COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

PHINMA ENERGY CORPORATION (Formerly Trans-Asia Oil and Energy DeveLopment Corporation) AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Level 11, PHINMA Plaza, 39 Plaza DriVe, Rockwell Center, Makati CiTy

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	870-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,202	04/12	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Yolanda D. Añonuevo	ydanonuevo@phinma.com.ph	870-0100	–

CONTACT PERSON's ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2017**

2. Commission identification number **39274**

3. BIR Tax Identification No. **000-506-020-000**

4. Exact name of issuer as specified in its charter
   PHINMA ENERGY CORPORATION

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

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

7. Address of issuer's principal office Postal Code
   Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1210

8. Issuer's telephone number, including area code **(632) 870-0100**

9. Former name, former address and former fiscal year, if changed since last report
   TRANS-ASIA OIL & ENERGY DEVELOPMENT CORPORATION

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

Number of shares of common stock outstanding	**4,885,897,908 shares**
Amount of debt outstanding	**Php 6.97 billion**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**X**] No [ ]

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

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [**X**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached ANNEX "A"

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached ANNEX "B"

PART II--OTHER INFORMATION

Please refer to attached ANNEX "C"

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 15, 2017.

PHINMA ENERGY CORPORATION
(formerly Trans-Asia Oil and Energy Development Corporation)

Raymundo A. Reyes Jr.
RAYMUNDO A. REYES, JR.
Senior Vice President

MARIEJO P. BAUTISTA
SVP-Finance and Controller

Annex A

PHINMA Energy Corporation
(Formerly Trans-Asia Oil and Energy Development Corporation)
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2017 (With comparative audited figures as at December 31, 2016)
and the Three Months Ended March 31, 2017 and 2016

PHINMA ENERGY CORPORATION
(Formerly Trans-Asia Oil and Energy Development Corporation)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	March 31, 2017 *(Unaudited)*	December 31, 2016 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 21)	**₱689,566**	₱395,582
Short-term investment (Note 21)	**–**	2,498
Investments held for trading (Note 21)	**1,877,264**	3,061,270
Receivables (Notes 6 and 21)	**4,020,497**	3,846,003
Fuel and spare parts - at cost (Note 7)	**261,869**	231,146
Other current assets (Note 8)	**1,036,357**	1,136,005
Total Current Assets	**7,885,553**	8,672,504
Noncurrent Assets		
Property, plant and equipment (Note 9)	**6,337,479**	6,414,568
Investments and advances (Note 10)	**4,187,810**	4,019,161
Available-for-sale investments (Notes 21)	**307,238**	309,070
Investment properties	**23,891**	24,380
Goodwill and other intangible assets (Note 11)	**387,184**	391,000
Deferred income tax assets – net	**167,694**	71,849
Other noncurrent assets (Note 12)	**683,009**	725,363
Total Noncurrent Assets	**12,094,305**	11,955,391
TOTAL ASSETS	**₱19,979,858**	₱20,627,895
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 13 and 21)	**₱3,731,634**	₱4,118,674
Income and withholding taxes payable	**35,002**	99,396
Due to stockholders (Notes 19 and 21)	**12,693**	91,203
Current portion of long-term loans (Notes 14 and 21)	**207,798**	200,785
Total Current Liabilities	**3,987,127**	4,510,058
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 14 and 21)	**6,757,615**	6,793,566
Pension and other employee benefits	**62,012**	47,585
Deferred income tax liabilities – net	**137,338**	126,890
Other noncurrent liabilities	**172,213**	148,252
Total Noncurrent Liabilities	**7,129,178**	7,116,293
Total Liabilities	**11,116,305**	11,626,351

(Forward)

	December 31	
	March 31, 2017 *(Unaudited)*	December 31, 2016 *(Audited)*
Equity		
Capital stock (Note 15)	**₱4,885,898**	₱4,885,898
Additional paid-in capital	**81,209**	81,209
Other equity reserve (Note 15)	**18,338**	18,338
Unrealized fair value gains on available-for-sale investments	**107,411**	109,366
Remeasurement losses on defined benefit plan	**(8,562)**	(8,562)
Accumulated share in other comprehensive income of a joint venture (Note 10)	**(277)**	(277)
Retained earnings (Note 15)	**3,724,833**	3,859,659
Treasury shares (Note 15)	**(28,793)**	(28,793)
Total equity attributable to equity holders of Parent Company	**8,780,057**	8,916,838
Non-controlling interests	**83,496**	84,706
Total Equity	**8,863,553**	9,001,544
TOTAL LIABILITIES AND EQUITY	**₱19,979,858**	₱20,627,895

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA ENERGY CORPORATION
(Formerly Trans-Asia Oil and Energy Development Corporation)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Amounts in Thousands, Except Per Share Figures)

	Jan – Mar 2017 *(Unaudited)*	Jan – Mar 2016 *(Unaudited*
REVENUES		
Revenue from sale of electricity	**₱3,616,140**	₱3,126,796
Dividend income	**2,278**	3,060
Rental income	**126**	1,272
	3,618,544	3,131,128
COSTS AND EXPENSES		
Costs of sale of electricity (Note 16)	**3,414,524**	2,732,946
General and administrative expenses (Note 17)	**139,371**	130,320
	3,553,895	2,863,266
INTEREST AND OTHER FINANCE CHARGES (Note 18)	**(158,152)**	(117,242)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURES	**82,325**	119,467
OTHER INCOME (LOSS) - NET (Note 18)	**15,895**	5,309
INCOME BEFORE INCOME TAX	**4,717**	275,396
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**13,009**	15,879
Deferred	**(85,502)**	(5,511)
	(72,493)	10,368
NET INCOME	**₱77,210**	₱265,028
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱78,420**	₱265,969
Non-controlling interests	**(1,210)**	(941)
	₱77,210	₱265,028
Basic/Diluted Earnings Per Share (Note 20)	**₱0.02**	₱0.05

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA ENERGY CORPORATION
(Formerly Trans-Asia Oil and Energy Development Corporation)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in Thousands)

	Jan – Mar 2017 *(Unaudited)*	Jan – Mar 2016 *(Unaudited*
NET INCOME FOR THE YEAR	**₱77,210**	₱265,028
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in the fair market value of AFS investments	**(1,849)**	1,377
Income tax effect	**(105)**	(110)
	(1,954)	1,267
Other comprehensive income (loss) not to be reclassified directly to profit or loss in subsequent periods		
Share in other comprehensive income of a joint venture - net of deferred income tax	–	107
	–	107
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**1,954**	1,374
TOTAL COMPREHENSIVE INCOME	**₱75,257**	₱266,402
Total Comprehensive Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱76,466**	₱267,343
Non-controlling interests	**(1,210)**	(941)
	₱75,257	₱266,402

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA ENERGY CORPORATION
(Formerly Trans-Asia Oil and Energy Development Corporation)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2017 AND 2016
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 15)	Additional Paid-in Capital	Other Equity Reserve (Note 15)	Unrealized Fair Value Gains on Available-for-Sale Investments	Remeasurement Losses on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 15)	Treasury Shares (Note 15)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2016	**₱4,885,898**	**₱81,209**	**₱18,338**	**₱109,366**	**(₱8,562)**	**(₱277)**	**₱3,859,659**	**(₱28,793)**	**₱8,916,838**	**₱84,706**	**₱9,001,544**
Net income	–	–	–	–	–	–	**78,420**	–	**78,420**	**(1,210)**	**77,210**
Other comprehensive income (loss)	–	–	–	**(1,954)**	–	–	–	–	**(1,954)**	–	**(1,954)**
Total comprehensive income (loss)	–	–	–	**(1,954)**	–	–	**78,420**	–	**76,466**	**(1,210)**	**75,256**
Dividends declared (Note 15)	–	–	–	–	–	–	**(195,436)**	–	**(195,436)**	–	**(195,436)**
Cost of original issuance of stocks	–	–	–	–	–	–	**(17,811)**	–	**(17,811)**	–	**(17,811)**
	–	–	–	–	–	–	**(213,247)**	–	**(213,247)**	–	**(213,247)**
BALANCES AT MARCH 31, 2017	**₱4,885,898**	**₱81,209**	**₱18,338**	**₱107,412**	**(₱8,562)**	**(₱277)**	**₱3,724,832**	**(₱28,793)**	**8,780,057**	**83,496**	**8,863,553**
BALANCES AT DECEMBER 31, 2015	₱4,865,146	₱40,783	₱34,913	₱101,478	(₱2,735)	(₱357)	₱2,845,559	(₱28,793)	₱7,855,994	₱104,403	₱7,960,397
Net income	–	–	–	–	–	–	265,969	–	265,969	(941)	265,028
Other comprehensive income (loss)	–	–	–	1,267	–	107	–	–	1,374	–	1,374
Total comprehensive income (loss)	–	–	–	1,267	–	107	265,969	–	267,343	(941)	266,402
Dividends declared (Note 15)	–	–	–	–	–	–	(193,685)	–	(193,685)	–	(193,685)
Forfeiture of stock options (Note 15)	1,795	1,311	–	–	–	–	–	–	3,106	–	3,106
	1,795	1,311	–	–	–	–	(193,685)	–	(190,579)	–	(190,579)
BALANCES AT MARCH 31, 2016	₱4,866,941	₱42,094	₱34,913	₱102,745	(₱2,735)	(₱250)	₱2,917,843	(₱28,793)	₱7,932,758	₱103,462	₱8,036,220

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA ENERGY CORPORATION
(Formerly Trans-Asia Oil and Energy Development Corporation)
AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	For the Quarters Ended	
	Jan – Mar 2017 *(Unaudited)*	Jan – Mar 2016 *(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,717**	₱275,396
Adjustments for:		
Interest and other finance charges	**158,152**	117,242
Depreciation and amortization	**101,530**	108,111
Dividend income	**(2,278)**	(3,060)
Interest and other financial income (Note 18)	**(15,223)**	(4,396)
Equity in net earnings of associates and joint ventures (Note 10)	**(82,325)**	(119,467)
Foreign exchange loss – net	**144**	1,362
Pension and other employee benefits	**2,597**	2,684
Loss (gain) on sale of:		
Investment	**72**	–
Marketable Securities	**–**	(40)
Operating income before working capital changes	**167,386**	377,832
Decrease (increase) in:		
Receivables	**(72,270)**	(377,794)
Fuel and spare parts - at cost	**(30,724)**	35,455
Other current assets	**(523,023)**	(117,182)
Increase in accounts payable and other current liabilities	**261,451**	179,399
Net cash generated from (used in) operations	**(204,180)**	97,710
Income taxes paid	**(11,067)**	(12,885)
Net cash flows from (used in) operating activities	**(215,247)**	84,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Note 9)	**(₱19,428)**	(₱33,993)
Deferred exploration costs (Note 11)	**(232)**	(1,634)
Available-for-sale investments	**(16)**	–
Investments in associates and joint venture	**(86,324)**	–
Proceeds from:		
Sale and redemption of investments held for trading	**–**	332,163
Investments held for trading	**1,190,704**	–
Short-term investments	**2,498**	–
Sale of available-for-sale investments	**–**	153
Currency forward contracts	**–**	98
Increase in other noncurrent assets	**(60,472)**	(2,219)
Cash dividends received	**2,278**	3,060
Interest received	**12,826**	1,008
Net cash flows from investing activities	**1,041,834**	298,636

(Forward)

	For the Quarters Ended	
	Jan – Mar 2017 *(Unaudited)*	Jan – Mar 2016 *(Unaudited)*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt – net of issuance costs	**2,338,250**	–
Issuance of capital stock (Note 15)	**–**	3,106
Payments of:		
Long-term loans (Note 14)	**(2,365,000)**	(15,000)
Cash dividends	**(367,553)**	(193,685)
Interest on long-term loans	**(145,587)**	(160,859)
DST on original issuance of stocks	**(17,811)**	–
Finance leases	**(3,314)**	(207)
Mortgage loan	**–**	(390)
Decrease in due to stockholders	**(23)**	(93)
Increase (decrease) in pension and other employee benefits and other noncurrent liabilities	**28,574**	(12,547)
Net cash flows used in financing activities	**(532,464)**	(379,675)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(139)**	(1,361)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**293,984**	2,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**395,582**	355,743
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱689,566**	₱358,168

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information and Status of Operations

PHINMA Energy Corporation ("PHINMA Energy or the Parent Company"), formerly Trans-Asia Oil and Energy Development Corporation, incorporated on September 8, 1969, and its subsidiaries, Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Gold and Minerals Development Corporation (TA Gold), Trans-Asia Wind Power Corporation (TAWPC), One Subic Power Generation Corporation (One Subic), Trans-Asia Petroleum Corporation (TA Petroleum) and Palawan55 Exploration & Production Corporation (Palawan55), collectively referred to as "the Company", were incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of PHINMA Energy is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. PHINMA Energy is managed by PHINMA, Inc. under an existing management agreement (see Note 19). The Company and PHINMA, Inc. are domiciled in the Philippines.

