COVER SHEET

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S.E.C. Registration Number

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

(Company's Full Name)

LEVEL 11 PHINMA PLAZA 39 PLAZA DRIVE ROCKWELL CENTER MAKATI

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

ATTY. JUAN J. DIAZ

Contact Person

8 7 0 - 0 1 0 0

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3, 2 6 9

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC Number 39274
File Number

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
(Company's Full Name)

11th Floor Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City
(Company's Address)

870-0100
(Telephone Number)

December 31
(Fiscal Year ending)
(month & day)

17-A
(Form Type)

Amendment Designation (If Applicable)

December 2012
(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- A

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

1.	For the fiscal year ended	December 31, 2012
2.	SEC Identification Number	39274
3.	BIR Tax Identification No.	121-000-506-020
4.	Exact name of issuer as specified in its charter	Trans-Asia Oil and Energy Development Corporation
5.	Province, Country or other jurisdiction of incorporation or organization	Philippines
6.	Industry Classification Code	(SEC Use Only)
7.	Address of principal office	11th Floor, Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City 1200
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	

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

Number of shares of common stock outstanding	**4,857,258,870** shares
Amount of debt outstanding	**₱608,731,041**

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

Yes X No

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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

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

NA

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NA

15. Documents incorporated by reference

a) Annual Report to security holders
b) Information Statement filed pursuant to SRC Rule 20

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PART I – BUSINESS

Item 1. Description of Business

Business Development

Trans-Asia Oil and Energy Development Corporation ("TA", "Trans-Asia" or "the Company") was established by the Philippine Investment Management (PHINMA), Inc. on September 8, 1969 in line with PHINMA's vision to create a vehicle for building the nation's economy through self-reliance in energy. TA is engaged primarily in power generation and supply, with secondary investments in petroleum and mineral exploration. The Company was originally known as Trans-Asia Oil and Mineral Development Corporation, reflecting its original purpose of engaging in petroleum and mineral exploration and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and supply, which eventually became its main business and revenue source. On April 11, 1996, the Company's name was changed to its present name, Trans-Asia Oil and Energy Development Corporation.

Description of Principal Business

Power Generation and Supply Business

The principal product of power generation and supply is the electricity produced and delivered to the end-consumers. It involves the conversion of fuel or other forms of energy to electricity; or the purchase of electricity from the Philippine Wholesale Electricity Spot Market (WESM).

The Company conducts its power generation and supply activities directly or through its joint venture company and subsidiary as follows:

Location	Company	Size	Fuel Type	TA Ownership	Customer / Projects
Bulacan	Trans Asia Power Generation Corporation	52MW	BFO	50%	Holcim Philippines, Inc. WESM
La Union	CIP II Power Corporation	21MW	BFO	100%	Will operate as merchant plant
Guimaras	Trans Asia Oil and Energy Development Corporation	3.4MW	BFO	100%	Peaking and Standby Power of Guimaras Island

The Company's Electricity Supply business continues its active participation in the WESM through buying the electricity requirements of its customers and selling the excess output of its generation supply portfolio.

In 2012, the total energy sales reached 530 GWh. The Company's primary customers, Holcim Philippines in Bulacan and La Union, Quezon I Electric Cooperative Inc. (QUEZELCO) and Sorsogon I Electric Cooperative Inc. (SORECO) consumed the bulk of the total energy sold while the balance was sold to WESM.

Aside from WESM, the Company sourced electricity from the contracted capacities in SEM Calaca Power Corporation and One Subic Power Generation Corporation.

For the year 2013, the Company will continue to supply its customers Holcim Philippines in Bulacan and La Union, Quezon II Electric Cooperative and new customers Lafarge Republic, Inc. and Philipine Economic Zone Authority for its Cavite Economic Zone.

TA Power

TA owns 50% of Trans-Asia Power Generation Corporation (TAPGC or TA Power) through a joint venture with Holcim Philippines, Inc. (Holcim). TAPGC supplies the electricity requirement of HOLCIM's Norzagaray, Bulacan cement plant via the former's 52MW Bunker C-Fired power plant. On January 1, 2013, TA purchased Holcim's 50% interest in TA Power.

TAPGC maintains its commitment to have a sustainable and reliable supply of power to its customers and to comply with environmental standards and the Philippine Grid Code. TAPGC continues to supply quality power to its customers, particularly the cement firm, Holcim Philippines. Out of the total energy sales of 259 GWh, 91 % or 235 GWh were delivered to Holcim while the remaining 9 % or 23 GWh were exported to WESM.

In 2012, TAPGC registered a net income of ₱2.0 Million.

CIPP

CIP II Power Corporation (CIPP), which operated in the Carmelray Industrial Park II in Calamba, Laguna, is 100% owned by TA. It originally was the only generator allowed to supply the electricity requirements of the park through its 21MW Bunker C-Fired power plant. In April 2009, the Company sold CIPP's distribution network inside the park, effectively terminating the original Concession Agreement with the park operator, Carmelray – JTCI Corporation, and resulting in the cessation of CIPP's operations.

In December 2010, CIPP's Board of Directors approved the transfer of its 21MW oil-fired power plant from Laguna to Bacnotan, La Union, adjacent to the Holcim Cement Plant. Dismantling of the power plant facilities started in January 2011, actual ground-breaking began in April 2011 and transfer of all major equipment and structures was completed three months after. The plant was commissioned on Dec. 21, 2012 and commenced commercial operations in January 2013.

The new location of the plant will not only allow it to serve the requirements of Holcim's plant but also sell power to the WESM.

Guimaras

TA has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative Inc. (Guimelco) for the construction, operation and maintenance of a 3.4 MW bunker C-fired power plant in Guimaras. The power plant sells electricity primarily to Guimelco at the rate approved by the Energy Regulatory Commission (ERC). Installation of the power plant and construction of related facilities were completed in February 2005. Commercial operation commenced on June 26, 2005.

The 3.4 MW Guimaras power plant continues to supply reliable and stable power to Guimelco. Aside from supplying peaking power to Guimelco, the plant also started selling power to the WESM in April 2011. In August 2011, the amended Electricity Supply Agreement (ESA) that was approved by the ERC was also implemented. These developments were aimed at enhancing the economic viability of the Guimaras Plant.

A total of 3.813 GWh of electricity were sold both to Guimelco (75%) and WESM (25%) resulting in total revenues of ₱75.07 Million and net income from operations of ₱12.65 Million.

SLTEC

TA owns 50% of South Luzon Thermal Energy Corporation (SLTEC) through a joint venture with AC Energy Holdings Inc. (ACEHI). SLTEC's first 135MW coal-fired power plant in Calaca, Batangas is expected to start operations in the second half of 2014. SLTEC is also set to develop the second 135MW unit to supplement the first. Similar to the first unit, the second unit will utilize the Atmospheric Circulating Fluidized Bed boiler which aims to minimize the environmental impact of emissions from the power plant. It will be located beside the first unit and is estimated to cost Php10B.

MGI

Maibarara Geothermal Inc, a joint venture between PetroGreen Energy Corporation (65%), PNOC Renewables Corporation (10%), and the Company (25%), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 11, 2010. It is currently developing a 20MW geothermal plant in the Maibarara geothermal field in Santo Tomas, Batangas. The field was discovered by Philippine Geothermal, Inc. in the 1980s.

The on-going construction is a result of the successful completion of discharge tests on two (2) wells following rehabilitation operations. An independent validation of resource assessment conducted by a New Zealand consulting firm concluded that there is a 90% probability that proven field reserves can support a power plant with 28 MW or higher for 25 years.

The Department of Energy issued a Confirmation of Commerciality for the project, effectively converting its geothermal service contract from the Pre-Development to the Development/Commercial Stage. Among the ten (10) areas awarded under the first geothermal bid round of the DOE held in late 2009, the MGI contract holds the distinction of being the first to achieve this milestone.

MGI executed an Omnibus Loan and Security Agreement for a P2.4 billion loan facility with Rizal Commercial Banking Corporation and Bank of the Philippine Islands to finance part of the P3.44 billion project cost. MGI also signed an Engineering, Procurement and Construction contract with Engineering Equipment, Inc. (EEI). Under the EPC contract, EEI tapped Tokyo‘s Fuji Electric Co., Ltd. for the design, manufacture, delivery and testing of the main equipment. EEI, on the other hand, will undertake the civil works, erection, balance of plant requirements and overall project management.

Site civil works and procurement of materials and services for the fluid collection and reinjection system commenced in the fourth quarter of 2011. As of June 30, 2012, drilling of the first production well has begun. Commissioning is expected in the second half 2013.

TAREC

TAREC, a wholly owned subsidiary of the Company, 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. The vision of TAREC is to become a dominant player in emerging renewable energy through strategic partnerships, portfolio development, and vigorous but deliberate operating capacity build-up.

TAREC‘s maiden venture into the renewable energy business was in wind development when it installed a wind measuring device in Sual, Pangasinan in 2005. In 2007, it transferred the measuring device to its current location in San Lorenzo, Guimaras after initial data showed less than favorable wind resource in Sual. From then on, TAREC has focused primarily on development activities in potential wind energy projects in the Northern Luzon and Western Visayas region.

