,500</u>
	<u>P 21,828,150</u>	<u>P 21,586,644</u>	<u>P 6,866,696</u>

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Common shares – P1 par value						
Authorized:						
Balance at beginning of year	400,000,000	400,000,000	10,000,000	P 400,000,000	P 400,000,000	P 10,000,000
Increase during the year	<u>-</u>	<u>-</u>	<u>390,000,000</u>	<u>-</u>	<u>-</u>	<u>390,000,000</u>
Balance at end of year	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>	<u>P 400,000,000</u>	<u>P 400,000,000</u>	<u>P 400,000,000</u>
Issued:						
Balance at beginning of year	145,000,000	116,000,000	10,000,000	P 145,000,000	P 116,000,000	P 10,000,000
Stock dividends	43,000,198	-	-	43,000,198	-	-
Issued during the year	<u>-</u>	<u>29,000,000</u>	<u>106,000,000</u>	<u>-</u>	<u>29,000,000</u>	<u>106,000,000</u>
Balance at end of year	<u>188,000,198</u>	<u>145,000,000</u>	<u>116,000,000</u>	<u>P 188,000,198</u>	<u>P 145,000,000</u>	<u>P 116,000,000</u>

As of December 31, 2008 and 2007, the Company has 26 stockholders owning 100 or more shares each of the Company's capital stock.

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 Treasury Shares – At Cost

The details of this account are as follows:

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

21.5 Deposits on Future Stock Subscriptions

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

21.6 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>2008</u>	<u>2007</u>	<u>2006</u>
Net income	P 150,288,738	P 122,358,766	P 74,262,058
Divided by weighted average number of outstanding common shares	<u>164,993,432</u>	<u>129,231,289</u>	<u>23,979,167</u>
Earnings per share	<u>P 0.91</u>	<u>P 0.94</u>	<u>P 3.10</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 86 opened retail service stations as of December 31, 2008. An additional of 31 other retail service stations were under various stages of completion as of end December 2008.

In 2009, 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 December 31, 2008, 2007 and 2006, the Parent Company has unused letters of credit amounting to P250.9 million, P317.0 million and P140.0 million, respectively.

23.3 Operating Lease Commitments – Company as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 2 to 5 years, with renewal options, and include annual escalation rates of 2% to 10%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	<u>2008</u>	<u>2007</u>
Within one year	P 25,569,301	P 19,932,120
After one year but not more than five years	112,036,842	99,139,545
More than five years	<u>229,234,662</u>	<u>269,857,734</u>
	<u>P 366,840,805</u>	<u>P 388,929,399</u>

Total rent expense for the years 2008, 2007 and 2006 amounted to P30,872,124, P6,915,184 and P3,005,065, respectively (see Note 15).

23.4 Operating Lease Commitments – Company as Lessor

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

	<u>2008</u>	<u>2007</u>
Within one year	P 6,523,790	P 763,705
After one year but not more than five years	24,394,047	31,457,838
More than five years	<u>12,412,603</u>	<u>6,206,301</u>
	<u>P 43,330,440</u>	<u>P 38,427,844</u>

Rent income for 2008, 2007 and 2006 amounting to P17,237,494, P10,329,087 and P9,304,298, respectively, is presented as part of Fuel Service, Storage Income and Other Revenue account in the consolidated income statements.

23.5 Others

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

24.1 Foreign Currency Risk

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

24.2 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 December 31, 2008 and 2007, the Group is exposed to changes in market interest rates through its bank borrowings (see Note 11) and cash and cash equivalents, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The sensitivity of the net result for the year to a reasonably possible change in interest rates of +16.7% and -16.7% in 2008 amounted to P8,358,961, as compared with the +18% and -18% in 2007 which amounted to P349,835 with effect from the beginning of the years. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

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>2008</u>	<u>2007</u>
Cash and cash equivalents	4	P 357,397,359	P 114,178,773
Trade and other receivables	5	765,217,736	361,064,245
Due from related parties	20	16,240,705	35,599,076
Restricted deposits	7	80,640,980	44,751,820
Refundable rent deposits	10	<u>7,277,348</u>	<u>1,681,866</u>
		<u>P1,226,774,128</u>	<u>P 557,275,780</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>2008</u>	<u>2007</u>
Not more than one month	P 62,495,128	P 54,279,726
More than one month but not more than two months	17,941,554	20,243,220
More than two months but not more than four months	<u>93,364,606</u>	<u>33,559,948</u>
	<u>P 173,801,288</u>	<u>P 108,082,894</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.

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

	<u>Current</u>		<u>Non-current</u>
	<u>Within</u>	<u>6 to 12</u>	<u>1 to 3</u>
	<u>6 months</u>	<u>months</u>	<u>years</u>
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 88,487,658</u>

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

		<u>Current</u>		<u>Non-current</u>
		<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 3 years</u>
Loans and borrowings	P	347,139,362	P 15,466,037	P 100,690,158
Trade and other payables		<u>175,134,843</u>	<u>-</u>	<u>-</u>
	P	<u>522,274,205</u>	<u>P15,466,037</u>	<u>P 100,690,158</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.

25. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the balance sheets are shown below:

	<u>Notes</u>	<u>2008</u>		<u>2007</u>	
		<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i>Financial Assets</i>					
Cash and					
cash equivalents	4	P 357,397,358	P 357,397,358	P 114,178,773	P 114,178,773
Trade and other					
receivables	5	765,217,737	765,217,737	361,064,245	361,064,245
Due from related parties	20	16,240,705	16,240,705	35,599,076	35,599,076
Restricted deposits	7	80,640,980	80,640,980	44,751,820	44,751,820
Refundable rent deposits	10	<u>11,318,870</u>	<u>7,277,348</u>	<u>1,681,866</u>	<u>1,681,866</u>
		<u>P 1,230,815,650</u>	<u>P 1,226,774,128</u>	<u>P 557,275,780</u>	<u>P 557,275,780</u>
<i>Financial Liabilities</i>					
Loans and borrowings	11	P 900,790,941	P 900,790,941	P 450,487,698	P 450,487,698
Trade and other payables	12	754,869,483	754,869,483	169,431,093	169,431,093
Security deposits	13	<u>18,250,000</u>	<u>16,190,545</u>	<u>3,890,000</u>	<u>3,890,000</u>
		<u>P 1,673,910,424</u>	<u>P 1,671,850,969</u>	<u>P 623,808,791</u>	<u>P 623,808,791</u>

26. 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>2008</u>	<u>2007</u>
Total liabilities	P1,677,322,998	P 625,622,541
Total equity	690,757,863	566,581,967
Debt-to-equity ratio	<u>2.43 : 1.0</u>	<u>1.10 : 1.0</u>



Punongbayan & Araullo

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

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

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

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

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Company) and Subsidiaries (the Group) and the separate financial statements of the Company for the years ended December 31, 2008 and 2007, on which we have rendered our reports both dated April 8, 2009. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Group as of December 31, 2008 and 2007 and for the years then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañaola**
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 1566070, January 5, 2009, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 8, 2009

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2008

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

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2008

<i>Name</i>		<i>Balance at beginning of period</i>	<i>Designation</i>	<i>Additions</i>	<i>Deductions</i>			<i>Ending Balance</i>		<i>Balance at end of period</i>
					<i>Amounts collected</i>	<i>Amounts written off</i>		<i>Current</i>	<i>Not current</i>	
P-H-O-E-N-I-X Petroleum Holdings, Inc.	P	22,498,464	Parent company	P 33,454,326	P 53,015,060	p -		P 2,937,730	p -	P 2,937,730
Udenna Management Resources Corp.		13,100,611	Affiliate	633,282	430,918	-		13,302,975	-	13,302,975
Udenna Corporation		312,173	Ultimate parent company	-	312,173	-		-	-	-
TOTAL	P	35,911,248		P 34,087,608	P 53,758,151	p -		P 16,240,705	p -	P 16,240,705

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Other Assets (Current and Non-current)
December 31, 2008

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deductions</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Other Current Assets						
Prepayments	P 5,307,269	P 29,589,502	P -	P -	P -	P 34,896,771
Supplies	366,007	1,429,844	-	-	-	1,795,851
Others	250,172	410,583	-	-	-	660,755
	<u>5,923,448</u>	<u>31,429,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,353,377</u>
Other Non-current asset						
Goodwill	9,344,134	-	-	-	-	9,344,134
Refundable rent deposits	1,681,866	5,595,482	-	-	-	7,277,348
Deferred minimum lease payments	-	2,229,880	-	-	-	2,229,880
Others	5,358	-	-	-	-	5,358
	<u>11,031,358</u>	<u>7,825,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,856,720</u>
Total	<u>P 16,954,806</u>	<u>P 39,255,291</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 56,210,097</u>

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule I - Capital Stock
December 31, 2008

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized - 400,000,000 shares						
Issued and outstanding - 145,000,000	<u>400,000,000</u>	<u>188,000,198</u>	<u>-</u>	<u>134,224,993</u>	<u>1,206,406</u>	<u>52,568,799</u>

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2008

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Terms</i>
Mortgage payable	P -	P 2,153,013	P 2,359,248	Interest rates ranging from 7.6% to 11.4% per annum with terms ranging from 18 to 24 months
Installment payable Bacnotan Industrial Park Corporation (BIPC)	-	27,147,890	58,481,438	Interest rate of 9% per annum and payable monthly until March 2012.
	<u>P -</u>	<u>P 29,300,903</u>	<u>P 60,840,686</u>	

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

SCHEDULE J - Reconciliation of Retained Earnings for Dividend Declaration
December 31, 2008

UNAPPROPRIATED RETAINED EARNINGS
FOR DIVIDEND DECLARATION
AT BEGINNING OF YEAR

P 204,311,862

Net Income Realized for the Year

Net income per audited financial statements	166,183,740	
Less unrealized income, net of tax:		
Equity in net income of associate and joint venture	-	
Unrealized foreign exchange gain - net (2)		
(except those attributable to cash and cash equivalents)	-	
Fair value gains arising from mark-to-market measurement	-	
Fair value gains from investment properties	-	
Unrealized actuarial gains on defined benefit plan	-	
Adjustment due to deviation from PFRS/GAAP	<u>-</u>	166,183,740

Add unrealized loss, net of tax:

Depreciation on revaluation increments	-	
Adjustment due to deviation from PFRS/GAAP	-	
Fair value loss from investment properties	<u>-</u>	<u>-</u>
		<u>166,183,740</u>

Add (Less) Changes in Retained Earnings for the Year

Dividend declarations during the period		
Cash dividends	(43,000,198)	
Stock dividends	(14,500,002)	
Appropriations of retained earnings during the period	-	
Reversals of appropriations of retained earnings	-	
Effects of prior period adjustments	-	
Treasury shares	<u>(17,252,140)</u>	<u>(74,752,340)</u>

UNAPPROPRIATED RETAINED EARNINGS
FOR DIVIDEND DECLARATION AT END OF YEAR

P 295,743,262