The Parent Company is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company was registered as a Wholesale Aggregator and is a licensed Retail Electricity Supplier (RES). The Wholesale Aggregator license authorized the Parent Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). By virtue of ERC Resolution No. 12 Series of 2015, also known as the Resolution to Discontinue the Wholesale Aggregator Scheme as Embodied in the Rules for the Registration of the Wholesale Aggregators, the ERC resolved to discontinue the wholesale aggregation scheme and that all existing licenses shall be effective only until the end of their respective terms. The license of the Parent Company as a Wholesale Aggregator effectively expired on December 19, 2016. As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the EPIRA. The other activities of the Parent Company consist of investing in various operating companies and financial instruments.

In 2016, the Parent Company changed its corporate name to PHINMA Energy Corporation and extended its corporate life for another 50 years. The SEC issued the Certificate of Amended Articles of Incorporation, dated August 15, 2016, while the Bureau of Internal Revenue (BIR) issued an amended Certificate of Registration, dated August 25, 2016 for the change in name of the Parent Company.

TA Power was incorporated and registered with the SEC on March 18, 1996. TA Power is engaged in power generation. Previously, the Parent Company had a 50% interest in TA Power, a joint venture with Holcim Philippines, Inc. (Holcim). On January 1, 2013, the Parent Company entered into a Share Purchase Agreement with Holcim for the purchase of Holcim's 50% stake in TA Power. In October 2006, the Philippine Electricity Market Corporation (PEMC) approved TA Power's application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and TA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, TA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten years with PHINMA Energy for the administration and management by PHINMA Energy of the entire capacity and net output of TA Power starting 2014. In addition to the fixed capacity, PHINMA Energy is billed by TA Power for transmission and fuel costs. On January 23, 2017, TA Power's Board of Directors (BOD) approved the amendment of the Articles of Incorporation to change TA Power's corporate name to PHINMA Power Generation Corporation. As at May 15, 2017, TA Power has not filed its application with the SEC.

CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which was to develop and operate a power supply and distribution system at Carmelray Industrial Park II Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP's operations. Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the BOD and stockholders, respectively, of the Parent Company approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21 MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and PHINMA Energy entered into a PAMA valid for ten years for the latter's administration and management of the entire capacity and net output of CIPP. As at May 15, 2017, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

TAREC was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Philippine Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54 MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. During 2013, the DOE confirmation affirmed the conversion of said WESC from Pre-development to Development/Commercial Stage. On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators. On February 16, 2015, TAREC received from the DOE the confirmation of start of Commercial Operations of its 54 MW San Lorenzo Wind Project declared on December 27, 2014. On June 10, 2015, TAREC received its Certificate of Endorsement for Feed-In Tariff (FIT) from the DOE certifying that its 54 MW San Lorenzo Wind Project has fully qualified under the FIT System.

On December 8, 2015, the TAREC's BOD approved to increase its authorized capital stock from ₱2,000.00 million divided into 2 billion shares with par value of ₱1.00 per share to ₱5,000.00 million composed of ₱2,000.00 million common shares with par value of ₱1.00 per share and ₱3,000.00 million preferred shares with a par value of ₱1.00 per share. On January 30, 2017, TAREC's BOD approved the amendment of the Articles of Incorporation to change TAREC's corporate name to PHINMA Renewable Energy Corporation. As at May 15, 2017, TAREC has not filed its application with the SEC.

TA Petroleum was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. TA Petroleum was registered with the Philippine Stock Exchange (PSE) on August 28, 2014. As at March 3, 2017, TA Petroleum has not started commercial operations. On March 3, 2017, TA Petroleum's BOD approved the amendment of its Articles of Incorporation to change TA Petroleum's corporate name to PHINMA Oil and Geothermal, Inc. and to include in its Primary and Secondary Purposes the exploration and development of geothermal resources.

TA Gold was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of TA Gold effective March 31, 2009. As at May 15, 2017, TA Gold's exploration activities remain suspended.

Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. As at May 15, 2017, Palawan55 has not started commercial operations.

TAWPC was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby. On January 30, 2017, TAWPC's BOD approved the amendment of the Articles of Incorporation to change TAWPC's corporate name to PHINMA Solar Energy Corporation, to include in its Primary and Secondary Purposes the development, operation and maintenance of solar power generation plants and the development of solar products and to increase the number of directors to nine. As at May 15, 2017, TAWPC has not started commercial operations and has not filed its application for the change in corporate name with the SEC.

On June 29, 2011, the Parent Company entered into a 50-50 joint venture agreement with AC Energy Holdings, Inc. (AC Energy) to form South Luzon Thermal Energy Corporation (SLTEC), the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a 135 MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. The construction, testing and commissioning of the first unit of SLTEC Circulating Fluidized Bed Coal-fired Power Plant was completed during the first half of 2015 and started its commercial operations on April 24, 2015. The second unit started its commercial operation on February 21, 2016. As at March 3, 2017, the two 135 MW coal fired units are fully operational. On December 20, 2016, the Parent Company sold 5% interest in SLTEC to Axia Power Holdings Philippines Corporation (APHPC), which also purchased a 15% interest in SLTEC from AC Energy. The current ownership structure of SLTEC is as follows: 45% PHINMA Energy, 35% AC Energy, and 20% APHPC.

The Parent Company has 50% interest in ACTA Power Corporation (ACTA), a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and has not started commercial operations as at May 15, 2017.

One Subic was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. On November 18, 2010, PHINMA Energy and One Subic entered into a PAMA wherein PHINMA Energy administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on February 17, 2011. On May 12, 2014, TA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic. Prior to the acquisition, One Subic was a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The interim condensed consolidated financial statements of the Company were authorized for issuance by the Company's Board of Directors on May 15, 2017.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation and Statement of Compliance
The interim condensed consolidated financial statements of the Company for the quarter ended March 31, 2017 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual consolidated financial statements as at December 31, 2016.

The interim condensed consolidated financial statements were prepared on a historical cost basis, except for investments held for trading, derivative financial instruments, and available-for-sale (AFS) investments that have been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest thousands (000), except par values, per share amounts, number of shares and when otherwise indicated.

Basis of Consolidation and Statement of Compliance
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2017 and December 31, 2016. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the interim condensed consolidated statement of income. Any investment retained is recognized at fair value.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI share in losses even if the losses exceed the non-controlling equity interest in the subsidiary.

The interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at March 31, 2017 and December 31, 2016:

		Percentage of Ownership (%)	
	Principal Activities	**Direct**	**Indirect**
TA Power	Power generation	**100.00**	**–**
CIPP	Power generation	**100.00**	**–**
TAREC	Renewable energy generation	**100.00**	**–**
TA Gold	Mineral exploration	**100.00**	**–**
TAWPC	Renewable energy generation	**100.00**	**–**
One Subic	Power generation	**–**	**100.00**
TA Petroleum	Oil and gas exploration	**50.74**	**0.40**
Palawan55	Oil and gas exploration	**30.65**	**35.46**

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of the following amendments and improvements to the PAS which became effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments and improvements did not have significant impact on the Company's interim condensed consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of the amendments will result in additional disclosure in the 2017 consolidated financial statements of the Company.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Company is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their consolidated statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Operating Segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

	March 2017				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	**₱3,616,140**	**₱–**	**₱3,616,140**	**₱2,404**	**₱3,618,544**
Costs and expenses	**3,492,994**	**4,831**	**3,497,825**	**56,070**	**3,553,895**
Other income (expense) - net					
Interest and other financial charges	**(82,718)**	**–**	**(82,718)**	**(75,434)**	**(158,152)**
Interest and other financial income	**–**	**–**	**–**	**15,223**	**15,223**
Equity in net earnings of associates and joint ventures	**82,325**	**–**	**82,325**	**–**	**82,325**
Marked-to-market gain on derivatives	**(72)**	**–**	**(72)**	**–**	**(72)**
Foreign exchange loss	**–**	**–**	**–**	**(146)**	**(146)**
Others	**–**	**–**	**–**	**890**	**890**
Segment profit	**122,681**	**(4,831)**	**117,850**	**(113,133)**	**4,717**
Operating assets	**₱16,143,910**	**₱83,389**	**₱16,227,299**	**₱3,752,559**	**₱19,979,858**
Operating liabilities	**₱5,484,793**	**₱6,060**	**₱5,490,853**	**₱5,625,452**	**₱11,116,305**

	March 2017				
	Power	**Petroleum**	**Segment Total**	**Adjustments and Eliminations**	**Consolidated**
Capital expenditures	**₱19,892**	**₱–**	**₱19,892**	**₱12**	**₱19,904**
Investments and advances	**4,187,179**	**–**	**4,187,179**	**631**	**4,187,810**
Depreciation and amortization	**(96,526)**	**(175)**	**(96,701)**	**(4,829)**	**(101,530)**
Provision for income tax	**–**	**–**	**–**	**(72,493)**	**(72,493)**

	March 2016				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	₱3,126,796	₱–	₱3,126,796	₱4,332	₱3,131,128
Costs and expenses	2,798,986	4,263	2,803,249	60,017	2,863,266
Other income (expense) – net					
Interest and other financial charges	(76,108)	–	(76,108)	(41,134)	(117,242)
Interest and other financial income	–	–	–	4,396	4,396
Equity in net earnings of associates and joint ventures	119,467	–	119,467	–	119,467
Foreign exchange loss	–	–	–	(1,223)	(1,223)
Others	–	–	–	2,136	2,136
Segment profit	371,169	(4,263)	366,906	(91,510)	275,396
Operating assets	₱16,668,983	₱142,204	₱16,811,187	₱1,814,971	₱18,626,158
Operating liabilities	₱7,311,786	₱6,179	₱7,317,965	₱3,271,973	₱10,589,938
Other disclosure					
Capital expenditures	₱31,079	₱559	₱31,638	₱2,631	₱34,269
Investments and advances	4,290,584	–	4,290,584	–	4,290,584
Depreciation and amortization	102,902	179	103,081	5,029	108,110
Provision for income tax	–	–	–	(10,368)	(10,368)

Adjustments and Eliminations

Interest and other financial income, including fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination. Investments and advances are consists of investments and cash advances to the Company's associates and joint ventures.

Reconciliation of profit

	Jan-Mar 2017	Jan-Mar 2016
Segment total profit before adjustments and eliminations	**₱117,850**	₱366,906
Dividend income	**2,278**	3,060
Rent Income	**126**	1,273
General and administrative expense	**(56,070)**	(60,017)
Interest and other financial charges	**(75,434)**	(41,135)
Interest and other financial income	**15,223**	4,396
Other income – net	**744**	913
Income before income tax	**₱4,717**	₱275,396

Other income/(expense) - net include foreign exchange gain (loss), gain(loss) on sale of property, plant and equipment and AFS investments, provision for probable losses, marked-to-market gain (loss) on derivatives and other miscellaneous income (expense) which are managed on a group basis and are not allocated to operating segments.

Reconciliation of assets

	March 2017	December 2016
Segment operating assets	**₱16,227,299**	₱16,152,643
Current assets		
Cash and cash equivalents	**689,566**	395,582
Short-term investments	–	2,498
Investments held for trading	**1,877,264**	3,061,270
Receivables and other current assets	**459,950**	385,875
Noncurrent assets		
Property, plant and equipment	**60,487**	64,757
Investments in an associate and AFS financial assets	**307,869**	309,701
Investment property	**23,891**	24,380
Deferred income tax asset - net	**167,694**	71,849
Other noncurrent assets	**165,838**	159,340
Total assets	**₱19,979,858**	₱20,627,895

Reconciliation of liabilities

	March 2017	December 2016
Segment operating liabilities	**₱5,490,853**	₱7,947,730
Current liabilities		
Accounts payable and other current liabilities	**155,983**	415,102
Income and withholding taxes payable	**35,002**	99,396
Due to stockholders	**12,693**	91,203
Current portion of long-term loans	**145,471**	58,399
Noncurrent liabilities		
Long term loans - net of current portion	**5,075,065**	2,838,158
Deferred income tax liabilities - net	**137,338**	126,890
Pension and other employee benefits	**62,012**	47,585
Other noncurrent liabilities	**1,888**	1,888
Total assets	**₱11,116,305**	₱11,626,351

5. Cash and Cash Equivalents

	March 2017	December 2016
Cash on hand and in banks	**₱307,861**	₱46,989
Short-term deposits	**381,705**	348,593
	₱689,566	₱395,582

Cash in banks earn interest at the respective bank deposit rates of 2% and 1.30% per annum for its peso and dollar accounts, respectively. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Short-term deposits account includes debt service reserves amounting to ₱90.77 million and ₱105.90 million as at March 31, 2017 and December 31, 2016, respectively for the wind project loan facility.