In October 2009, TAREC entered into 10 wind energy service contracts (WESCs) with the Department of Energy. These contracts grant the Company the exclusive right to explore, develop, and utilize all of the wind energy resources within the contract area. The Company is then obligated to perform exploration, wind assessment, verification, and other commitments pursuant to a work program specific to each contract area. Upon declaration of commerciality, the contracts shall remain in force for the balance of the period of 25 years from the date of execution of these contracts, extendible for another 25 years.

Total potential capacity of the 10 sites was estimated to be 227MW. TAREC was awarded another 10 service contracts by the DOE last February 2010, bringing the total potential capacity under these contracts to 350MW. In March 2012, TAREC relinquished 8 out of the 20 WESC areas that were awarded. Those relinquished were not found to be suitable for developing viable wind farms. Nevertheless, the remaining 12 WESC areas were found to have an increased estimated total capacity of about 400 MW.

TAREC‘s commitment to renewable energy, particularly wind development, was demonstrated in its active involvement in the crafting of the Implementing Rules and Regulations (IRR) of the Renewable Energy Law. In particular, a senior executive of the Company served as the representative of renewable energy developers in the National Renewable Energy Board (NREB) and as chairperson on the Technical Committee of the Board which, among others, supervises the Technical Working Group on the Feed-in-Tariffs (FITs).

Given the issuance of the FITs for renewable energy on July 27, 2012, specifically P8.53 per kWh for wind, the Company is looking to push through with plans to build the first wind power project in the Visayas region via a joint venture between TAREC (which will own 70%) and a selected partner. The wind farm in San Lorenzo, Guimaras Island in Iloilo will comprise of 27 wind turbines, with an installed capacity of 2MW each. This brings the wind farm‘s total capacity to 54MW.

The site in Ballesteros, Cagayan comes second to the San Lorenzo, Guimaras site in terms of the quality and amount of wind data collected. Initial wind confirmation studies completed in February 2011 indicated that the area is suitable for the development of a wind farm.

Wind measurement masts have also been installed in five (5) other sites, namely: Nueva Valencia, Guimaras; Sibunag, Guimaras; Abulug-Ballesteros-Aparri, Cagayan, Aparri-Buguey, Cagayan and Santa Ana, Cagayan.

WESM

The Company’s energy trading business revolves around buying electricity from, and selling electricity to the WESM.

The Company and its joint venture, TAPGC, have been trading (buying) from the WESM to supply all or a portion of their customers’ electricity supply requirements. When prices are lower at the WESM than TAPGC’s own cost of generation, the Company purchases power from the market and sells it to its customers at an agreed price as stipulated in their bilateral contracts. On the other hand, if WESM prices are higher than TAPGC’s cost of generation, and it has excess generating capacity, it may sell power to WESM.

Trading revenues have become a major source of revenues for the Company since 2008. The Company’s management believes that electricity trading will continue to represent a major portion of the Company’s revenues for the foreseeable future. The Company’s management believes that its ownership of its own generating capacity, plus the attendant electricity supply agreement that assures the Company of a fixed offtake volume and price, presents the Company with the opportunity to realize gains from electricity trading.

Future Projects

Second 135MW Unit of Coal-Fired Power Plant (Calaca, Batangas)

The Company is embarking on the expansion for a second unit of 1 x 135 MW clean coal-fired power plant through SLTEC. SLTEC is a 50/50 joint venture between the Company and AC Energy Holdings, Inc. (ACEHI). ACEHI is a wholly owned subsidiary of the Ayala Corporation.

Construction is underway for the first unit of 1 x 135 MW Circulating Fluidized Bed (CFB) Coal-Fired power plant, which is expected to commence commercial operations in the second half of 2014. Meanwhile, the construction period for the second unit expansion is expected to take 28 months. SLTEC is contemplated to have a total capacity of 2 x 135 MW upon the completion of both units.

Located at the Phoenix Petroterminal and Industrial Park Phase II at Calaca, Batangas, both 135 MW units will be located in the same area and will share several common facilities. The site was assessed based on various factors including water availability, power export, road access for transport of fuel and heavy equipment, as well as environmental, socioeconomic, and geotechnical considerations.

Similar to the first unit, the second unit of 1 x 135 MW will utilize the Atmospheric Circulating Fluidized Bed boiler which aims to minimize the environmental impact of emissions from the power plant. The power plants are designed to run on sub-bituminous coal which will be sourced locally as well as with suppliers within the region. Both units will connect to the Luzon grid via the NGCP‘s Calaca substation through the 230 kV transmission line. Water for the boiler will be supplied by a desalination plant. The steam will be condensed in a conventional water-cooled condenser using seawater from Balayan Bay as cooling water. Emissions control will be through the use of an electrostatic precipitator for particulates, and limestone injection for sulfur capture, if necessary. Fly ash and bottom ash will be collected for storage in an ash handling facility and/or for dispatch for use by other industrial users.

54MW Wind Farm (San Lorenzo, Guimaras)

The Company, through TAREC, is planning the construction of a 54MW wind energy project in San Lorenzo, Guimaras. Among TAREC‘s 12 wind sites, the site in the Municipality of San Lorenzo in the island of Guimaras is in the most advanced stage of development. The site covers 14 km2 of Barangays Suclaran, M. Chavez, and Cabano, all in the Municipality of San Lorenzo, Guimaras. The area opens towards the sea and has a prevailing north-northeast wind direction. The wind farm will comprise of 27 wind turbines, with an installed capacity of 2MW each. This brings the wind farm‘s total capacity to 54MW. Annual energy production of the San Lorenzo Wind Farm is projected to reach 120,790 MWh beginning its expected commissioning in 2014. Annual energy sales of the San Lorenzo Wind Farm will account for about 1.3% of the total electricity generation and 1.9% of renewable energy production in the Visayas grid.

TAREC, with the assistance of Technotrix, an environmental consultant, secured the Environmental Compliance Certificate in February 2010. The required certificates of non-coverage and land classification have also been secured from the National Commission on Indigenous People and Department of Environment and Natural Resources.

In February 2012, the NGCP released the project‘s final grid impact study which confirms the plant‘s suitability to connect to the grid. EPC contract negotiations on the scope of supply, specifications, and commercial components have also been completed. Currently, the Company is in the process of negotiating the final commercial terms of the EPC contract with a selected EPC contractor.

Given the issuance of the Feed-in-Tariffs (FITs) for renewable energy on July 27, 2012, specifically P8.53 per kWh for wind, the Company is looking to push through with the San Lorenzo wind farm which will be the first wind power project in the Visayas region. The project will be implemented via a joint venture between wholly-owned subsidiary TAREC (which will own 70% of the vehicle) and a selected partner.

The 18 to 20-month construction period is expected to begin within the year once the project is awarded with FIT eligibility by the DOE. Total project cost is estimated at P6.3 billion and commissioning is expected by the first half of 2014. Approximately 70% of project cost is expected to be financed by debt, and the balance to be financed by equity. The proceeds of the Rights Offer will be used to partially finance the Company‘s share of the project‘s equity requirements.The debt portion will be financed by a P4.3 billion club loan for 15 years at prevailing market rates, final negotiations and due diligence of which are currently undergoing.

Other Projects

The Company looks forward to the drilling of the Cinco-1 exploratory well in offshore West Palawan. The Cinco prospect is one of several deepwater carbonate reefal buildups in the area with large potential reserves. A discovery could be a ‘game changer’, not only for the Company, but for the domestic petroleum industry as well.

This year will also mark the continuing development of the Maibarara steamfield and the power plant site. Civil works preparatory to erection of plant facilities and construction of the fluid collection and reinjection system will be undertaken.

Distribution of Product

Electricity sales have been sold at the prevailing ERC approved rates. Increasingly, however, the WESM is becoming a bigger market where electricity purchases are settled based on market or spot rates. Delivery of the product are coursed through transmission lines currently owned by National Grid Corporation of the Philippines (NGCP) and to a certain extent, the electric cooperatives and distribution utilities like Manila Electric Company (Meralco) in exchange for wheeling charges.

Competition

TA, CIPP, and TAPGC compete with Meralco and power generating companies in supplying power to the Company's customers. With the full implementation of EPIRA and its purpose of establishing a transparent and efficient electricity market via more competition, a substantial number of the Company's customers may choose to buy power from third party suppliers. In addition, the implementation of open access could have a material adverse impact to the Company's results of operations and financial condition.

The move towards a more competitive environment, as set forth by EPIRA, could result in the emergence of new and numerous competitors. There will be some competitors that may have a competitive advantage over the Company due to greater financial resources, more extensive operational experience, and thus be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities.

The power generation facilities of TAPGC, Guimaras plant and CIPP operate on diesel fuel. While these are more reliable than hydroelectric plants, their high cost of electricity production render these uncompetitive compared to baseload plants such as coal, geothermal and natural gas.

To manage this, the Company and its power generating units constantly monitor the trends in the global oil market. It increases fuel inventory when prices are forecasted to increase to mitigate and manage cost. The Company is also looking into other projects that can produce electricity in a more competitive manner. To be able to take opportunities in these projects, the Company has maintained healthy liquidity and credit ratios.