6. Receivables

	March 2017	December 2016
Trade	**₱4,024,188**	₱3,827,378
Due from related parties (see Note 19)	**7,621**	4,267
Receivables from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 11)	**39,365**	39,365
Third party	**–**	34,755
Consortium - SC 50	**20,000**	20,000
Consortium - SC 52 (see Note 11)	**19,443**	19,443
Employees	**7,003**	3,581
Stockholders (see Note 19)	**35**	35
Others	**19,169**	13,506
	4,136,824	3,962,330
Less allowance for doubtful accounts	**116,327**	116,327
	₱4,020,497	₱3,846,003

Trade receivables mainly represent receivables from PEMC, NGCP, FIT from National Transmission Corporation (TransCo) and from the Company's bilateral customers. Trade receivables consist of noninterest-bearing and interest-bearing receivables. The term is generally 30 to 60 days.

The receivable from a third party pertains to a receivable arising from the sale of spare parts.

The aging analysis of receivables is as follows:

	March 2017						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	**Impaired**
Trade	**₱4,024,188**	**₱2,801,168**	**₱139,693**	**₱137,406**	**₱163,572**	**₱748,125**	**₱34,224**
Due from related parties	**7,621**	**7,621**	**–**	**–**	**–**	**–**	**–**
Others	**105,015**	**18,486**	**–**	**112**	**39**	**4,275**	**82,103**
	₱4,136,824	**₱2,827,275**	**₱139,693**	**₱137,518**	**₱163,611**	**₱752,400**	**₱116,327**

	December 2016						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱3,827,378	₱2,233,632	₱113,969	₱52,311	₱30,979	₱1,362,263	₱34,224
Due from related parties	4,267	4,267	–	–	–	–	–
Others	130,685	45,012	–	112	39	3,419	82,103
	₱3,962,330	₱2,282,911	₱113,969	₱52,423	₱31,018	₱1,365,682	₱116,327

The movements in the allowance for doubtful accounts on individually impaired receivables is as follows:

	Trade	Others	Total
Balances at January 1, 2016	₱20,473	₱42,659	₱63,132
Provision for the year	13,751	39,444	53,195
Balances at December 31, 2016	34,224	82,103	116,327
Provision for the quarter	–	–	–
Balances at March 31, 2017	**₱34,224**	**₱82,103**	**₱116,327**

Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. On December 23, 2013, the Supreme Court (SC) issued a 60-day Temporary Restraining Order ("TRO") enjoining the MERALCO and the Energy Regulatory Commission (ERC) from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 bills. As directed by ERC, PEMC recalculated regulated prices and issued WESM adjustment bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. In the first quarter of 2017 and for the year 2016, the Company nil and ₱205.31 million, respectively, under the said Multilateral Agreement and was recognized as payable and included under "Trade Payables" in the "Accounts payable and other current liabilities" account in the interim condensed consolidated statements of financial position. In June 2016, the 24-month period of repayment prescribed; hence, the Company provided an allowance for doubtful accounts related to the receivables under the Multilateral Agreement amounting to ₱13.75 million.

7. Fuel and Spare Parts - at cost

	March 2017	December 2016
Fuel	**₱190,903**	₱159,052
Spare parts	**70,966**	72,094
	₱261,869	₱231,146

Fuel charged to "Costs of sale of electricity" in the interim condensed consolidated statements of income amounted to ₱138.75 million and ₱125.45 million during the first quarter of 2017 and 2016, respectively (see Note 16)

8. Other Current Assets

	March 2017	December 2016
Creditable withholding taxes	**₱420,942**	₱385,997
Tax credits receivable	**335,759**	335,759
Deposits receivable	**174,210**	39,725
Prepaid expenses	**75,360**	88,875
Input VAT	**30,086**	285,577
Derivative asset	**–**	72
	₱1,036,357	₱1,136,005

Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

On August 15, 2016, TAREC applied for a tax credit certificate with the BIR in relation to its excess and unutilized input VAT attributable to the Company's zero-rated sales of power generated from its 54 MW San Lorenzo wind farm. Petition for Review on the Company's application for tax credit certificate is still pending before the Court of Tax Appeals (CTA) (see Note 22).

Deposits receivables pertain to advances to suppliers and land owners.

Prepaid expenses pertain to insurance, taxes, rent and other expenses paid in advance.

Input VAT is recognized when the Company purchases goods and services from a VAT-registered supplier.

9. Property, Plant and Equipment

The details and movements of this account as of March 31 and for the year ended December 31 are shown below:

March 2017

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Other Equipment	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱251,488	₱428,651	₱6,698,824	₱37,692	₱37,766	₱54,674	₱228,283	₱7,737,378
Additions	476	2,705	10,099	–	2,505	764	3,354	19,903
Balance at end of the quarter	251,964	431,356	6,708,923	37,692	40,271	55,438	231,637	7,757,281
Accumulated depreciation								
Balance at beginning of year	1,236	246,135	997,211	10,878	24,776	42,574	–	1,322,810
Depreciation	–	13,666	79,056	1,722	1,013	1,535	–	96,992
Balance at end of the quarter	1,236	259,801	1,076,267	12,600	25,789	44,109	–	1,419,802
Net Book Value	₱250,728	₱171,555	₱5,632,656	₱25,092	₱14,482	₱11,329	₱231,637	₱6,337,479

December 2016

Cost								
Balance at beginning of year	₱248,658	₱389,114	₱7,095,724	₱29,741	₱30,486	₱49,208	₱524,895	₱8,367,826
Additions	2,830	39,537	60,760	12,953	7,280	5,591	50,534	179,485
Disposals	–	–	(780,768)	(5,002)	–	(125)	–	(785,895)
Reclassifications	–	–	347,146	–	–	–	(347,146)	–
Adjustments	–	–	(24,038)	–	–	–	–	(24,038)
Balance at end of year	251,488	428,651	6,698,824	37,692	37,766	54,674	228,283	7,737,378
Accumulated depreciation								
Balance at beginning of year	1,236	187,564	730,369	8,951	21,782	36,108	–	986,010
Depreciation	–	58,571	320,166	6,682	2,994	6,591	–	395,004
Disposals	–	–	(54,870)	(4,755)	–	(125)	–	(59,750)
Adjustments	–	–	1,546	–	–	–	–	1,546
Balance at end of year	1,236	246,135	997,211	10,878	24,776	42,574	–	1,322,810
Net Book Value	₱250,252	₱182,516	₱5,701,613	₱26,814	₱12,990	₱12,100	₱228,283	₱6,414,568

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Category	Years
Buildings and improvements	6-25 years
Machinery and equipment	9-25 years
Transportation equipment	3-5 years
Land improvements	10 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

Purchase of Power Barges
PHINMA Energy entered into a Memorandum of Agreement (MOA) with Power Sector Assets and Liabilities Management Corporation (PSALM) for the sale of Power Barges 101, 102 and 103 to PHINMA Energy at an agreed price of ₱420 million. On July 8, 2015, these power barges were officially transferred to PHINMA Energy. In February 2016, Power Barges 101 and 102 started operations and all related capitalized costs were reclassified from "Construction in Progress" to "Machineries and Equipment". As at December 31, 2016, the total costs capitalized to Power Barges 101 and 102 included under "Machinery and Equipment" account amounted to ₱348.08 million, while total costs capitalized to Power Barge 103 included under "Construction in Progress" account amounting to ₱226.31 million. These costs include the purchase price and all other dry-docking and repair costs.

Wind Projects
On February 16, 2015, the Company received from the DOE the confirmation of Commercial Operation starting December 27, 2014 for its 54 MW San Lorenzo Wind Project. The carrying amounts of the wind farm included under "Machinery and equipment" account as at March 31, 2017 and December 31, 2016 amounted to ₱4,664.15 million and ₱4,715.66 million, respectively, while those under "Land and land improvements" account as at March 31, 2017 and December 31, 2016 amounted to ₱196.91 million and ₱196.43 million, respectively.

The Company has commissioned eight wind measuring devices in six sites - San Lorenzo, Nueva Valencia and Sibunag in Guimaras and Ballesteros, Sta. Ana and Aparri in Cagayan. The wind mast in Sta. Ana was decommissioned in June 2011 due to low wind regime. In 2013, the wind mast in Suclaran, San Lorenzo was decommissioned while another wind mast located in Ballesteros was destroyed by a typhoon. Wind masts in Aparri and Ballesteros were decommissioned in January and February 2016, respectively, due to their deteriorated condition, rendering both structures unsafe. Additionally, wind masts located in Sibunag and San Lorenzo, Guimaras were likewise decommissioned in May and June 2016, respectively, also due to their deteriorated condition.

On December 23, 2016, a new wind mast in San Lorenzo, Guimaras, was installed for wind resource analysis and correlation with the 54 MW San Lorenzo Wind Farm. As at May 15, 2017, the Company's two wind measuring devices continue to gather wind resource measurements at the remaining sites, namely, Nueva Valencia and San Lorenzo, Guimaras.

Sale of Transmission Assets
TAREC and CIPP executed Deeds of Sale with the NGCP on April 22, 2016 and May 23, 2016, respectively, for the disposition of transmission assets and TAREC's submarine cable pursuant to Section 8 of RA No. 9136 or the EPIRA and the ERC decisions in ERC Case No. 2014-032 and ERC Case No. 2015-013MC. The carrying value of transmission assets and submarine cables sold by TAREC and CIPP amounted to ₱660.15 million and ₱65.17 million, respectively.

Land Held under Finance Leases
The Company entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm. The carrying amount of land held under finance leases, included under "Land and land improvements", as at March 31, 2017 and December 31, 2016 amounted to ₱116.53 million and ₱116.06 million, respectively.

Mortgaged Property and Equipment
TAREC's wind farm with carrying value of ₱4,664.15 million and ₱4,715.66 million included under "Machinery and Equipment" account is mortgaged as security for the ₱4.3 billion term loan as at March 31, 2017 and December 31, 2016 (see Note 14).

10. Investments and Advances

Details of investments in associates and interests in joint ventures and the carrying amounts as at March 31 and December 31 are as follows:

	Percentage of Ownership	**March 2017**	December 2016
Investments in associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱386,026**	₱365,071
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		386,657	365,702
Interests in joint ventures:			
SLTEC	45.00	**3,656,335**	3,595,028
ACTA	50.00	**24,568**	13,431
		3,680,903	3,608,459
Advances to associates and joint ventures:			
MGI		**120,250**	45,000
ACTA		**–**	–
		120,250	45,000
		₱4,187,810	₱4,019,161

**Shortened corporate life to October 31, 2009.*
***Ceased operations.*

The details and movements of investments as well as the advances in associates and interests in joint ventures accounted for under the equity method are as follows:

	March 2017	December 2016
Investment in an associate and interests in joint ventures		
Acquisition costs:		
Balance at beginning of the period	**₱3,531,934**	₱3,877,060
Additions	**11,074**	5,639
Reclassification from advances*	**–**	7,537
Disposal	**–**	(358,302)
Balance at end of the period	**3,543,008**	3,531,934
Accumulated equity in net earnings (losses):		
Balance at beginning of the period	**426,832**	224,815
Equity in net earnings for the period	**82,325**	886,224
Disposal	**–**	(39,262)
Dividend received	**–**	(644,945)
Balance at end of the period	**509,157**	426,832

	March 2017	December 2016
Accumulated share in OCI:		
Balance at beginning of the period	**(277)**	(357)
Share in OCI (loss)	**–**	49
Disposal	**–**	31
Balance at end of the period	**(277)**	(277)
Other equity transactions:		
Balance at beginning of the period	**17,231**	19,145
Disposal	**–**	(1,914)
Balance at end of the period	**17,231**	17,231
Less accumulated impairment losses	**1,559**	1,559
	4,067,560	3,974,161
Advances to an associate and a joint venture		
Balance at beginning of the period	**₱45,000**	₱52,537
Additions	**75,250**	–
Advances reclassified to investment*	**–**	(7,537)
Balance at end of the period	**120,250**	45,000
Total investments and advances	**₱4,187,810**	₱4,019,161

** ACTA's application for increase in authorized capital stock was approved on January 25,2016. Consequently, the advances were reclassified to investments in joint ventures.*

Investments in Associates

MGI
The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integrated development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7th F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The summarized financial information of MGI, a material associate of the Parent Company, as at and for the quarter ended March 31, 2017 and for the year ended December 31, 2016 and the reconciliation with the carrying amount of the investments and advances in the interim condensed consolidated financial statements are shown below:

Summarized Statements of Financial Position

	March 2017	December 2016
Current assets	**₱665,704**	₱646,672
Noncurrent assets	**4,337,274**	3,708,771
Total assets	**5,002,978**	4,355,443
Current liabilities	**(826,484)**	(457,812)
Noncurrent liabilities	**(2,632,390)**	(2,437,347)
Net assets	**1,544,104**	1,460,284
Proportion of the Company's ownership	**25%**	25%
Carrying amount of investments	**₱386,026**	₱365,071

Summarized Statements of Income

	Jan – Mar 2017	Jan – Mar 2016
Revenue from sale of electricity	**₱209,081**	₱156,151
Costs of sale of electricity	**86,627**	130,676
Gross profit	**122,454**	25,475
Interest expense - net	**(30,509)**	(1,111)
General and administrative expenses	**(7,962)**	(46,429)
Other income (charges) - net	**(158)**	(10,781)
Income before income tax	**83,825**	32,846
Provision for income tax	**5**	–
Net income	**₱83,820**	₱32,846
Total comprehensive income	**₱83,820**	₱32,846

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments.

Commercial operations of MGI started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit , when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Parent Company undertakes to:
  i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and
  ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at March 31, 2017 and December 31, 2016, MGI is in compliance with the said loan covenants.

Asia Coal
On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of its corporate life to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As at December 31, 2016, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

Asia Coal had no activities since it filed for the shortening of its corporate life.

Interests in Joint Ventures

The summarized financial information of SLTEC, a material joint venture of the Parent Company, as at and for the quarter ended March 31, 2017 and year ended December 31, 2016 and the reconciliation with the carrying amount of the investment in the interim condensed consolidated financial statements are shown below:

Summarized Statements of Financial Position

	March 2017	December 2016
Current assets	**₱6,675,571**	₱5,809,486
Noncurrent assets	**17,519,026**	18,176,636
Current liabilities	**(3,339,780)**	(2,817,167)
Noncurrent liabilities	**(12,780,163)**	(13,231,086)
Net assets	**8,074,654**	7,937,869
Proportion of the Company's ownership	**45%**	45%
Parent Company's share in the net assets	**3,633,594**	3,572,041
Other adjustments*	**22,740**	22,987
Carrying amount of investment	**₱3,656,334**	₱3,595,028

**Alignment of accounting policies on excess revenue over costs of testing and commissioning.*

Additional Information

	March 2017	December 2016
Cash and cash equivalents	**₱3,745,178**	₱3,575,718
Current financial liabilities*	**1,581,017**	1,302,207
Noncurrent financial liabilities	**12,763,745**	13,215,876

**Excluding trade and other payables and provision.*

Summarized Statements of Income

	Jan – Mar 2017	Jan – Mar 2016
Revenue from sale of electricity	**₱1,554,847**	₱846,384
Costs of sale of electricity	**1,179,927**	645,268
Gross profit	**374,920**	201,116
General and administrative expenses	**(28,148)**	(49,775)
Interest expenses - net	**(207,063)**	(156,466)
Other income - net	**745**	360,377
Income (loss) before income tax	**140,454**	355,250
Provision for income tax	**3,670**	99,402
Net income	**136,784**	255,850
OCI	**–**	214
Total comprehensive income	**₱136,784**	₱256,064

Additional Information

	Jan – Mar 2017	Jan – Mar 2016
Depreciation and amortization	**₱184,490**	₱134,995
Interest income	**16,125**	19,127
Interest expense	**223,188**	175,593

No dividends were received by the Company in the first quarter of 2017. And in 2016, the Company received dividends from SLTEC amounting to ₱644.95 million.

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Parent Company and AC Energy as Project Sponsors.

Under the terms of the Agreement, the Parent Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within 18 months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Parent Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with AC Energy to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million in 2011. The Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded under "Other equity reserve" account in the 2011 consolidated statements of changes in equity. In 2012, SLTEC incurred stock issuance costs totaling ₱12.66 million which were recognized by SLTEC as a reduction from its APIC and Retained earnings. Of this amount, ₱6.33 million which represents the Company's share in the said costs, was recognized equally as a reduction from the Company's other equity reserve account and retained earnings.

In 2014, the Company invested additional capital amounting to ₱491.00 million in response to several equity calls for the expansion of the coal-fired power plant in Calaca.

On April 24, 2015, Unit 1 of the two 135 MW coal fired units commenced its commercial operations. Unit 2 of the power plant declared its commercial operations on February 21, 2016.

On December 20, 2016, the Parent Company sold 5% interest in SLTEC to APHPC (see Note 1). As a result of the sale, the Company's interest in SLTEC was reduced from 50% to 45% and recognized a gain amounting to ₱444.21 million.

11. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the quarter ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

	March 2017			
	Leasehold Rights	**Deferred Exploration Costs**	**Goodwill**	**Total**
Cost:				
Balance at beginning of year	**₱99,839**	**₱122,222**	**₱234,152**	**₱456,213**
Cash calls	**–**	**232**	**–**	**232**
Balance at end of the period	**99,839**	**122,454**	**234,152**	**456,445**
Accumulated depreciation:				
Balance at beginning of year	**42,500**	–	**–**	**42,500**
Amortization	**4,048**	–	**–**	**4,048**
Balance at end of the period	**46,548**	–	**–**	**46,548**
Accumulated impairment				
Balance at end of the period	–	**22,713**	**–**	**22,713**
Net book value	**₱53,291**	**₱99,741**	**₱234,152**	**₱387,184**

	December 2016			
	Leasehold Rights	Deferred Exploration Costs	Goodwill	Total
Cost:				
Balance at beginning of year	₱99,839	₱126,905	₱234,152	₱460,896
Cash calls	–	14,371	–	14,371
Pre-development costs	–	1,192	–	1,192
Reclassification to receivables	–	(19,443)	–	(19,443)
Write-offs	–	(1,192)	–	(1,192)
Others	–	389	–	389
Balance at end of year	99,839	122,222	234,152	456,213
Accumulated depreciation:				
Balance at beginning of year	26,310	–	–	26,310
Amortization	16,190	–	–	16,190
Balance at end of year	42,500	–	–	42,500
Accumulated impairment:				
Balance at beginning of year	–	–	–	–
Provisions	–	22,713	–	22,713
Balance at end of year	–	22,713	–	22,713
Net book value	₱57,339	₱99,509	₱234,152	₱391,000

Leasehold Rights and Goodwill

The leasehold rights and goodwill arose from TA Power's acquisition of the entire outstanding shares of stocks of One Subic. The Facilities Lease Agreement (FLA) between One Subic and SBMA was amended extending the lease term for five (5) years or from July 20, 2010 - July 19, 2015 to July 20, 2010 - July 19, 2020, with the option to extend subject to mutually acceptable terms and conditions.

Impairment Testing of Goodwill
The goodwill acquired through business combination was allocated for impairment testing to One Subic's power plant operations, this being the cash generating unit (CGU). The recoverable amount of goodwill in the CGU was determined using the value in use approach calculated using all cash flow projections related to CGU based on the financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rates of 9.44% and 9.50% in 2016 and 2015, respectively, were applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the business of the CGU.

The recoverable amount exceeded the carrying amount of the CGU and, as a result, no impairment was recognized for the quarter ended March 31, 2017 and for the year ended December 31, 2016.

Deferred Exploration Costs
The balance of deferred exploration costs as at March 31 and December 31 consists of expenditures incurred in the following production-sharing petroleum and geothermal projects:

	March 2017	December 2016
Petroleum and gas:		
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,474**	15,474
SC 6 (Northwest Palawan)	**26,414**	26,182
SC 55 (Southwest Palawan)	**5,714**	5,714
SC 52 (Cagayan Province)	**10,994**	10,994
SC 50 (Northwest Palawan)	**11,719**	11,719
Geothermal:		
SC 8 (Mabini, Batangas)	**19,473**	19,473
Hydropower:		
SC 467 (Pililia, Rizal)	–	–
SC 465 (Ilagan, Isabela)	–	–
	122,454	122,222
Allowance for impairment losses	**(22,713)**	(22,713)
Net book value	**₱99,741**	₱99,509

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum and geothermal SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

In 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 50 and SC 52 amounting to ₱11.72 million and ₱10.99 million, respectively, due to the expiration of their terms and subsequent denial of the DOE of the request for Force Majeure. In 2016, the Company also wrote-off its deferred exploration costs related to its hydropower service contracts amounting to ₱1.19 million due to the expiration of the pre-development term of 2 years and non-appeal on the denial of the DOE on the Company's request for increase in capacity. No impairment was recognized for the other SCs as management believes that extensions and moratoriums requested that are pending approval by the DOE as of March 4, 2017 will be eventually approved based on prior years' experience.

Refer to Annex B-1 for the status of the Company's projects.

MPSA 252-2007-V (Camarines Norte)

On July 28, 2007, PHINMA Energy was awarded MPSA No. 252-2007-V by the Philippine Department of Environment and Natural Resources (DENR) covering parcels of land with an aggregate area of more or less 333 hectares, located in the municipality of Camarines Norte, Philippines (the "Property"). On February 14, 2008, TA Gold and PHINMA Energy entered into an Operating Agreement where PHINMA Energy granted unto and in favor of the TA Gold the exclusive right to explore, develop and operate for commercial mineral production the Property under the MPSA. In June 2009, PHINMA Energy received a notice of an Order of the Secretary of the DENR excising portions of the MPSA area that are covered by alleged mineral patents of a third party for which PHINMA Energy filed a Motion for Reconsideration for the said Order.

In December 2009, the DENR denied PHINMA Energy's Motion for Reconsideration. PHINMA Energy filed a timely Appeal of the DENR's ruling with the Office of the President, which was also denied. PHINMA Energy then elevated the case to the Court of Appeals.

PHINMA Energy signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income in 2011. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was also recognized as income in the year payments were received.

On October 30, 2012, the Court of Appeals granted PHINMA Energy's petition to reverse and set aside the resolutions of the DENR and the Office of the President that ordered and affirmed, respectively, excision of certain areas covered by alleged mining patents of a third party from the contract area of the MPSA. Subsequently, PHINMA Energy elevated the case to the Supreme Court.

In Agreements dated May 29, 2012, March 19, 2013, June 25, 2013 and December 18, 2013, PHINMA Energy and Investwell amended and restructured the payment of the fourth tranche of the total consideration.

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell, and PHINMA Energy recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche.

On January 12, 2015, the Supreme Court ruled that the rights pertaining to mining patents issued pursuant to the Philippine Bill of 1902 and existing prior to November 15, 1935 are vested rights that cannot be impaired by the MPSA granted by the DENR to PHINMA Energy on July 28, 2007.

As at March 31, 2017 and December 31, 2016, receivable from Investwell amounted to ₱39.37 million (see Note 6). In 2014, PHINMA Energy provided an allowance for impairment for the full amount of receivable from Investwell since the latter did not comply with the restructured payment schedule.

Mabini Geothermal Service Contract (Batangas)

On December 3, 2013, PHINMA Energy signed a MOA with Basic Energy Corporation (Basic), under which PHINMA Energy shall acquire from Basic a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased up to 40%, at the option of

PHINMA Energy, after PHINMA Energy completes a gravity program in the contract area at its sole cost.

The DOE approved on September 1, 2015 a one-year extension of Contract Year 8 to July 10, 2016 with a one-well drilling obligation. On September 15, 2015, the DOE approved the transfer of 25% participating interest in subject GSC from Basic to PHINMA Energy.

Preparations for the drilling commenced in the fourth quarter of 2015. The project was completed and tested on March 11, 2017. As of May 15, 2017, the project is still on-going post-well evaluation.

Pililia Hydropower Service Contract (Rizal)
PHINMA Energy requested for the reinstatement of Pililia Hydropower Service Contract and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

A letter dated August 2, 2016 was received from the DOE, requesting for the submission of approved work-program within 30 days. However, the Company did not comply, thus the service contract is deemed terminated.