Dependence on Suppliers

The Company purchases Bunker-C fuel for its power generation business from Petron which is the biggest oil supplier in the country,. Disruptions to the supply of fuel could result in substantial reduction in production or increased power plant operating cost that may have adverse effects on the Company’s financial performance and financial position. Any delay in fuel deliveries or disruptions in fuel supply may result in unplanned plant shutdowns. To protect against such disruptions in fuel supply, long term contracts with the fuel supplier were executed. In case of temporary fuel shortage along the supply chain, the oil company will give priority deliveries to the Company’s plants. In the event of *force majeure* situations, however, everyone including the Company will be adversely affected.

To mitigate this risk, the Company maintains long term fuel supply contracts and maintains safe and strategic inventory levels of fuel to ensure continuous electricity production. Furthermore, if any of the major suppliers fails to deliver, the Company may buy fuel from other vendors. With the established good relationships with the other fuel suppliers, TA could obtain competitive alternate sources and arrange the timely delivery of fuel.

Dependence on Customer

Existing off-take agreements assure a certain level of demand from the Company's customers. Under the ESA between TA and Guimelco, TA agrees to supply electricity generated by the power plant to Guimelco, and Guimelco must give priority to electricity generated by TA up to 1.8 MW, over any other power source. TAPGC and TA have an ESA with Holcim where TAPGC and TA guarantee to cover all of Holcim’s electricity requirements for both the La Union and Bulacan cement plants from 2013 until 2028. For CIPP, it sold its distribution facilities to Meralco and terminated its ESA contracts with the locators in the ecozone effective April 11, 2009.

Related Party Transactions

Trans-Asia's electricity business is not significantly dependent on related parties. The Company has a management agreement with Phinma which was renewed for another five years until August 31, 2013.

Research and Development

The Company incurs minimal amounts for research and development activities which do not represent a significant percentage of revenues.

Contracts and Agreements

The Company's power business is covered by various agreements that govern generation, off-take and distribution, as follows:

Electricity Supply Agreements between TA Power and Holcim

On February 25, 1998, TA Power entered into an ESA with Holcim (then, Hi-Cement Corporation) under which TA Power agreed to supply and deliver to Holcim all of the electricity requirements of Holcim's cement plant located in Norzagaray, Bulacan. The term of the ESA is for a period of 15 years, until December 26, 2013. Under this ESA, TA Power will provide and install the necessary metering equipment, energy meters and related equipment for the measurement of electric energy generated and delivered by TA Power and accepted by Holcim, and which would determine Holcim's payment obligations to TA Power.

Under the ESA, the price of electricity generated and delivered by TA Power to Holcim is equivalent to the NPC basic charges for demand and energy adjusted for foreign exchange, fuel and purchase power cost adjustments, primary voltage discount and power factor. All monthly power billings are required to be paid not later than the last working day of the succeeding calendar month. On December 14, 2007, TA Power, Holcim and TA Oil entered into a Memorandum of Agreement where TA Power shall supply Holcim's cement plant in Norzagaray, Bulacan and TA Oil shall supply Holcim's cement plant in Bacnotan, La Union, at rates equal to NPC Time of Use (TOU) rates, effectively amending the ESA (see discussion below).

Transmission Service Agreement with TRANSCO

On July 31, 2002, TA Power entered into a TSA and an Interim Connection Agreement with TRANSCO (which were amended on September 12, 2002) covering transmission services for the transmission of power generated at the power plant of TA Power located in Norzagaray, Bulacan to the cement plants of Holcim (formerly Union Cement Corporation) located in Bacnotan, La Union and Norzagaray, Bulacan. The TSA provides that TA Power shall pay for transmission services in accordance with the Open Access Transmission Service ("OATS"), the Open Access Transmission Tariff ("OATT"), the Tariff for Ancillary Services for Private Sector Generating Facility Customer and the Terms and Conditions for OATS ("OATS Terms") implemented by the NPC and approved by the ERC. Under the TSA, TA Power shall supply (i) 8,000 KW of generated power to Holcim's cement plant in Bacnotan, La Union through an ESA and (ii) 27,000 KW of generated power to Holcim's cement plant in Norzagaray, Bulacan, also through an ESA. Power delivery and ancillary service charges shall be computed based on the OATS Terms and the OATT approved by the ERC. Energy and capacity shall be transmitted by connecting the generation facility to the TRANSCO's grid through line 1 of the Angat-San Jose 115KV transmission line and wheeling through TRANSCO's grid from the point of receipt to a delivery point in Holcim's plant switchyard.

Memorandum of Agreement among TA, TA Power and Holcim

On December 14, 2007, TA, TA Power and Holcim entered into a MOA where TA Power agreed to supply exclusively the electricity requirements of Holcim's cement plant in Norzagaray, Bulacan through TA Power's plant in Bulacan or through TA, acting as a Retail Electricity Supplier (RES). TA, as a RES, shall exclusively supply all of the electricity requirements of Holcim's cement plant in Bacnotan, La Union. The 52MW diesel power plant in Bulacan shall be operated as a merchant plant which can sell its generation capacity to the Grid, which refers to a high voltage backbone system of interconnected transmission lines, substations and related facilities. Holcim guarantees a minimum off-take of 220 million kWh to be computed at the end of each calendar year. This MOA commenced in January 2008 and shall remain effective until TA Power and Holcim execute a new ESA. The electricity fees under this MOA shall be the NPC Time of Use rates, including all other charges.

Trans-Asia, TA Power and Holcim entered into a memorandum of agreement (as amended on January 12, 2010 and December 20, 2010) with the following provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant of Holcim at rates equal to the agreed "Time of Use" rates schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC.

- Trans-Asia, acting as a RES, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. Trans-Asia shall charge Holcim at rates equal to the agreed "Time of Use" schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC. Transmission charges shall be settled separately by Holcim with the National Transmission Corporation under Holcim's Transmission Services Agreement.

- Trans-Asia and TA Power guarantee to cover all of Holcim's electricity requirements for both the La Union and Bulacan plants until 2013.

In August 2011, Trans-Asia, TA Power and Holcim signed an ESA for Holcim's electricity requirements for its La Union and Bulacan plants, valid for 15 years commencing on December 26, 2013.

Contract for the Sale and Purchase of Industrial Lots with Bacnotan Industrial Park Corporation (BIPC)

On January 15, 2010, TA Oil entered into a Contract for the Sale and Purchase of Industrial Lots (the Contract) with BIPC. Under the terms of the Contract, BIPC undertakes to sell the parcels of land registered under its name as well as the additional parcels of land that it will acquire from Phoenix Petroterminals and Industrial Park. Under the Contract, upon downpayment, TA Oil shall be granted the sole and exclusive option to purchase the properties and shall exercise the option on or before April 1, 2010 (subsequently amended to extend until November 18, 2010) (the option exercise date) by giving written notice to BIPC and paying a certain amount. In the event that TA Oil exercises the option on or before the option exercise date, the downpayment and the exercise price shall be credited to the purchase price of the properties for BIPC acquisition. In the event that TA Oil does not exercise the option, BIPC shall refund 50% of the downpayment to TA Oil without interest within 30 days from the lapse of the option exercise date. The total purchase price for the properties already owned by BIPC is ₱177.53 million while the total purchase price of the additional properties to be acquired by BIPC is ₱156.30 million. On November 18, 2010, TA Oil exercised the option to purchase the properties and paid the option price of ₱31.26 million which shall be credited along with the initial downpayment of ₱15.63 million to the total purchase price of ₱333.83 million. These amounts are included as part of "Other noncurrent assets" account in the 2010 consolidated balance sheet.

In 2011, upon SLTEC taking over the Puting Bato Project, the Contract was cancelled by mutual agreement, and TA Oil was refunded the entire amount of option price and downpayment totaling ₱46.89 million.

Contract to Purchase Generated Energy with National Irrigation Administration

On November 5, 2009, TA and National Irrigation Administration (NIA) entered into a Contract to Purchase Generated Energy where TA agreed to purchase generated energy of NIA-Baligatan Hydro Electric Plant for a period of six (6) months or upon delivery of 16GWH, whichever comes later. The Contract was extended on November 26, 2010 for an additional period of one year or delivery of 32GWH of electricity, whichever comes later.

Contract to purchase Generated Electricity with Amlan Hydro Power Incorporated

On July 6, 2010, Trans-Asia signed a Contract to Purchase Generated Energy with Amlan Hydro Power Incorporated (AHPI). Trans-Asia shall purchase up to 15 megawatts per hour of the generated output of AHPI's Bakun-Benguet Hydro Plant for a period of six months.

Power Administration and Management Agreement (PAMA) with One Subic Power

On November 18, 2010, Trans-Asia and One Subic Power Generation Corporation (One Subic Power, a third party) entered into a Power Administration and Management Agreement (PAMA). Under the terms of the PAMA, Trans-Asia administers and manages the entire generation output of the 116 MW diesel powerplant in Subic, Olongapo City. Trans-Asia sells or trades the entire capacity of the power plant, while One Subic operates the plant. The PAMA is valid for a period of five years commencing on the commercial operation date (the date when the power plant is capable of supplying power to the Grid). Trans-Asia pays One Subic Power for all electricity actually delivered by the power plant based on a formula (actual fuel consumption and electricity generated) as set forth in the PAMA and shall be payable monthly. The PAMA took effect on February 17, 2011.

Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation

On March 26, 2011 the Parent Company entered into a Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation (Sem-Calaca) for a period of 3 years. Under the Contract, the Parent Company agrees to purchase the 15 MW output of Sem-Calaca Power Plant.

Electricity Supply Agreement with Guimelco

The ESA with GUIMELCO was signed on November 12, 2003; valid for 10 years, term extendible by mutual agreement. Following are among the significant provisions of the ESA:

Cooperation Period:	10 years, and may be extended pursuant to this ESA
Electricity Fees:	Electricity fee is based on a formula as set forth in the ESA and shall be payable monthly during the Cooperation Period.
Electricity Delivery Procedures:	GUIMELCO must give priority to electricity generated by the Company's power station up to 1.8 MW, over any other power source.

The ESA provides for the Company's construction, operation and maintenance of a 3.4MW bunker C-fired power plant in Guimaras. The power plant will sell electricity primarily to GUIMELCO at the rate approved by the ERC. Installation of the power plant and construction of related facilities were completed in February 2005. Commercial operations commenced on June 26, 2005.

On May 4, 2006, the ESA was amended to require the power station to supply power to GUIMELCO primarily during peak demand hours. Under the amended ESA, the plant will operate up to its net capacity for four (4) continuous hours daily from 6:00 p.m. to 10:00 p.m. Furthermore, GUIMELCO may, by written notification, require the plant to supply power during off-peak hours or if there is no electricity from the grid.

ESA with Batangas II Electric Cooperative, Inc. (BATELEC II)

Trans-Asia entered into an ESA with BATELEC II on May 4, 2011. Under the said agreement, Trans-Asia shall meet the electricity requirements of BATELEC II in excess of its existing contracts and bill BATELEC II monthly in accordance with the terms set forth in the agreement. The agreement shall be for a period of six months, with an option to renew for another six months subject to mutual agreement by both parties. The contract with BATELEC II ended in December 2011 and was not renewed.

Contracts of Sale of Electricity with Sorsogon I Electric Cooperative, Inc. (SORECO I) and Quezon I Electric Cooperative, Inc. (QUEZELCO)

On November 11, 2011 and December 8, 2011, Trans-Asia entered into Contracts of Sale of Electricity with SORECO I and QUEZELCO II, for a period of 12 months and five years, respectively, from December 26, 2011. The contract with QUEZELCO II provides an option to renew the contract for a period mutually agreed by both parties. The contract with SORECO I provides an option to renew for another 12 months subject to mutual agreement by both parties. In accordance with the contract, Trans-Asia shall supply 90% of QUEZELCO II's and all of SORECO I's electricity requirements on an hourly basis using the market trading node of Trans-Asia's designated generator. The contract with SORECO I ended in December 2012 and was not renewed.

Contract of Sale of Electricity with Lafarge Republic, Inc,

On July 9, 2012, TA Oil entered into Contract for the Sale of Electricity with Lafarge Republic, Inc. for a period of 5 years from December 26, 2012 to December 25, 2017. Under the said agreement, TA Oil shall supply all the electricity requirement of Lafarge Cement Plants (located in Bigte and Minuyan, Norzagaray, Bulacan and Mapulo, Taysan, Batangas) in excess of the Base-Load Supply.

Contract of Sale of Electricity with Philippine Economic Zone Authority (PEZA)

PEZA-Lot 1 Base Load
TA Oil entered into Contract for the Sale of Electricity Lot 1 Base Load with PEZA on December 20, 2012 for a period of 5 years. Under the said agreement, TA Oil shall supply the Base Load electricity requirement of PEZA for its Cavite Economic Zone (CEZ). Delivery of electricity commenced on January 26, 2013.

PEZA-Lot 2 Shoulder and Peak Load
TA Oil entered into Contract for the Sale of Electricity Lot 2 Shoulder and Peak Load with PEZA for a period of 5 years. Under this agreement, TA Oil shall supply all of the electricity requirement of PEZA for its CEZ in excess of the base load supply. Delivery of electricity commenced on January 26, 2013.

Tripartite Agreement with PEZA and Meralco
On January 24, 2013 TA Oil entered into a Tripartite Agreement with PEZA and Meralco to facilitate the implementation of the Contract for the Sale of Electricity with PEZA before Retail Competition and Open Access. The agreement is effective from January 24,2013 to June 25, 2013.

Wholesale Aggregator (WA) Certificate of Registration /RES License

On November 22, 2006, the ERC granted TA a Certificate of Registration as a WA, making it the first such licensee in the country. The license authorizes TA to consolidate electric power demand of distribution utilities, pursuant to the EPIRA. The WA license is valid for a period of five (5) years, and requires the WA to comply with the EPIRA, the Grid Code, the Open Access Transmission Service Rules, the Distribution Service Open Access Rules and other ERC Rules. Under the license, TA is required to comply with Structural and Functional Unbundling of Electric Power Industry Participants as provided in Rule 10 of the implementing rules and regulations of EPIRA and to ensure that there is no cross-subsidy among its power supply business activities. On December 19, 2011, the ERC renewed Trans-Asia's WA license.

TA was also granted the RES License on December 6, 2006, valid for three years. As a RES, the Company is allowed to supply electricity to the Contestable Market, pursuant to EPIRA. The Company also obtained membership in the WESM as a supplier on September 20, 2007. As a RES, the ERC authorizes the Company to sell, broker, market or aggregate electricity to end-users. On December 14, 2009, the ERC renewed Trans-Asia's RES license and again on November 19, 2012, renewable every five years.

Joint Venture Agreement with PetroGreen Energy Corporation, and PNOC Renewables Corporation

On May 19, 2010, Trans-Asia signed a joint venture agreement (JVA) with PetroGreen Energy Corporation, a wholly-owned subsidiary of publicly-listed PetroEnergy Resources Corporation and PNOC RC for the development and operation of the Maibarara Geothermal Power Project. Maibarara was awarded by the DOE to PetroEnergy in February 2010 following an open and competitive selection process for awarding of geothermal renewable energy service contract in October 2009. The parties agreed to form Maibarara Geothermal, Inc. (MGI), capitalized at ₱1.125 billion with the following shareholding interests: PetroGreen, 65%; Trans-Asia Oil, 25%; and PNOC RC 10%. PetroEnergy assigned the Maibarara Geothermal Service Contract to MGI in September 2010.

Maibarara is an undeveloped geothermal field in Santo Tomas, Batangas and Calamba, Laguna that was discovered by Philippine Geothermal, Inc., wholly-owned subsidiary of Unocal Corporation of the United States, in the 1980s. MGI commenced workover operations on several productive wells in December 2010. As of December 31, 2011, third party validation of resource assessment was completed by a New Zealand consulting company. The study indicated that there is a 90% probability that the proven field reserves could support a power plant with 28 MW or higher capacity for 25 years. MGI expects to commission a 20-MW geothermal power plant by the 3rd quarter of 2013.

ESA with Maibarara Geothermal, Inc. (MGI)

On September 16, 2011, the Company entered into an ESA with MGI under which the 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.

Renewable Energy Service Contracts

In October 2009, TAREC was awarded 10 wind energy service contracts by the DOE, representing a total potential wind capacity of 227 MW.

In February 2010, another 10 service contracts representing an additional 123MW of potential wind capacity were again awarded to TAREC by the DOE thus bringing its total potential wind capacity to 350MW as of December 31, 2010.

In 2011, 8 wind energy service contracts which represent 89 MW were applied for relinquishment pending the approval to the DOE due to poor wind resource and complexity of site topography as examined during site survey.

In 2012, TAREC continued the development activities on the 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project which is ready for implementation pending receipt of a notification from the DOE for the project's inclusion in the 200 MW installation target for wind.

Petroleum Exploration

TA is a minority investor in various consortia engaged in petroleum exploration, development and production.

Petroleum exploration involves the search for commercially exploitable subsurface deposits of oil and gas through geological, geophysical and drilling techniques. A petroleum discovery is made when significant amounts of oil and/or gas are encountered in a well and are flowed to the surface. Following a discovery, additional wells (appraisal or delineation wells) are drilled to determine whether the petroleum accumulation could be economically extracted or not. If the results are positive, the oil or gas field is developed by drilling production wells, and installing the necessary production facilities such as wellheads, platforms, separators, storage tanks, pipelines and others.

The Company applies for or acquires interest in selected petroleum service contracts covering areas usually in the exploration phase. Due to the high risk and capital intensive nature of the business, the Company normally participates in several consortia and takes significant but minority interest. Subject to results of technical and risk-economic studies prior to exploratory drilling, the Company may farm out or dilute its interest in exchange for financial consideration and/or non-payment of its pro-rata share of exploration drilling costs. If a petroleum discovery is made, the Company will fund its share of appraisal drilling and economic studies. Upon delineation of a commercial discovery, financing for up to 70% of field development costs is available in the international market.

As projects are mostly in the exploratory stage, the Company derives insignificant or no revenues from petroleum production. At this time, the Company believes it has sufficient petroleum projects on hand given its resources and risk tolerance and, therefore, has no firm plans to acquire additional petroleum interests in the next two (2) years.