Ilagan Hydropower Service Contract (Isabela)
PHINMA Energy requested for the reinstatement of Ilagan Hydropower Service Contract and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

PHINMA Energy also requested approval for increase in capacity but was denied by the DOE in its letter dated July 8, 2016 due to adverse effect to other service contract applications covering areas upstream of the project site. PHINMA Energy did not appeal the DOE's decision, thus the service contract is deemed terminated.

12. Other Non-current Assets

	March 2017	December 2016
Receivables from third parties	**₱617,611**	₱608,546
Deposit receivables from suppliers	**49,734**	67,236
Prepaid rent	**15,664**	49,581
Balance at end of the period	**₱683,009**	₱725,363

Receivables from third parties include an interest bearing receivable collectible until April 2020 and non-interest bearing receivables from NGCP collectible annually within 4 years, discounted using the PDST-R2 rates on transaction date ranging from 2.14% - 3.67%.

Deposit receivables include deposits to distribution utilities outstanding as at March 31, 2017 and December 31, 2016.

Prepaid rent pertains to easements and right of way agreements with land owners in Guimaras for the transmission lines connecting its 54 MW wind farm project located in San Lorenzo, Guimaras to the grid.

13. Accounts Payable and Other Current Liabilities

	March 2017	December 2016
Trade (see Note 21)	**₱2,253,676**	₱1,877,518
Due to related parties (see Note 19)	**882,168**	1,204,310
Output VAT	**214,548**	469,130
Nontrade (see Note 21)	**147,413**	129,681
Accrued expenses	**83,629**	254,236
Accrued interest expenses	**74,788**	114,755
Accrued directors' and annual incentives (see Note 19)	**51,478**	51,478
Finance lease obligations - current portion	**17,438**	12,544
Retention payables	**1,188**	845
Others	**5,308**	4,177
	₱3,731,634	₱4,118,674

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on 30 to 60-day terms.

Trade payables refer to liabilities to suppliers of electricity and fuel purchased by the Company.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts.

Accrued expenses include insurance, sick and vacation leave accruals, station use and One Subic variable rent at SBMA.

Finance lease obligations refer to lease agreements entered into by the Company with individual land owners. These leases have terms of 20 to 25 years.

Retention payables pertain to amounts retained from liabilities to suppliers and contractors.

Others consist of liabilities to employees, SSS and deposit payable.

14. Long-term Loans

As at March 31 and December 31, this account consists of:

	March 2017	December 2016
TAREC term loan facility	**₱1,766,030**	₱4,149,500
PHINMA Energy long term loans	**5,245,000**	2,910,000
	7,011,030	7,059,500
Add premium on long-term loans (embedded derivative)	**7,298**	7,722
Less unamortized debt issue costs	**52,915**	72,871
	6,965,413	6,994,351
Less current portion of long-term loans (net of unamortized debt issue costs)	**207,798**	200,785
Noncurrent portion	**₱6,757,615**	₱6,793,566

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at January 1, 2016	₱9,389	₱89,887
Amortization for the period	(1,667)	(17,016)
As at December 31, 2016	7,721	72,871
Additions	–	11,750
Amortization for the period	(423)	(31,706)
As at March 31, 2017	**₱7,298**	**₱52,915**

TAREC
On December 18, 2013, TAREC entered into a ₱4.3 billion Term Loan Facility with Security Bank Corporation (SBC) and Development Bank of the Philippines (DBP). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 27 2 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing (PDST-F) plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Company did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (BAP) dated January 8, 2015. Subsequently, the parties agreed to adopt PDS Treasury Reference Rate PM (PDST-R2) as benchmark rate in lieu of PDST-F rates.

The loan facility also contains a prepayment provision which allows TAREC to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of a) the principal amount of the loan being prepaid, or b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corp. (PDEx) Market Page, Reuters and the Philippine Dealing System (PDS) website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, TAREC is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, the Company prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follow:

- the Company shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Company of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;

- the remaining thirty percent (30%) shall be transferred directly into the Company controlled distribution account for further distribution to the Project Sponsor.

Under the terms of the Agreement, PHINMA Energy, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount (DSRA) in the event of delays in obtaining Feed-in-Tariff eligibility or Renewable Energy Payment Agreement; and
- Redeem the loan in the event that TAREC defaults on the loan and titles to the project properties have not been issued to TAREC or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. TAREC made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at March 31, 2017 and December 31, 2016:

	March 2017			
	Tranche A (DBP)		**Tranche B (SBC)**	
Drawdown date	**Gross Amount**	**Carrying value [a]**	**Gross Amount**	**Carrying value [b]**
February 14, 2014	**₱127,318**	**₱126,777**	**₱127,318**	**₱125,981**
May 27, 2014	**225,888**	**224,425**	**225,888**	**223,806**
August 5, 2014	**225,888**	**225,322**	**225,888**	**223,896**
September 2, 2014	**205,352**	**204,435**	**205,352**	**203,632**
July 30, 2015	**98,569**	**93,309**	**98,569**	**93,293**
	₱883,015	**₱874,268**	**₱883,015**	**₱870,608**

	December 2016			
	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount	Carrying value [a]	Gross Amount	Carrying value [b]
February 14, 2014	₱299,150	₱297,620	₱299,150	₱295,944
May 27, 2014	530,750	527,048	530,750	525,752
August 5, 2014	530,750	528,927	530,750	525,966
September 2, 2014	482,500	480,028	482,500	478,366
July 30, 2015	231,600	219,087	231,600	219,055
	₱2,074,750	₱2,052,710	₱2,074,750	₱2,045,083

[a] *Net of unamortized debt issue costs of ₱8.75 million and ₱22.04 million as of March 31, 2017 and December 31, 2016, respectively.*

[b] *Net of unamortized debt issue costs of ₱12.41 and ₱29.67million as of March 31, 2017 and December 31, 2016, respectively.*

During the first quarter of 2017 and for the year 2016, TAREC made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	Gross Amount	Carrying value	Gross Amount	Carrying value
April 28, 2016	₱75,250	₱63,722	₱75,250	₱69,364
January 11, 2017	**1,175,000**	**1,157,367**	**1,175,000**	**1,155,281**
February 14, 2017	**16,735**	**16,421**	**16,735**	**16,557**
	₱1,266,985	₱1,237,510	₱1,266,985	₱1,241,202

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, TAREC must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by the Company provided that 30 days prior to payment, the fund is replenished.

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of TAREC:

(a) Minimum DSCR post dividend declaration of 1.20x throughout the term of the loan
(b) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch)
(c) Restricted payments (not to distribute dividends, make payments to affiliates)

TAREC is in compliance with loan covenants as at March 31, 2017 and December 31, 2016.

Commercial operations, as defined in said Term Loan Facility, shall mean the date on which the Wind Farm Project is capable of being fully operational and able to generate power and transmit the same to the Visayas Grid and shall require the Commissioning and the Take-Over (as defined in the Construction Contracts) of the Wind Farm Project by TAREC and the issuance of the Certificate of Compliance by the ERC. TAREC's certificate of compliance was issued by ERC on December 1, 2015.

The loan facility is secured by TAREC's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying value amounting to ₱4,664.15 million and ₱4,715.66 million as at March 31, 2017 and December 31, 2016, respectively (see Note 9). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, PHINMA Energy entered into a Pledge Agreement covering the subscriptions of stocks of PHINMA Energy and its nominees.

<u>PHINMA Energy</u>
The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	**March 2017**	December 2016
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	**₱1,441,167**	₱1,448,667
₱1.00 billion loan with SBC	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum,	**962,884**	967,635

	drawdown date plus 1.00%, for 5 years	payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge		
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge	**477,944**	480,256
₱1.175 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months.	Availed on January 11, 2017, payable in semi-annual installments within 12.5 years to commence 6 months from drawdown date with final repayment on July 11, 2029; contains negative pledge	**1,169,269**	–
₱1.175 billion loan with DBP	Initial Interest Rate of 6% per annum for the first 8 years; Repricing on the 8th year anniversary of the loan, the higher of 5Y PDST- R2 benchmark rate under "Bid Yield" on the banking day immediately preceding the Interest Repricing Date plus 1.625% per annum or 6.25% per annum.	Availed on January 10, 2017, payable in semi-annual installments within 12.5 years to commence 6 months from drawdown date with final repayment in July 10, 2029; contains negative pledge	**1,169,273**	–
Carrying value (net of unamortized debt issue costs and embedded derivatives)			**₱5,220,537**	₱2,896,557

In the first quarter of 2017 and for the year 2016 , principal repayments made relative to PHINMA Energy's loans amounted to ₱15.00 million and ₱60.00 million, respectively.

PHINMA Energy's loan with CBC has an embedded interest rate floor that is required to be bifurcated. In 2014, the Company recognized a loss on derivatives and derivative liability amounting to ₱12.10 million. The derivative liability was closed out to the balance of the loan in 2014 upon drawdown.

PHINMA Energy's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.

Description	Prepayment provision
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱1.175 billion loan with SBC	The borrower may prepay all or part of the loan on the interest payment date (every six months starting from the drawdown date) at par plus break-funding costs.
₱1.175 billion loan with DBP	The borrower may prepay all or part of the loan anytime without prepayment penalty or premium provided that the prepayment is made only on the interest repricing date which is 8th year from drawdown date, otherwise borrower shall pay break-funding costs.

The prepayment option on the loans with CBC and BDO were assessed as closely related and, thus, not required to be bifurcated. For the loan with SBC, the prepayment option was assessed as not closely related but was not bifurcated because the prepayment option has nil or very minimal value since it is deeply out of the money.

Covenants. Under the loan agreements, PHINMA Energy has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.00 billion loan with SBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 2.0 times Minimum Current ratio of 1.0 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.175 billion loan with SBC	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times
₱1.175 billion loan with DBP	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

As at March 31, 2017 and December 31, 2016, the Company is in compliance with the terms as required in the loan covenants.

Total interest expense recognized on PHEN's and TAREC's loans amounted to ₱150.63 million, and ₱113.69 million for the first quarter ended March 31, 2017 and 2016, respectively.

15. Equity

Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	March 2017	December 2016
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued shares:		
Balance at beginning of the period	**4,865,146,089**	4,865,146,089
Issuance during the period - Exercise of stock options	–	20,751,819
Balance at end of the period	**4,885,897,908**	4,885,897,908

The issued and outstanding shares as at March 31, 2017 and December 31, 2016 are held by 3,202 and 3,204 equity holders, respectively.

On November 16, 2009, in a special stockholders' meeting, the Parent Company's stockholders approved the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares which shall be funded through stock rights offering (SRO). On March 30, 2011, the SEC approved the SRO of 1.165 billion shares of the Parent Company at the rate of seven shares for every 10 shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to ₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded by a stock rights offering. On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.42 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders (“Overallotment Option”). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion. The proceeds were used to finance its equity investments in TAREC’s 54 MW wind energy project in San Lorenzo, Guimaras and SLTEC’s second 135 MW clean coal-fired power plant in Calaca, Batangas, among other power project opportunities.

The following table presents the track record of registration of capital stock:

Date of SEC Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
08-Feb-69	2,000,000,000	1,000,000,000	₱0.01	₱0.01
22-Jul-75	2,000,000,000	937,760,548	0.01	0.01
16-Jul-79	6,000,000,000	6,058,354,933	0.01	0.01
12-Feb-88	10,000,000,000	7,643,377,695	0.01	0.02
08-Jun-93	10,000,000,000	8,216,141,069	0.01	0.01
15-Jul-94	70,000,000,000	50,170,865,849	0.01	0.01
24-Aug-05	1,000,000,000	264,454,741	1.00	1.00
06-Jun-11	2,200,000,000	1,165,237,923	1.00	1.00
12-Nov-12	4,200,000,000	2,027,395,343	1.00	1.00

Retained Earnings

The Company’s retained earnings balance amounted to ₱3.86 billion and ₱2.85 billion, respectively, as at December 31, 2016 and 2015. Retained earnings not available for declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), to the extent of (a) undistributed earnings of subsidiaries, associates and joint venture included in the Company’s retained earnings amounted to ₱1,264.40 million and ₱1,174.14 million as at March 31, 2017 and December 31, 2016, respectively; and (b) cost of treasury shares amounted to ₱28.79 million as at March 31, 2017 and December 31, 2016.

Treasury Shares

As a result of TA Power becoming a wholly-owned subsidiary of PHINMA Energy effective January 1, 2013, the Parent Company’s shares of stock held by TA Power amounting to ₱28.79 million was considered as treasury shares.

Other Equity Reserve

This account consists of:

	March 2017	December 2016
Other equity reserves from joint venture [a]	**₱17,231**	₱17,231
Effect of distribution of property dividends - TA Petroleum shares [b]	**1,107**	1,107
	₱18,338	₱18,338

a. This relates to the accumulated share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company’s joint ventures.

b. This represents the impact of the property dividend distribution in the form of TA Petroleum shares on the equity attributable to equity holders of the Parent Company when the Parent Company’s ownership interest decreased but did not result in loss of control. The Parent Company’s effective ownership in TA Petroleum decreased from 100% to 50.74% in 2014.

Dividends Declared
Cash dividends declared in 2017, 2016 and 2015 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount *	Record Date
February 23, 2015	Cash	0.04 per share	194,602	March 9, 2015
February 23, 2016	Cash	0.04 per share	194,606	March 9, 2016
December 16, 2016	Cash	0.04 per share	195,436	January 4, 2017
March 3, 2017	**Cash**	**0.04 per share**	**195,436**	**March 17, 2017**

**Includes dividends on shares held by TA Power.*

16. Costs of Sale of Electricity

	Jan – Mar 2017	Jan – Mar 2016
Costs of power purchased	**₱3,017,629**	₱2,331,571
Fuel (see Note 7)	**138,745**	125,453
Depreciation and amortization	**95,078**	101,414
Repairs and maintenance	**36,053**	36,248
Taxes and licenses	**30,273**	28,897
Transmission costs	**24,258**	30,420
Salaries	**23,844**	24,091
Rent	**18,478**	17,786
Insurance	**16,702**	24,525
Pension and employee benefits	**6,061**	5,276
Stations used	**293**	793
Filing fees	**261**	95
Others	**6,849**	6,377
	₱3,414,524	₱2,732,946

17. General and Administrative Expenses

	Jan – Mar 2017	Jan – Mar 2016
Salaries and directors' fees	**₱37,504**	₱34,318
Management and professional fees (see Note 19)	**34,619**	45,747
Taxes and licenses	**32,646**	27,333
Insurance, dues and subscriptions	**6,589**	2,596
Depreciation and amortization	**6,452**	6,697
Pension and employee benefits	**5,081**	4,268
Building maintenance and repairs	**4,225**	2,844
Transportation and travel	**2,413**	1,287
Bank charges	**2,005**	682
Contractor's fee	**1,731**	146
Meeting and conferences	**1,672**	1,229
Corporate social responsibilities	**1,167**	509
Office supplies	**1,062**	804
Communication	**978**	1,074
Advertisements	**557**	110
Rent	**536**	292
Others	**134**	384
	₱139,371	₱130,320

18. Other Income (Loss) - Net

	Jan – Mar 2017	Jan – Mar 2016
Interest and other financial income	**₱15,223**	₱4,396
Gain (loss) on derivatives - net	**(72)**	–
Foreign exchange loss – net	**(146)**	(1,223)
Gain (loss) on sale of AFS investment	–	40
Others	**890**	2,096
	₱15,895	₱5,309

Interest and Other Financial Income
The details of interest and other financial income are as follows:

	Jan – Mar 2017	Jan – Mar 2016
Interest income on:		
Cash in banks (see Note 5)	**₱20**	₱15
Short-term deposits (see Note 5)	**917**	475
Receivables and others	**5,367**	725
Net gains on investments held for trading	**8,919**	3,181
	₱15,223	₱4,396

Interest and Other Finance Charges
The details of interest and other finance charges are as follows:

	Jan – Mar 2017	Jan – Mar 2016
Interest expense on:		
Long-term loans (see Note 14)	**₱150,630**	₱113,694
Amortization of debt issue cost (see Note 14)	**1,153**	800
Tax assessment	**1**	108
Asset retirement obligation	**91**	92
Finance lease obligations	**3,734**	2,964
Others	**2,964**	–
Other finance charges	**2**	4
Amortization of embedded derivatives	**(423)**	(420)
	₱158,152	₱117,242

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at period-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the quarter ended March 31, 2017 and for the year ended December 31, 2016, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the quarter ended March 31, 2017 and year ended December 31, 2016 related parties are as follows:

March 2017

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
PHINMA, Inc.					
Rental and other income	**₱538**	Rent and share in expenses	**₱131**	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	**28,454**	Management fees and share in expenses	**(13,209)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**–**	Rental deposit	**(186)**	Non-interest bearing	Unsecured
Accounts payable and other current liabilities	**48,928**	Cash dividend	**–**	On demand	Unsecured
Joint Venture					
SLTEC					
Revenue from sale of electricity, rental and other income	**6,416**	Sale of electricity, rent and share in expenses	**7,186**	30-day, non-interest bearing	Unsecured, no impairment
Costs of sale of electricity	**1,402,681**	Purchase of electricity	**(786,612)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**–**	Rental deposit	**(590)**	End of lease term	Unsecured
Associates					
Asia Coal					
Accounts payable and other current liabilities	**–**	Advances	**(254)**	Non-interest bearing	Unsecured
MGI					
Costs of sale of electricity	**194,456**	Trading cost	**(65,262)**	30-day, non-interest bearing	Unsecured
Entities under common control					
PHINMA Property Holdings Corporation (PPHC)					
Accounts payable and other current liabilities	**–**	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured

March 2017

Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
PHINMA Corporation					
Other income	**₱271**	Share in expenses	**₱304**	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expense	**688**	Share in expenses	**(321)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**51,285**	Cash dividend	**–**	On demand	Unsecured
Accounts payable and other current liabilities	**3,134**	Purchase of dollar	**–**	On demand	Unsecured
Union Galvasteel Corp. (UGC)					
Dividend income	**2,275**	Cash dividend	**–**	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	**–**	Roofing materials	**(67)**	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
General and administrative expenses	**22,846**	Insurance expense and membership fees	**(15,496)**	30-60 day, non-interest bearing	Unsecured
Emar Corporation					
Other income	**64**	Share in expenses	**–**	30-60 day, non-interest bearing	Unsecured, no impairment
Accounts payable and other current liabilities	**4,273**	Cash dividend	**–**	On demand	Unsecured
PHINMA Education Holdings Inc. (PHINMA Education)					
General and administrative expenses	**416**	Service fee	**–**	30-60 day, non-interest bearing	Unsecured
Other Related Parties					
Directors					
General and administrative expenses	**2,457**	Director's fee and annual incentives	**(51,478)**	On demand	Unsecured
Stockholders					
Due to stockholders	**90,951**	Cash dividend	**(12,693)**	On demand	Unsecured
Receivables	**–**	Withholding tax on property dividend	**35**	On demand	Unsecured, no impairment

Due from related parties (see Note 6)			**₱7,621**		
Receivable from stockholders (see Note 6)			**35**		
Due to related parties (see Note 13)			**(882,168)**		
Accrued directors and annual incentives (see Note 13)			**(51,478)**		
Due to stockholders			**(12,693)**		

December 2016

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
PHINMA, Inc.					
Rental and other income	₱1,100	Rent and share in expenses	₱63	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	104,055	Management fees and share in expenses	(53,998)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	–	Rental deposit	(186)	Non-interest bearing	Unsecured
Accounts payable and other current liabilities	97,855	Cash dividend	(48,928)	On demand	Unsecured
Joint Venture					
SLTEC					
Revenue from sale of electricity, rental and other income	28,074	Sale of electricity, rent and share in expenses	4,204	30-day, non-interest bearing	Unsecured, no impairment
Investments and advances (see Note 10)	644,945	Dividends received	–	30-day, non-interest bearing	Unsecured, no impairment
Costs of sale of electricity	6,077,461	Purchase of electricity	(931,569)	30-day, non-interest bearing	Unsecured

December 2016					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Accounts payable and other current liabilities	−	Rental deposit	(590)	End of lease term	Unsecured
Associates					
Asia Coal					
Accounts payable and other current liabilities	−	Advances	(254)	Non-interest bearing	Unsecured
MGI					
Costs of sale of electricity	785,167	Trading cost	(79,263)	30-day, non-interest bearing	Unsecured
Investments and advances (see Note 10)	−	Advances for future subscriptions	45,000	Non-interest bearing	Unsecured, no impairment
Entities under common control					
PHINMA Property Holdings Corporation (PPHC)					
Accounts payable and other current liabilities	−	Advances	(171)	30-60 day, non-interest bearing	Unsecured
PHINMA Corporation					
Dividend and other income	₱5,387	Cash dividend and share in expenses	₱−	30-60 day, non-interest bearing	Unsecured, no impairment
Other expenses	2,169	Share in expenses	(397)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	102,394	Cash dividend	(51,285)	On demand	Unsecured
Union Galvasteel Corp. (UGC)					
Dividend income	2,281	Cash dividend	−	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	92	Roofing materials	(67)	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
General and administrative expenses	91,400	Insurance expense and membership fees	(30,631)	30-60 day, non-interest bearing	Unsecured
Receivables	69	Refund of overpayment	−	30-60 day, non-interest bearing	Unsecured, no impairment
Accounts payable and other current liabilities	2,335	Purchase of dollar	−	30-60 day, non-interest bearing	Unsecured
Emar Corporation					
Other income	64	Share in expenses	−	30-60 day, non-interest bearing	Unsecured, no impairment
Accounts payable and other current liabilities	8,559	Cash dividend	(4,273)	On demand	Unsecured
PHINMA Education Holdings Inc. (PHINMA Education)					
General and administrative expenses	2,698	Service fee	(2,698)	30-60 day, non-interest bearing	Unsecured
Other Related Parties					
Directors					
General and administrative expenses	72,846	Director's fee and annual incentives	(51,478)	On demand	Unsecured
Stockholders					
Due to stockholders	179,320	Cash dividend	(91,203)	On demand	Unsecured
Receivables	−	Withholding tax on property dividend	35	On demand	Unsecured, no impairment
Due from related parties (see Note 6)			₱4,267		
Receivable from stockholders (see Note 6)			35		
Advance to an associate (Note 10)			45,000		
Due to related parties (see Note 13)			(1,204,310)		
Accrued directors and annual incentives (see Note 13)			(51,478)		
Due to stockholders			(91,203)		

PHINMA, Inc.
The Parent Company and its subsidiaries TA Power, CIPP, TAREC and TA Petroleum have management contracts with PHINMA, Inc. up to August 31, 2018 except for TA Power whose contract with PHINMA, Inc. is up to 2016, renewable thereafter upon mutual agreement. Under these contracts, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Parent Company, TA Power, CIPP, TAREC and TA Petroleum pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of each company's net income. On February 23, 2016, the TA Petroleum's BOD approved the suspension of the management contract for 2016. Other expenses PHINMA, Inc. bills to the Company includes rent and share in expenses. The Company also has a dividend payable to PHINMA Inc. for the cash dividend declared during 2016.

SLTEC
SLTEC leases and occupies part of the office space owned by the Parent Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. The contract ended on October 15, 2016 and it was not renewed. SLTEC reimbursed PHINMA Energy for the cost of the coal power plant under construction and other costs incurred in relation to the coal project in 2011. The transactions with SLTEC also includes the sale and purchase of electricity, reimbursements of expenses and receipt of dividend.

PHINMA Corporation
PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Parent Company for its share in expenses. The Parent Company also receives cash dividends received from PHINMA Corporation. The Parent Company has a dividend payable to PHINMA Corporation for the cash dividend declared during 2016. In 2015, PHINMA Energy purchased foreign currencies from PHINMA Corporation and used to pay suppliers for foreign-currency denominated liabilities. In 2014, PHINMA Corporation granted advances to PHINMA Energy for its working capital requirements.

MGI
The Company purchases the entire net electricity output of MGI. Other transactions with MGI include reimbursements of expenses and advances for future subscriptions.

PHINMA Property Holdings Corporation (PPHC)/Union Galvasteel Corporation (UGC) [formerly Atlas Holding Corporation (AHC)]/Asian Plaza, Inc./Asia Coal/ACTA
PPHC, UGC and Asian Plaza, Inc., Asia Coal and ACTA are entities under common control. The transactions for these companies include cash dividends and/or advances.

T-O Insurance, Inc.
T-O Insurance, Inc. is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance, Inc. PHINMA Energy's transaction with T-O insurance, Inc. includes payment of insurance and membership fees, the receipt of refund for overpayment and purchase of dollars.