Product and Distribution

The principal products of petroleum production are crude oil and natural gas. Crude oil is usually sold at market price in its natural state at the wellhead after removal of water and sediments, if any. Depending on the location of the oil field, the oil produced may be transported via offshore tankers and/or pipeline to the refinery. On the other hand, natural gas may be flared, reinjected to the reservoir for pressure maintenance, or sold, depending on the volume of reserves and other considerations. Natural gas is commonly transported by pipeline. However, if the deposit is very large and the market is overseas, the gas may be liquefied into liquefied natural gas (LNG) and transported using specialized tankers.

Competition

While competition for market of petroleum does not have a significant bearing in the operations of the Company, TA's competitors compete on two fronts, namely: 1) petroleum acreage and 2) investment capital.

The Department of Energy (DOE) awards petroleum contracts to technically and financially capable companies on a competitive bidding basis. Thus, the Company competes with foreign firms and local exploration companies such as PNOC Exploration Corporation, The Philodrill Corporation, Oriental Petroleum and Minerals Corporation, and Petroenergy Resources Corporation for acquisition of prospective blocks. While there is competition in the acquisition of exploration rights, the huge financial commitments associated therewith also provide opportunities for partnership, especially between local and foreign companies. Under a service contract, a substantial financial incentive is given to consortia with at least 15% aggregate Filipino equity. Thus, many foreign firms invite local exploration companies to join their venture to take advantage of said benefit and vice versa.

TA and other listed companies also compete for risk capital in the securities market. This may be in the form of initial public offerings, rights offerings, upward change in capitalization and other vehicles. These domestic companies may also seek full or partial funding of projects from foreign companies through farm-out of interest (dilution of equity in exchange for payment of certain financial obligations).

TA is a recognized leader in the local petroleum industry. The Company is comparatively financially robust and has low level of debt. The technical expertise of its staff is recognized by its foreign partners and the DOE. In view of these strengths, TA remains a strong competitor in the local exploration and production industry.

Suppliers and Customers

TA's exploration business is not dependent on any single supplier or a limited number of suppliers, nor is it dependent on a single customer or a limited number of customers.

Related Party Transactions

TA's exploration business is not dependent on related parties, nor were there any transactions involving related parties.

Research and Development

The Company incurs minimal amounts for research and development activities which do not amount to a significant percentage of its exploration costs.

Contracts and Agreements

Under a service contract, a private enterprise that seeks to develop domestic oil and gas resources is deemed a contractor that must provide all required services, technology and financing, and assume all exploration risks. In the event of commercial production, the service contractor is paid a stipulated service fee, in addition to reimbursement of validated investments.

Petroleum exploration and production is a high-risk business. The worldwide commercial success rate is three percent, i.e. only one out of 30 exploratory wells results in a commercial discovery. It is also capital-intensive. Pre-drill geological and geophysical studies may run up to a few millions of dollars. The cost of a single offshore exploratory well could exceed US$30 million, whereas field development costs could reach hundreds of millions of dollars. To manage exploration risks, oil exploration firms usually form consortia or joint ventures.

TA is at present a co-contractor in five service contracts with the Philippine government. A service contract grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. The contractor assumes all exploration risks. In the event of commercial production, the Government and the contractor share in the profit. Service contracts allow the contractor a certain exploration period of several years, with an option to extend for a limited number of years, and if the exploration area is deemed feasible, the service contract allows a production period of a certain number of years, with an option to extend.

The Company has a share of production in one small oil field at this time. Its other petroleum operations are in the exploratory stage and one field where it has participation is in suspension mode.

The following table sets forth the Company's existing and prospective projects as of December 31, 2012:

Contract	**Location**	**Interest**	**Issue Date**	**Commercial Terms**	**Expiry Date**	**Status**
SC 51	Eastern Visayas	6.67%	8 July 2005	A	January 31, 2014	Subsisting
SC 55	Offshore West Palawan	6.82%	5 August 2005	A	August 5, 2013	Subsisting
SC 69	Eastern Visayas	6.00%	7 May 2008	A	May 7, 2013	Subsisting
SC 6 Cadlao	Northwest Palawan	1.65%*	1 September 1973	A	February 28, 2024	Subsisting
SC 6 Block A	Northwest Palawan	2.334%		A	February 28, 2024	Subsisting
SC 6 Block B	Northwest Palawan	4.2189%		A	February 28, 2024	Subsisting
SC 14, Tara	Northwest Palawan	22.50%	17 December 1975	A	December 17, 2025	Subsisting
SC 14 B-1 North Matinloc	Northwest Palawan	6.103%		A	December 17, 2025	Subsisting

MPSA No. 252-2007-V	Jose Panganiban, Camarines Norte	100.00%	28 July 2007	B	July 28, 2032	Subsisting
Mining Lease Contracts						
MRD – 491	Rizal	100.0%	24 June 1988	B	June 24, 2013	Subsisting
MRD-492	Rizal	100.0%	24 June 1988	B	June 24, 2013	Subsisting

Legend: A = Contractor provides all required services and technology funding. Contractor is entitled to a service fee out of production equivalent to 40% of net proceeds. Net proceeds would refer to the balance of gross income after deducting Filipino participation incentive allowance and operating expenses. [

B = Contractor provides all required technology funding. Government share of production is excise tax on mineral products and corporate income tax.

*Note: Trans-Asia entered into a Sale and Purchase Agreement with Peak Royalties Ltd. on September 21, 2010 transferring its royalty interest in SC 6 Cadlao to the latter. Said transfer of interest was subsequently approved by the DOE on December 22, 2010. The proceeds from the sale of the royalty interest were received by the Company on January 10, 2011.

Service Contract No. 51: East Visayas

SC 51 was awarded on July 8, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period for 25 years. It covers an area of 444,000 hectares of offshore and onshore blocks in the Eastern Visayas region, consisting of a 204,000-hectare block in Cebu Strait and a 240,000-hectare block mostly over the northwest peninsula of Leyte island. The block has three (3) primary prospects (with at least 150 million barrels mean resource potential) and several leads. TA initially had 33.34% participating interest. TA signed a Farm-In Agreement with two foreign companies on August 5, 2005 thereby diluting its participating interest to 6.67% in exchange for a carry in costs of certain work programs. The two (2) foreign companies subsequently merged their interests in NorAsian Energy Ltd. The members of the consortium and the corresponding interests consist of NorAsian Energy Ltd., 80%; Alcorn Gold Resources Corporation, 9.32%; TA, 6.67% and PetroEnergy, 4.01%. NorAsian is the Operator.

The consortium committed to undertake a new 250km 2D seismic program over the Cebu Strait and an engineering study of the Villaba – 1 subcommercial gas discovery in offshore Northwest Leyte, within the first 18 months of the contract term. The 2D seismic program is designed to pick the drilling location for the Argao prospect and to upgrade a neighboring lead to drillable status. The Villaba engineering study aims to determine whether the sub-commercial Villaba gas discovery could be developed on a stand-alone basis using minimalist options or whether additional reserves from neighboring prospects would be necessary or enough to ensure commerciality. The partners have successive options to drill exploratory wells during the balance of the seven (7) year-exploration period.

The consortium requested the DOE to amend the schedule of work commitments in view of the difficulty of securing drilling rigs in the market. The approved amended exploration period is as follows:

1st sub-phase	8 July ‘05 - 8 Apr ’07	- acquire, process and interpret 261 km of 2D seismic data and conduct Villaba Engineering Study
2nd sub-phase	8 Apr ‘07 - 8 Feb ‘08	- acquire, process and interpret 146 sq km of 3D seismic data
3rd sub-phase	8 Feb ‘08 - 8 Mar ’09	- drill one well (Argao)
4th sub-phase	8 Mar ‘09 - 8 Jan ’10	- drill one well
5th sub-phase	8 Jan ‘10 - 8 July ’11	- drill one well

6th sub-phase	8 July ‘11 - 8 July ’12	- drill one well

The DOE approved the consortium’s entry into the 3rd sub-phase of the exploration period (from February 8, 2008 to March 7, 2009), which involves a commitment to drill one (1) exploratory well. The consortium completed a Geo-Microbial Survey. The governor of Cebu province issued Executive Order No. 10 on May 29, 2009 revoking Executive Order No. 9 which ordered the DOE to cease and desist from conducting oil exploration surveys in the coastal waters of the municipalities of Argao and Sibonga.

Upon request of the consortium, the DOE agreed to amend the timetable of SC 51 as follows:

3rd sub-phase	8 Feb 08 – 31 July 11	-drill one well
4th sub-phase	31 July 11 – 31 July 12	-drill one well
5th sub-phase	31 July 12 – 31 July 13	- drill one well
6th sub- phase	31 July 13 – 08 Mar 14	-drill one well

On January 12, 2011, the consortium members and Swan Oil and Gas Ltd of Australia signed an Amendment Deed to the Farm-in Agreement which provides for the farm-in of Swan, the drilling of an onshore well at Swan’s and NorAsian’s sole cost before the end of the 3rd sub-phase, and options to Swan and/or NorAsian to drill an offshore well or a second onshore well. TA will also be carried in the drilling of a second well should said option be exercised by Swan and/or NorAsian.

NorAsian spudded the Duhat -1 well in San Isidro, Leyte on April 20, 2011. Programmed total depth of the well was 1,000 meters with reservoir objectives within the 400 to 1000-meter depth interval. The well was sidetracked when the drill string got stuck at a depth of 325 meters due to overpressured rock formation. The sidetrack well, Duhat-1A, was plugged and abandoned at a depth of 322 meters following unsuccessful attempts to penetrate the same overpressured formation encountered in Duhat-1.