Emar Corporation
In 2016, the Company billed Emar Corporation for its share on expenses which was collected during the year.

PHINMA Education
During 2016, the Company has a payable to PHINMA Education for services rendered.

Directors
The Company recognized bonus to directors computed based on net income before the effect of the application of the equity method of accounting.

Retirement Fund
The fund is managed by a trustee under the PHINMA Jumbo Retirement Plan. The fair value of the retirement fund of the Parent Company amounts to ₱123.04 million as at December 31, 2016.

The plan assets include shares of stock of the Parent Company with fair value of ₱0.06 million as at December 31, 2016. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the year ended December 31, 2016. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

20. Earnings Per Share

Basic and diluted EPS are computed as follows:

	Jan – Mar 2017	Jan – Mar 2016
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income attributable to equity holders of Parent Company	**₱78,420**	₱265,969
Common shares outstanding at beginning of year (see Note 15)	**4,885,897,908**	4,865,146,089
Weighted average number of shares issued during the year	**–**	433,980
(b) Weighted average common shares outstanding	**4,885,897,908**	4,865,580,069
Basic/Diluted EPS (a/b)	**₱0.02**	₱0.05

In the first quarter of 2017 and 2016, the Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted EPS is the same as basic EPS.

21. Fair Values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at March 31, 2017 and December 31, 2016:

	March 2017			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Asset				
Short-term investment	**₱–**	**₱–**	**₱–**	**₱–**
Investments held for trading	**1,877,264**	**1,877,264**	**–**	**–**
AFS investments	**208,062**	**208,062**	**–**	**–**
Refundable deposits*	**21,170**	**–**	**–**	**19,914**
	₱2,106,496	**₱2,085,326**	**₱–**	**₱19,914**
Liability				
Long-term debt	**₱6,965,413**	**₱–**	**₱5,853,542**	**₱–**
Deposit payable and other liabilities***	**99,722**	**–**	**–**	**98,463**
	₱7,065,135	**₱–**	**₱5,853,542**	**₱98,463**

	December 2016			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Short-term investment	₱2,498	₱2,498	₱–	₱–
Investments held for trading	3,061,270	3,061,270	–	–
AFS investments	309,070	309,070	–	–
Derivative assets*	72	–	72	–
Refundable deposits*	48,595	–	–	44,884
Receivables from third parties**	608,546	–	–	533,936
	₱4,030,051	₱3,372,838	₱72	₱578,820
Liability				
Long-term debt	₱6,994,351	₱–	₱5,564,843	₱–
Deposit payable and other liabilities***	104,182	–	–	103,332
	₱7,098,533	₱–	₱5,564,843	₱103,332

**Included in "Other current assets" accounts*
*** Included in "Other noncurrent assets" account*
**** Included in "Other noncurrent liabilities" account*

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Investments Held for Trading
Net asset value per unit has been used to determine the fair values of investments held for trading.

AFS Investments
Quoted market prices have been used to determine the fair values of quoted AFS investments. The fair values of unquoted AFS investments are based on cost since the fair values are not readily determinable. The Company does not intend to dispose the unlisted AFS investments in the near future.

The fair value of derivative assets of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

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

The Company has no financial instruments measured at fair value using the level 3 hierarchy. Also, there were no transfers between level 1 and level 2 fair value measurements.

Refundable Deposits, Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans
Estimated fair value of long term loans is based on the discounted value of future cash flows using the prevailing PDST-R2 at the reporting period adjusted for credit spread.

<u>Derivative Assets and Liabilities</u>

Currency Forwards
The Company entered into a forward foreign currency contracts with a bank with an aggregate notional amount of US$1.50 million in 2015. All deliverable forwards were settled during the year. The weighted average fixing rate amounted to ₱44.72 to US$1.00 in 2015. The net fair value of these currency forwards amounted to ₱1.02 million gains as at December 31 2015. The Company did not enter into a foreign currency contracts in 2016.

Embedded Derivatives
The Company has bifurcated embedded derivatives from its fuel purchase contracts. The purchases are denominated in U.S. dollar but the Company agreed to pay in Philippine peso using the average daily Philippine Dealing System weighted average rate of the month prior to the month of billing. These embedded derivatives are attributable to PHINMA Energy.

The Company's outstanding embedded forwards have an aggregate notional amount of US$0.13 million and US$0.16 million as at December 31, 2016 and 2015, respectively. The weighted average fixing rate amounted to ₱47.51 to US$1.00 and ₱47.65 to US$1.00 as at December 31, 2016 and 2015, respectively. The net fair value of these embedded derivatives amounted to ₱0.07 million gains and ₱0.10 million losses at December 31, 2016 and 2015, respectively.

The net movements in fair value changes of the Company's derivative instruments (both freestanding and embedded derivatives) are as follows:

	March 2017	December 2016
Balance at beginning of year	**₱72**	₱98
Net changes in fair value during the year	**–**	8,741
Fair value of settled contracts	**(72)**	(8,767)
Balance at end of the period	**₱–**	₱72

The net changes in fair value during the year are included in the "Other income (loss) - net" account in the interim condensed consolidated statements of income (see Note 18).

The fair value of derivative assets is presented under "Other current assets" account in the interim condensed consolidated statement of financial position (see Note 8).

22. Other Matters

On August 20, 2014, PHINMA Energy distributed the cash and property dividends in the form of shares in TA Petroleum (see Note 15) after securing SEC's approval of the registration and receipt of CAR from the BIR.

On October 22, 2014, PHINMA Energy received from the BIR a Formal Letter of Demand (FLD) and Final Assessment Notice (FAN), assessing PHINMA Energy for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, PHINMA Energy and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by PHINMA Energy to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of PHINMA Energy;
2) PHINMA Energy did not realize any gain or increase its wealth as a result of the dividend distribution; and
3) There was no donative intent on the part of PHINMA Energy.

On May 27, 2015 PHINMA Energy received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015 PHINMA Energy filed with the CTA a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment. Both PHINMA Energy and the BIR have finished presenting evidence. PHINMA Energy is scheduled to present rebuttal evidence on June 13, 2017.

<u>TAREC's tax assessments and cases</u>
On August 15, 2016, TAREC filed with the BIR a letter and application for tax credits/refund requesting the issuance of tax credit certificate for TAREC's excess unutilized input VAT for the

period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to zero-rated sales. On October 26, 2016, TAREC received a Letter of Authority (LOA) authorizing the examination of TAREC's books of accounts and other accounting records pertaining to the period July 1, 2014 to December 31, 2014. On November 10, 2016, TAREC received an LOA pertaining to the period January 1, 2015 to June 30, 2015. On December 19, 2016, TAREC received a letter from the BIR denying TAREC's administrative claim for refund of excess and unutilized input VAT for the period July 1, 2014 to December 31, 2014. As at December 31, 2016, BIR has not granted or denied TAREC's administrative claim for refund for the period January 1, 2015 to June 30, 2015. On January 11, 2017, TAREC filed with the CTA a Petition for Review seeking review of TAREC's application for input VAT refund or issuance of tax credit certificate for its excess unutilized input VAT. On January 24, 2017, the CTA issued summons to the BIR requiring the BIR to file an answer to TAREC's Petition for Review. On March 31, 2017, TAREC filed a "Motion to Declare Respondent in Default" for the latter failed to file an answer in a timely manner. The CTA granted the foregoing motion to declare the CIR in Default. On April 25, 2017, BIR filed an Omnibus Motion to lift the CTA order declaring the BIR in default; to admit its Answer, and to defer the ex-parte presentation of the Company's evidence.

CIPP's tax assessments and cases

On December 6, 2016, CIPP received a formal letter of demand issued by the BIR demanding CIPP the payment of a total amount of ₱311.66 million for alleged deficiency income tax, value-added tax, documentary stamp tax, expanded withholding tax and compromise penalties for taxable year 2013. CIPP filed its request for reinvestigation on January 5, 2017 on the following grounds:

1. CIPP was not provided in writing of the law and the facts of which the assessment on the disallowed deduction for repairs and maintenance expense amounting to ₱5.77 million pursuant to Section 228 of the Tax Code, Section 3.1.3 of RR No. 18-2013 and GR No. 193100 dated December 10, 2014.
2. In SC decision (Commissioner of Internal Revenue Vs Tours Specialist, Inc.), CTA and CIR vs Manila Jockey Club, the Court held that gross receipts subject to tax under the Tax Code do not include monies or receipts entrusted to the taxpayer which do not belong to them and do not redound to the taxpayer's benefit.
3. Certification from PEMC correcting errors made with OR no. 12843 (₱215,683,777.61) and 12847 (₱79,214.06) signed by Ma. Carolina Magsambol (Assistant Manager, Corporate Fund Management , Finance Department of PEMC.

As at May 15, 2017, the case is still pending.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of PHINMA Energy Corporation (Formerly Trans-Asia Oil and Energy Development Corporation) and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2017 and the audited consolidated financial statements as at December 31, 2016 and for the three months ended March 31, 2017 and 2016. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

The Company's net income dropped to ₱77 million for the first three months of 2017 from the ₱265 million reported in the same period of 2016.

The tables below summarize the consolidated results of operations of the Company's revenues, costs and expenses for the three months ended March 31, 2017 and 2016.

Revenue

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2017**	2016	**Amounts**	%
Revenue from sale of Electricity	**₱3,616,140**	₱3,126,796	**₱489,344**	16%
Dividend income	**2,278**	3,060	**(782)**	(26%)
Rental income	**126**	1,272	**(1,146)**	(90%)
Total Revenues	**₱3,618,544**	₱3,131,128	**₱487,416**	16%

Material Changes for the 1st Quarter

- The increase in revenues from sale of electricity was attributable to the higher energy sales from the Parent Company's power supply business as the Company was able to close new RES contracts for the first three months of 2017.
- The dividend income received from the Company's various investments were lesser in 2017 compared to 2016.
- Rental income decreased as a result of the non-renewal of one of the Parent Company's rental contracts.

Costs and expenses

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2017**	2016	**Amounts**	%
Cost from sale of electricity	**₱3,414,524**	₱2,732,946	**₱681,578**	25%
General and administrative exp.	**139,371**	130,320	**9,051**	7%
Total Cost and Expenses	**₱3,553,895**	₱2,863,266	**₱690,629**	24%

Material Changes for the 1st Quarter

- Management is in continuous discussions with counterparties to manage cost from sale of electricity which has increased due to higher energy sales in kWh.
- The higher general and administrative expenses is attributed to project development costs and increased level of operations which resulted in higher taxes and licenses and headcount.

Other income and expenses / losses

The following are the material changes in other income and expenses / losses in the Consolidated Statements of Income for the first three months ended March 31, 2017 and 2016:

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2017**	2016	**Amounts**	%
Interest and other finance charges	**(₱158,152)**	(₱117,242)	**(₱40,910)**	35%
Equity in net income of associates and joint venture (JV)	**82,325**	119,467	**(37,142)**	(31%)
Other income – net*	**15,895**	5,309	**10,586**	199 %

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2017**	2016	**Amounts**	%
***Other income – net**				
Interest and other financial income	**₱15,223**	₱4,396	**10,827**	246%
Foreign exchange loss	**(146)**	(1,223)	**1,077**	(88%)
Gain on sale of AFS investments	**–**	40	**(40)**	**–**
MTM loss on derivatives	**(72)**	–	**(72)**	–
Miscellaneous income	**890**	2,096	**(1,206)**	(58%)
	₱15,895	₱5,309	**₱10,586**	199%

Material Changes for the 1st Quarter

- Interest and other finance charges went up due to additional long-term loan availed by the Parent Company.
- Lower equity in net income of associates and JV was reported during the period due to the scheduled preventive maintenance and shutdown of both Unit 1 and Unit 2 of SLTEC during the months of January and February 2017.
- Other income - net went up due to the combined effects of the following:
  - Increase in interest and other financial income due to higher fair value gains on investments held for trading.
  - Lower realized forex loss on foreign-currency denominated investments.
  - There was no gain on sale of available-for-sale investments in 2017.
  - A loss on MTM derivatives was recognized in the first quarter of 2017.
  - The decrease in miscellaneous income during the period was due to lower shared and pass-through expenses.