The Department of Energy (DOE) approved the consortium’s entry into Sub-Phase 4 (July 31, 2011 to July 31, 2012) and the proposed substitution of a minimum 100-km onshore 2D seismic program in lieu of a well, as work commitment for said Sub-Phase.

Partners finalized an amended Farm-in Agreement under which NorAsian and Swan retained their respective 40% participating interests in the onshore portion (Northwest Leyte) of the contract area, but shall jointly carry the Filipino partners’ share of costs under Sub-Phase 4 and the drilling of one (1) onshore well in Sub-Phase 5 (July 31, 2012 to July 31, 2013). On the other hand, Swan retained 80% participating interest in the offshore portion (Cebu Strait), but shall drill the Argao -1 well in Sub-Phase 5 and shoulder the Filipino partners’ share of drilling costs.

TA estimates that its share of additional drilling investments into the SC 51 operations will be minimal inasmuch as it will be carried in the 4th sub-phase expenditures and, should the consortium elect to enter the 5th sub-phase, it will also be carried in drilling expenditures.

In April 2012, the Operator, Otto Energy Investments Ltd. (formerly “NorAsian Energy Ltd.”) commenced a 100-km 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, whose reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.

In mid-May 2012, the seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the Department of Energy granted the consortium’s request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by yearend.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in northwest Leyte as work commitment.

Swan Oil and Gas Ltd. withdrew from SC 51 in September 2013 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto, and as between Otto and the Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation over the South Block on October 23, 2012. Under said Agreement, Frontier has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2014 to July 8, 2015). Frontier may exercise its option no later than January 31, 2013.

Service Contract No. 55: West Palawan

SC 55 was awarded by the DOE on August 5, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period for 25 years. The members of the consortium and their corresponding interests are NorAsian Energy Ltd., 85% and TA, 15%. TA has a Participation Agreement with the predecessors-in-interest of NorAsian which provides that the latter will shoulder TA's share of costs up to the drilling of the first exploratory well. In addition, TA has the option to acquire 5% interest from NorAsian after the drilling of the first well under the service contract.

SC 55 covers 900,000 hectares in offshore West Palawan. The block has one (1) giant prospect (with at least 500 million barrels mean resource potential) and a number of leads. The consortium committed to undertake a work program consisting of a new 400 – km 2D seismic survey, processing and interpretation of 200 km of 358 km of vintage 2D seismic data, gravity and magnetic data, within the first 18 months of the contract term. The partners have successive options to drill up to four (4) wells during the balance of the seven (7) – year exploration period.

The DOE approved the consortium's entry into the 2nd sub-phase of the exploration period, which entails a commitment to drill one (1) ultra deepwater well. Processing and interpretation of 954 km of 2D seismic date acquired in June 2007 were already completed, but due to non-availability of a suitable rig, the DOE approved the consortium's request to swap work commitments for the 2nd and 3rd sub-phases of the exploration period to allow the drilling of the first commitment well by August 4, 2010 instead of August 4, 2009.

The consortium requested and the DOE agreed to approve substitution of a 2D - 3D seismic program for one (1) ultra deepwater well commitment under the 3rd sub-phase of the exploration period (from August 5, 2009 to August 4, 2010), and deferment of the mandatory partial relinquishment of the contract area until completion of the proposed substitute 2D - 3D seismic program. The consortium further requested and the DOE approved a one-year extension of the 3rd sub-phase to August 5, 2011 following execution by NorAsian of a Farm-in Option Agreement with BHP Billiton which provided for the BHP Billiton's funding of a new 3D seismic survey over the area.

On June 3, 2010, TA signed an Option Agreement with Frontier Gasfields Pty. Ltd. of Australia which granted the latter the option to acquire the 5% interest that Trans-Asia has the option to acquire from NorAsian after the drilling of the first well in the area.

On February 3, 2011, TA signed an Agreement with NorAsian assigning TA's 8.18% participating interest to the latter in exchange for a carry of TA's 6.82% residual interest in the costs of a second well in the block, should NorAsian elect to participate in said well. Said assignment was approved by the DOE on June 6, 2011.

In December 2011, BHP Billiton Petroleum (Philippines) Corporation (Canada) acquired 60% participating interest in SC 55 from NorAsian. Under its agreement with NorAsian, BHP Billiton assumed operatorship of SC 55 and shall drill the obligatory first deepwater exploratory well before the end of Sub-Phase 4. The consortium elected to enter Sub-Phase 4 (August 5, 2011 to August 5, 2012)

The Department of Energy approved a 12-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation, the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well.

The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

The Company's 6.82% participating interest will be carried in the drilling cost of Cinco-1 under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy Investments Ltd.

Service Contract No. 69: Camotes Sea

The DOE awarded SC 69 (formerly, Area 8 of the 2006 Philippine Energy Contracting Round) on May 7, 2008 to a consortium composed of TA (with 30% interest) and NOEPI (with 70% interest). SC 69 has an exploration period of seven (7) years, divided into five (5) sub-phases and extendible for three (3) years, and a production period of 25 years. While the area is under-explored, initial indications show that it has significant petroleum potential in view of gas discoveries in onshore Northern Cebu and offshore Northwest Leyte.

The consortium commenced a geological and geophysical review and reprocessing of some 3000 km of vintage 2D seismic data in fulfillment of work obligations under the 1st sub-phase of the exploration period (from May 7, 2008 to May 6, 2009).

The consortium elected to enter the 2nd sub-phase of the exploration period (from May 7, 2009 to November 6, 2010), which entails a commitment to conduct either a minimum of a 50-square kilometer 3D seismic survey or a minimum of 750-line kilometer 2D seismic survey, with expected expenditures of US$2 million for the 3D seismic survey or US$1 million for the 2D seismic survey. The DOE approved extension of the 2nd sub-phase until February 7, to enable completion of interpretation of the newly acquired 900 km of 2D seismic data.

On June 3, 2010, TA signed a Farm-in Option Agreement with Frontier Gasfields Pty. Ltd. of Australia which granted the latter the option to acquire 15% of TA's interest in SC 69. Frontier exercised its option on February 3, 2011.

The consortium elected to enter the 3rd sub-phase (February 7, 2011 to August 7, 2012) which entails a minimum commitment of either a 50 sq. km. of 3D seismic survey or one exploratory well and minimum expenditures of $2 MM or $3 MM, respectively.

On February 3, 2011, TA signed an Agreement with NOEPI assigning an additional 9% of TA's participating interest to the latter in exchange for a carry in the costs of the first well in the block, should NOEPI elect to participate in said well. The consortium completed in June 2011 the acquisition of 229 sq. km. of 3D seismic data over two (2) deepwater prospects mapped from an earlier 2D seismic campaign.

The DOE approved the transfer of TA's 9% and 15% participating interests to its partner, NorAsian Energy Philippines, Inc. and to Frontier Gasfields Pty. Ltd. (Australia) on July 6, 2011.

TA estimates that its share of costs in a 3D seismic program to be undertaken in the 3rd sub-phase will amount to ₱7 million.

Interpretation of the 229 sq. km. 3D seismic data acquired in June 2011 generated three (3) drillable prospects.

The DOE granted the consortium's request for a 9-month extension of the current Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

Service Contract No. 6: Cadlao, Block A and B (Northwest Palawan)

SC 6 grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. The contractor assumes all exploration risks. In the event of commercial production, the Government and the contractor share in the profit on a 60:40 basis. The exploration period is seven (7) years, extendible by three (3) years. The production period is 25 years, extendible by 15 years. SC No. 6 was awarded on September 1, 1973 and is valid until February 28, 2024 subject to certain conditions. At present, it covers three (3) contract blocks, namely: Cadlao production area (consisting of 3,400 hectares), Block A (consisting of 108,000 hectares) and Block B (consisting of 53,300 hectares), all in offshore Northwest Palawan. In 2010, the Company assigned its royalty interest in the Cadlao Production Area, Northwest Palawan under SC No. 6 to Peak Royalties Limited (BVI) and recognized US$1.325 million income from such transaction. Cadlao oil field commenced production in 1981. The field has been shut-in since 1990 when production was suspended to allow transfer of its dedicated floating production facility to another field. Consequently, the Cadlao field did not generate revenues in the last three (3) fiscal years.

Block A and Block B were retained from the original contract area in 1988, subject to performance of meaningful exploration work in either of the blocks in each contract year. Block A and Block B consortia have complied with this conditionality by drilling exploratory and appraisal wells, and conducting various geological and geophysical studies. An economically marginal field discovery was made in Block A, but such field has not been developed to this date.

On May 9, 1988, an Operating Agreement was entered into by and among Balabac, Oriental, TA and Philodrill in respect of SC 6 Block A where Philodrill was appointed operator. This agreement is in full force and effect during the term of SC 6.