Provision for (benefit from) income tax

In thousands	For the three months ended March 31 **2017**	2016	Increase (Decrease) **Amounts**	%
Current	**₱13,009**	₱15,879	**(₱2,870)**	(18%)
Deferred	**(85,502)**	(5,511)	**(79,991)**	1451%
Total provision for income tax	**(72,493)**	10,368	**(82,861)**	(799%)

Material Changes for the 1st Quarter

- The decrease in the provision for income tax was due to lower taxable income.
- Higher benefit from deferred income tax during the first three months of 2017 was due to the tax effect of pension & other post-employment benefits, NOLCO and the difference between the fair value at initial recognition and transaction price of long-term receivables.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS				
	March	**December**	**Increase (Decrease)**	
In thousand PHP	**2017**	**2016**	**Amount**	**%**
	Unaudited	Audited		
Current Assets				
Cash and cash equivalents	₱689,566	₱395,582	₱293,984	74
Short-term investments	–	2,498	(2,498)	–
Investments held for trading	1,877,264	3,061,270	(1,184,006)	(39)
Receivables	4,020,497	3,846,003	174,494	5
Fuel and spare parts – at costs	261,869	231,146	30,723	13
Other current assets	1,036,357	1,136,005	(99,648)	(9)
Noncurrent Assets				
Deferred income tax assets - net	167,694	71,849	95,845	133
Other noncurrent assets	683,009	725,363	42,354	(6)

- The Consolidated Statements of Cash Flows detail the material changes in cash and cash equivalents, short-term investments and investments held for trading.
- Receivables slightly increased due to higher revenues for the quarter and reclassification of noncurrent receivables to current.
- Fuel and spare parts rose due to higher fuel purchases at the end of the period.

- Other current assets decreased due to the utilization of input taxes and the amortization of prepaid expenses.
- Deferred income tax assets increased due to the tax effect of pension & other post-employment benefits, NOLCO and the difference in fair value of financial instruments.
- Other noncurrent assets declined mainly due to reclassification of noncurrent receivables to current.

LIABILITIES AND EQUITY				
	March	**December**	**Increase (Decrease)**	
In thousand PHP	**2017**	**2016**	**Amount**	**%**
	Unaudited	Audited		
Accounts payable and other current liabilities	₱3,731,634	₱4,118,674	(₱387,040)	(9)
Due to stockholders	12,693	91,203	(78,510)	(86)
Income and withholding taxes payable	35,002	99,396	(64,394)	(65)
Pension and other employment benefits	62,012	47,585	14,427	30
Deferred income tax liabilities – net	137,338	126,890	10,448	8
Other non-current liabilities	172,213	148,252	23,961	16

- Accounts payable and other current liabilities declined due to decrease in trade payables.
- Due to stockholders account dropped due to payment of declared dividends.
- The decrease in income and withholding taxes payable was mainly due to remittance of withholding taxes.
- Pension and other employees' benefits increased due to the accrual of retirement expense during the period.
- Deferred income tax liabilities increased due to tax effect of the unamortized portion of documentary stamps on long-term loans availed during the period.
- Other non-current liabilities increased mainly due to security deposits of new customers.
- Unrealized fair value gains on available-for-sale investments declined due to the decrease in value of stock investments.

Financial Performance Indicators

KPI	Formula	31-Mar-17 Unaudited	31-Dec-16 Audited	Increase (Decrease) Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	1.98	1.92	0.06	3
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.65	1.62	0.03	2
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.25	1.29	(0.04)	(3)
Asset to equity ratio	Total Assets / Total Equity	2.25	2.29	(0.04)	(2)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	1.03	3.35	(2.32)	(69)
Net Debt to Equity Ratio	Debt - Cash & cash equivalents / Total equity	0.96	0.91	0.05	6

KPI	Formula	31-Mar-17 Unaudited	31-Mar-16 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	0.86%	3.31%	(2.45)	(74)
Return on assets	Net income before taxes / Total assets	0.38%	1.42%	(1.04)	(73)
Asset turnover	Revenues / Total assets	17.82%	16.81%	1.01	6

Current ratio and acid test ratio
Current ratio and acid test ratio slightly increased due to the higher decrease of 11% in current liabilities with the payment of trade payables and dividends compared to the 9% and 10% decline in current and quick assets, respectively.

Debt to equity ratio
Debt to equity ratio improved due to the settlement of trade and dividends payables.

Asset to equity ratio
Asset to equity ratio slightly decreased as total assets decreased by 3% compared to a 2% decrease in total equity.

Interest coverage ratio
Interest coverage ratio dropped due to lower earnings before interest and tax in the first quarter of 2017.

Net debt equity ratio
The net debt equity ratio slightly increased due to the 5% increase in net debt brought about by additional loans availed in the first quarter of 2017

Return on equity
Return on equity went down due to lower net income for the first quarter of 2017.

Return on assets
Return on asset declined due to the drop in earnings for the first quarter.

Asset turnover
Asset turnover increased as revenues increased by 16% compared to a 9% increase in average total assets.

During The First Three Months of 2017:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company has two (2) reportable segments namely: petroleum exploration and power business. The fund placements are incidental to the Company's petroleum exploration and power generation activities arising from management of the Company's funds. The exploration costs are shown as "deferred exploration costs" in the consolidated balance sheets.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements other than those already disclosed in the interim consolidated financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current year.
- There were no operations subject to seasonality and cyclicality except for the operation of TAREC's wind farm. The wind regime is high during the first quarter due to the northeast monsoon and wind turbines generate more power to be supplied to the grid.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There were no events that trigger direct or contingent financial obligation that was material to the Company.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period.

<u>Annex "B-1"</u>

PROGRESS REPORT
For the Quarter, January 1, 2017 to March 31, 2017

<u>SC 6 Block A (Northwest Palawan)</u>

Partners commenced the 2017 work program consisting of advanced seismic data processing and supplementary quantitative interpretation.

TAPET has 7.78% participating interest in SC 6 Block A.

<u>SC 6 Block B (Northwest Palawan)</u>

TAPET notified partners of its relinquishment of its 14.063% participating interest in the block. The relinquishment does not include TAPET's 2.475% carried interest.

<u>SC 51 (East Visayas)</u>

To facilitate the transfer of Otto Energy's participating interest to the non-withdrawing partners, the latter submitted a Deed of Undertaking whereunder said partners committed to pay the former's outstanding training obligation in the event the DOE is unable to collect same with finality.

TAPET holds 6.67% participating interest in SC 51.

<u>SC 55 (Ultra Deepwater West Palawan)</u>

Documentation of the transfer of the Otto Energy's interest to the continuing partners resulting from the former's withdrawal is ongoing.

Palawan55 Exploration & Production Corporation, subsidiary of TAPET, has 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

The consortium submitted a detailed plan of activities covering the proposed permitting efforts for an offshore seismic survey in the area.

TAPET holds 50% participating interest in SC 69.

Certified Correct:

RAYMUNDO A. REYES, JR.
EVP and COO

Signed in the presence of:

______________________ ______________________

ANNEX C

The Company filed the following reports on SEC 17-C during the first quarter ended March 31, 2017 covered by this report:

January 06, 2017

Subscription of Shares

Subscription by PHINMA Energy Corporation to the preferred shares of Trans-Asia Renewable Energy Corporation (TAREC)

To provide funds to the subsidiary and build up its capital base

Trans-Asia Renewable Energy Corporation is engaged in renewable energy generation

Subject of the Disclosure
Subscription of Shares
Background/Description of the Disclosure
Subscription by PHINMA Energy Corporation to the preferred shares of Trans-Asia Renewable Energy Corporation (TAREC)

Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction
To provide funds to the subsidiary and build up its capital base

Details of the acquisition or disposition	
Date	Jan 5, 2017

Manner
Full payment in cash of 25% of 25% of increase in Authorized Capital Stock
Description of the company to be acquired or sold
Trans-Asia Renewable Energy Corporation is engaged in renewable energy generation

The terms and conditions of the transaction	
Number of shares to be acquired or disposed	750,000,000
Percentage to the total outstanding shares of the company subject of the transaction	15%
Price per share	1.00

Nature and amount of consideration given or received
Full payment in cash of P187,500,000
Principle followed in determining the amount of consideration
Par value of shares
Terms of payment
25% of subscribed paid in – balance subject to call of Company's Board
Conditions precedent to closing of the transaction, if any
SEC Approval
Any other salient terms
This is a subscription to shares of the Company

Identity of the person(s) from whom the shares were acquired or to whom they were sold

Name	Nature of any material relationship with the Issuer, their directors/ officers, or any of their affiliates
Trans-Asia Renewable Energy Corporation	TAREC is a wholly-owned subsidiary of PHINMA Energy Corporation

Effect(s) on the business, financial condition and operations of the Issuer, if any
In accordance with Philippine Financial Reporting Standards, no gain or loss will be recognized on the transaction.
Other Relevant Information
None

January 12, 201 7

Subject of the Disclosure
Subscription of shares
Background/Description of the Disclosure
Subscription by PHINMA Energy Corporation to the preferred shares of Trans-Asia Renewable Energy Corporation (TAREC)

Date of Approval by Board of Directors	Dec 8, 2015

Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction
To provide funds to the subsidiary and build up its capital base

Details of the acquisition or disposition	
Date	Jan 11, 2017

Manner
Full payment in cash .
Description of the company to be acquired or sold
Trans-Asia Renewable Energy Corporation is engaged in renewable energy generation

The terms and conditions of the transaction	
Number of shares to be acquired or disposed	1,600,000,000
Percentage to the total outstanding shares of the company subject of the transaction	32
Price per share	1.00

Nature and amount of consideration given or received
Full payment in cash of P1,600,000,000
Principle followed in determining the amount of consideration
Par value of shares
Terms of payment
Full payment in cash
Conditions precedent to closing of the transaction, if any
SEC Approval
Any other salient terms
This is a subscription to shares of the Company

Effect(s) on the business, financial condition and operations of the Issuer, if any
In accordance with Philippine Financial Reporting Standards, no gain or loss will be recognized on the transaction.
Other Relevant Information
None

January 13, 2017

1*) Full payment of balance of 750 M preferred shares in Trans-Asia Renewable Energy Corporation in the aggregate amount of P750 M*
2) Subscription and payment of 1.6 B preferred shares in Trans-Asia Renewable Energy Corporation in the amount of P1.6 B

PHINMA Energy Corporation ("the Corporation") subscribed to, and paid for 2.35 B preferred shares in

	Trans-Asia Renewable Energy Corporation ("TAREC"), a wholly-owned subsidiary, for the total amount of P2.35 B at P1.00/share. On January 5, 2017 the Corporation subscribed to 750 M preferred TAREC shares wherein 25% of which was paid on the same date amounting to Php 187.5 M with the balance of Php 562.5 M paid on 11 January 2017. On January 11, 2017 the Corporation subscribed to 1.6 Billion preferred TAREC shares and paid in full the amount of Php1.6 Billion.
January 31, 2017	*Notice of Annual Shareholders Meeting* Please be advised that the annual meeting of shareholders of PHINMA Energy Corporation will be held on Monday, April 10, 2017, at 2:30 in the afternoon at the Manila Peninsula Hotel, Makati City. AGENDA 1.Call to Order 2. Proof of Notice and Determination of Quorum 3. Minutes of Previous Meeting 4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting 5. Election of Directors 6. Appointment of External Auditors 7. Other Matters 8. Adjournment For the explanation of each agenda item, please refer to Annex A. The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is at March 10, 2017.
February 06, 2017	*Clarification of news article entitled "Phinma Energy defers building 900-MW coal-fired power plant in Sual, Pangasinan" that appeared in the BusinessMirror (Internet Edition) dated February 5, 2017.*

This is in reply to your request for clarification of the news article entitled “Phinma Energy defers building 900-MW coal-fired power plant in Sual, Pangasinan” that appeared in BusinessMirror (Internet Edition) on February 5, 2017. The article reported in part that:

“PHINMA Energy Corp. has deferred plans to put up a 900-megawatt (MW) coal-fired power plant in Sual, Pangasinan.

‘*Deferred. Maraming supply. Who knows that by 2020 we may go for it?’ Phinma Energy President Francisco Viray said.*

He said the company might revisit plans to push through with the power project ‘between 2020 and 2025’.

. . . .”

We confirm the statements expressed by our President on the plans for the Sual power project.

We will advise the Exchange promptly of any developments in the project as applicable.

Thank you.

March 06, 2017

Please be informed that at the regular meeting of the Board of Directors of PHINMA Energy Corporation held today, March 3, 2017, the following were approved:

1. Audited financial statements for the year ended December 31, 2016 showing consolidated net income of P1.382Billion.
2. Declaration of cash dividend of P.04 per share payable on March 31, 2017 to all stockholders of record as of March 17, 2017.