On March 7, 2007, the SC 6 Block A consortium entered into a Farm-In Agreement with Vitol GPC Investments S.A. of Switzerland. Under this agreement, Vitol will undertake, at its sole cost and risk, geological, geophysical and engineering studies over a one (1) - year period. At the end of the study period, Vitol will decide whether to acquire 70% participating interest in Block A. Vitol completed the first phase of its technical due diligence over Block A and concluded that development of the Octon discovery hinges on tie-back to Galoc production facilities. Following several extensions of the Farm-in Agreement, Vitol informed the consortium in November 2010 that it is not exercising its option to acquire interest in the block.

On July 11, 2011, the SC 6 Block A consortium entered into a Farm-in Agreement with Pitkin Petroleum Plc of the United Kingdom assigning 70% participating interest in the block to the latter, in exchange for a free-carry in a new 500-sq.km. 3D seismic program and the drilling of two (2) wells.

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), and Blade Petroleum Philippines (Australia) and Venturoil Philippines, Inc. exercised their option to acquire 70% participating interest of the farming out parties, which includes TA. The farminees shall shoulder all of the farming out parties' share of expenditures up to the production of first oil in the block. Approval of the assignment of interest is pending with the DOE.

The DOE granted a 15-year extension of the term of SC 6 over the Cadlao Production Area, Block A and Block B effective March 1, 2009.

In 2012 for SC 6 Block A, Pitkin Petroleum Plc., the Operator, completed a geophysical review of the block.

Partners approved the conduct of a new 500 sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry your Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two (2) wells, in exchange for the assigned 70% participating interest.

For SC 6 Block B, approval of the assignment of 70% of the farming out parties' ("Farmors" which includes Trans-Asia) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farminees") remains pending with the Department of Energy.

Under the Farm-in Agreement dated February 4, 2011, the Farminees shall shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil.

Service Contract No. 14: Tara and Service Contract No. 14: North Matinloc (Northwest Palawan)

The principal terms of SC 14 are the same as those provided under SC 6. SC 14 was awarded on December 17, 1975 and extended until December 16, 2025, subject to certain conditions. SC 14 Block B-1 (consisting of 860 hectares) was carved out of the original SC 14 contract area as production area of the North Matinloc oil field, offshore Northwest Palawan. SC 14 Tara production area (consisting of 950 hectares) was carved out of the original SC 14 contract area as production area of the Tara oil field, offshore Northwest Palawan. The Company has 6.103% participating interest in SC 14 B-1 and 22.50% participating interest in SC 14 Tara production area.

North Matinloc field went on stream in 1989. The field was shut down in 1991 when it reached economic limit. The Tara oil field, on the other hand, commenced production in 1987. The field was suspended in 1990 due to technical reasons.

Venturoil signed separate option agreements with most of the members of the Tara and North Matinloc consortia, granting the former the option to acquire 70% interest in each block until December 31, 2008. Venturoil eventually did not exercise its option.

Oil production resumed at the North Matinloc oil field in February 2009. As of December 31, 2011, about 67,807 barrels of oil have been produced from the field. TA does not believe that it will contribute any significant equity investments in SC 14 in the next few years.

The North Matinloc field produced 10,517 barrels of oil in year 2012.

Mineral Exploration

The Company has interests in several mine sites but, presently, it has no plans of making any further significant investments in mineral exploration. For the years 2007-2009, TA derived insignificant or no revenues from this line of business.

TA's interests in mineral exploration are limited to the following:

Mineral Production Sharing Agreement 252-2007-V (Camarines Norte)

The Government, through the DENR, entered into an MPSA with TA on July 28, 2007 for the exploration, development and utilization for commercial purposes of gold, silver, copper, iron and other associated mineral deposits. The contract area covers approximately 333 hectares of land situated in the municipality of Jose Panganiban, Camarines Norte. The MPSA granted to TA the right to explore, develop and operate the MPSA contract area for commercial mineral production for a period of 25 years, renewable for another 25 years, pursuant to a work program containing the required expenditures and work commitments. The exploration period is two (2) years renewable up to six (6) years for non-metallic minerals and up to eight (8) years for metallic minerals. Upon commercial operation, the Government's share in the MPSA shall be excise tax on mineral products and other duties and fees. TA is likewise obligated to pay an occupation fee over the contract area annually at the rate prescribed by existing rules and regulations.

On February 14, 2008, TA signed an Operating Agreement with its subsidiary, TA Gold, granting the latter the exclusive right to explore, develop and operate the MPSA contract area for commercial mineral production. Pursuant to this Operating Agreement, TA Gold completed the drilling of three (3) exploratory diamond drill holes to probe gold, uranium and white clay occurrences. Results of the drilling operations are under evaluation.

TA received on June 16, 2009 a notice issued by the DENR Secretary ordering TA to excise certain portions from the MPSA contract area that are covered by alleged mining patents of a third party. TA filed a timely motion for reconsideration of this order. TA is of the position that the alleged mining patents covering certain portions of the MPSA contract area can no longer be recognized as they are considered to have lapsed for failure to comply with the requirements of P.D. 463, which required all mining patents to be registered with the Director of Mines within two (2) years from the date of approval of the decree in 1974 and to comply with annual work obligations, submission of reports, fiscal provisions and other obligations. TA's motion for reconsideration was denied by the DENR Secretary on November 27, 2009. The Company filed its appeal before the Office of the President on December 21, 2009, which was subsequently denied. A second motion for reconsideration with the Office of the President was also dismissed in 2010. TA elevated the case to the Court of Appeals.

TA entered into an agreement with Investwell Resources, Inc. on October 18, 2011 assigning its MPSA to the latter, subject to certain conditions.

In a decision dated October 30, 2012, the Court of Appeals granted TA's petition to reverse and set aside the resolutions of the Office of the President and the DENR that ordered and affirmed exclusion of certain areas covered by the alleged patents of a third party, from the contract area of the MPSA.

The third party subsequently filed a Motion for Reconsideration of the foregoing decision of the Court of Appeals.

Rizal Mining Leases

The Company has two (2) Mining Lease Contracts with the MGB, namely: (i) Mining Lease Contract No. MRD 491 and (ii) Mining Lease Contract No. MRD 492, which were both granted on June 24, 1988 and will expire on June 23, 2013.

Mining Lease Contract No. MRD 491 covers an area of 414 hectares of land situated in the towns of Teresa, Baras and Morong, Rizal, whereas Mining Lease Contract No. MRD 492 covers an area of 248 hectares of land in Teresa and Morong, Rizal. These mining lease contracts grant the Company the exclusive right to extract and utilize all mineral deposits within the boundary lines of the mining claims, subject to payment of rentals, royalties and taxes to the Government.

The Company maintains its rights to these mining lease contracts by submission of affidavits of annual work obligation to the MGB and payment of rental to the concerned municipalities, on a yearly basis.

TA and Rock Energy International Corporation ("Rock Energy") signed an Operating Agreement on March 3, 2008 granting the latter the exclusive right to extract and market tuffaceous materials within the areas covered by TA's mining lease contracts for a period of five (5) years. Tuffaceous materials are used in the production of *pozzolan* cement.

Rock Energy applied for and was issued an ECC for planned quarrying activities at a site in Teresa, Rizal. Rock Energy has not commenced commercial operation.

Rock Energy withdrew from the Operating Agreement in June 2012.

Related Party Transactions

TA's mineral exploration business is not dependent on related parties, nor were there any transactions involving related parties.

REGULATORY FRAMEWORK

PETROLEUM AND MINERAL EXPLORATION

TA's petroleum and mineral exploration business is subject to the following laws, rules and regulations:

1. P.D. 87 or The Oil Exploration and Development Act of 1972

Petroleum exploration and production in the Philippines, where TA currently operates, is basically governed by P.D. 87, the Oil Exploration and Development Act of 1972 and other rules and regulations promulgated by

DOE. P.D. 87 established the Service Contract system which declares that all petroleum within the country's territory belongs to the State.

P.D. 87 declares that the policy of the State is to hasten the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, calculated to yield maximum benefit to the Filipino people and revenues to the Philippine government and to assure just returns to participating private enterprises, particularly those that will provide services, financing, and technology and fully assume all exploration risks. The government may undertake petroleum exploration and production or may indirectly undertake the same through Service Contracts. Under a Service Contract, a Contractor is entitled to a service fee of up to 40% of net production proceeds. Operating expenses are deductible up to 70% of gross production proceeds. A Filipino Participation Incentive Allowance equivalent to a maximum 7.5 % of the gross proceeds is granted to a Contractor with at least 15 % Filipino participation. Incentives to Service Contractors include: exemption from all taxes except income tax; income tax obligation paid out of government's share; exemption from all taxes and duties for importation of materials and equipment for petroleum operations; easy repatriation of investments and profits; free market determination of crude oil prices; subcontractor subject to special income tax rate of 8 % of gross Philippine income and foreign employees of service contractor and subcontractor subject to special tax rate of 15 % of Philippine income.

A Service Contract has a maximum 10-year exploration period and a maximum 40- year development and production period. Signature bonus, discovery bonus, production bonus and training allowance are payable to the Philippine government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87 offering improved fiscal and contractual terms to service contractors with special reference to deepwater oil exploration; DOE Circular No. 2009-04-0004, a circular that establishes the procedures for the Philippine Contracting Rounds; DOE Circular No. 2003-05-006, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; Executive Order No.66, and order designating the DOE as the lead agency in developing the natural gas industry; and DOE Circular 2002-08-005, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

Agreement to Supply Domestic Demand

Under The Oil Exploration and Development Act of 1972, every service contractor that produces petroleum is authorized to dispose of the same either domestically or internationally, subject to supplying the domestic requirements of the country on a pro-rata basis. There is a ready market for oil produced locally inasmuch as imported oil comprised about 34**%** of the Philippines' primary energy mix in year 2010. Heavy dependence on foreign oil supply is not expected to change significantly over the next ten years. On a case to case basis, the government has allowed the export of locally produced crude oil in the past. The domestic natural gas industry is at the nascent stage, with supply coming from a single offshore field. Domestic gas production accounted for about 7% of the country's primary energy mix in year 2010. The government is actively promoting the use of natural gas for power, industry, commercial and transport applications, owing to environmental considerations and the need to diversify energy supply.

2. R.A. 8371 or The Indigenous Peoples' Rights Act of 1997

Republic Act 8371 or "The Indigenous Peoples' Rights Act (IPRA) of 1997" requires the free and prior informed consent of the indigenous peoples (IPs) who will be affected by any mining exploration. Under IPRA, IPs are granted certain preferential rights to their ancestral domains and all resources found therein. Ancestral domains are defined as areas generally belonging to IPs, subject to property rights within ancestral domains already existing or vested upon the effectivity of the IPRA, comprising lands, inland waters, coastal areas, and natural resources, held under a claim of ownership, occupied or possessed by IPs by themselves or through their ancestors, communally or individually since time immemorial, continuously to the present, except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects or any voluntary dealings entered into by the government and private persons, and which are necessary to ensure their economic, social and cultural welfare.

Under the IPRA, no concession, license, lease or agreement shall be issued by any government agency without the Certification Precondition (CP) from the National Commission on Indigenous Peoples (NCIP). The CP states that the Free, Prior and Informed Consent (FPIC) has been obtained from the concerned IPs. For areas not occupied by IPs, a Certificate of Non-Overlap is issued instead by the NCIP. For areas occupied by IPs, the applicant and representatives from the NCIP will conduct consultations and consensus-building to obtain the consent of the IPs. The FPIC is manifested through a Memorandum of Agreement with the IPs, traditionally represented by their elders. The CP is then issued by the NCIP stating that the FPIC has been obtained from the IPs concerned.

In the course of mining exploration, the Company explores in certain areas which are covered by ancestral domains of IPs. No mining is allowed in such areas without first negotiating an agreement with the IPs who will be affected by mining operations.

R.A. 7942 OR THE PHILIPPINE MINING ACT OF 1995

R.A. 7942 or "The Philippine Mining Act of 1995" is the governing law that regulates mineral resources development in the country. One of the primary objectives of this law is to revitalize the ailing Philippine mining industry by providing fiscal reforms and incentives and maintaining a viable inventory of mineral reserves to sustain the industry through the infusion of fresh capital through direct investments to finance mineral exploration and/or development activities. This law specifies the DENR as the primary agency responsible for the conservation, management, development, and proper use of the country's mineral resources, and the Mines and Geosciences Bureau as directly in charge of the administration and disposition of mineral lands and mineral resources.

The Mining Act introduced a new system of mineral resources exploration, development, utilization and conservation, with due regard to other laws (e.g., P.D. 1586 on environmental impact statement and other issues related to environmental management; R.A. 7586 or the National Integrated Protected Areas System Act of 1992; R.A. 7160 or the Local Government Code of 1991; and R.A. 7916 or the Special Economic Zone Act of 1995).

The Mining Act fully recognizes the rights of IPs and respects their ancestral lands. No mineral agreements and mining permits are granted in ancestral lands/domains except with prior informed consent from IPs for areas as verified by the DENR Regional Office and/ or appropriate offices as actually occupied by IPs under a claim of time immemorial possession.

3. R. A. 8749 or "Clean Air Act of 1999"

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act of 1999", is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under the Clean Air Act, the Department of Environment and Natural Resources is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market based instruments, and set-up a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To uphold the Clean Air Act, the Government is promoting energy security thru a policy of energy independence, sustainability and efficiency. These involve:

1. increasing oil and gas exploration;
2. strengthening of the Philippine National Oil Company (PNOC) to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;
3. pursuing the development of renewable energy such as geothermal, wind, solar, hydropower and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;
4. the expansion in the use of natural gas; and
5. adoption of energy efficiency promotion strategies.

In support of the Clean Air Act, TA is participating in the oil and gas exploration and development of renewable energy sources. This is evident in the oil and gas exploration, and wind power projects of TA and its subsidiaries.

4. The Philippine Environmental Impact Statement (EIS) System

Projects relating to petroleum and mineral exploration and production are required to comply with the Philippine EIS System. The EIS System was established by virtue of P.D. 1586 issued by former President Ferdinand E. Marcos in 1978. The EIS System requires all government agencies, government-owned or controlled corporations and private companies to prepare an EIA for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating and enhancement measures to protect the environment and the community's welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate (ECC), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

To strengthen the implementation of the EIS System, Administrative Order No. ("AO") 42 was issued by the Office of the President of the Philippines in 2002. It provided for the streamlining of the ECC application processing and approval procedures. Pursuant to AO 42, the DENR promulgated DENR AO 2003-30, also known as the Implementing Rules and Regulations ("IRR") for the Philippine EIS System in 2003.

Under the IRR, in general, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used for determining projects to be covered by the EIS System are as follows:

a. Characteristics of the project or undertaking –
   - i. size of the project;
   - ii. cumulative nature of impacts vis-à-vis other projects;
   - iii. use of natural resources;
   - iv. generation of wastes and environment-related nuisance; and
   - v. environment-related hazards and risk of accidents.

b. Location of the project –
   - i. vulnerability of the project area to disturbances due to its ecological importance, endangered or protected status;
   - ii. conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and
   - iii. relative abundance, quality and regenerative capacity or natural resources in the area, including the impact absorptive capacity of the environment.

c. Nature of the potential impact –
   - i. geographic extent of the impact and size of affected population;
   - ii. magnitude and complexity of the impact; and
   - iii. likehood, duration, frequency and reversibility of the impact.

The ECC of a project not implemented within five (5) years from its date of issuance is deemed expired. The proponent must apply for a new ECC if it intends to pursue the project. The reckoning date of project implementation is the date of groundbreaking, based on the proponent's work plan as submitted to the EMB.

Cost and Effects of Compliance with Environmental Laws

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. Environmental compliance certificates or certificates of non-coverage, if applicable, are obtained from the Environmental Management Bureau of the Department of Environment and Natural Resources in coordination with the DOE.

The exploration, production and sale of oil and mineral deposits and power generation are subject to extensive national and local laws and regulations. The Company and its subsidiaries may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of anti-pollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the impact of the Company's operations. Failure to comply with these laws also may result in the suspension or termination of the Company's operations and subject it to administrative, civil and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations.

POWER GENERATION

Government Licenses, Intellectual Property

Power generation is not considered a public utility operation under the EPIRA. Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate the generation facilities. A COC is valid for a period of five years from the date of issuance. In addition to the COC requirement, a generation company must comply with technical, financial and environmental standards. A generation company must ensure that all its facilities connected to the Grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. ERC has also issued the "Guidelines for the Financial Standards of Generation Companies," which set the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit to the ERC audited financial statements and forecast financial statements for the next two fiscal years, among other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be a ground for the imposition of fines and penalties. TA, TAPGC and CIPP are required under the EPIRA to obtain a COC from the ERC for their generation facilities. They are also required to comply with technical, financial and environmental standards provided in existing laws and regulations in their operations.

TA's power generation business is subject to the following laws, rules and regulations:

1. R.A. 9136 or The Electric Power Industry Reform Act of 2001

The power generation business of TA is governed by Republic Act 9136, or the Electric Power Industry Reform Act (EPIRA) of 2001. The EPIRA triggered the implementation of a series of reforms in the Philippine Power Industry. The two major reforms are the restructuring of the electricity supply industry and the privatization of the National Power Corporation (NPC). The restructuring of the electricity industry calls for the separation of the different components of the power sector namely, generation, transmission, distribution and supply. On the other hand, the privatization of the NPC involves the sale of the state-owned power firm's generation and transmission assets (e.g., power plants and transmission facilities) to private investors. These two reforms are aimed at encouraging greater competition and at attracting more private-sector investments in the power industry. A more competitive power industry will in turn result in lower power rates and a more efficient delivery of electricity supply to end-users.

RA 9136 also mandated the Department of Energy (DOE) to establish the WESM. The Act also mandates the Department of Energy, jointly with the electric power industry participants, to formulate the detailed rules that will govern the conduct of the WESM within one year from the Act's effectivity. The WESM provides a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

On November 18, 2003, the DOE established the Philippine Electricity Market Corporation (PEMC) as a non-stock, non-profit corporation. PEMC's membership is comprised of an equitable representation of electricity industry participants and chaired by the Energy Secretary. Its purpose is to act as the autonomous market group operator and the governing arm of the WESM. It also undertook the preparatory work for the establishment of the WESM.

The WESM started its operations in Luzon on June 26, 2006 in which TA is a Wholesale Aggregator since November 2006 and TAPGC is a Generator since October 2006. Both are actively buying and selling electricity in the WESM. The operation of WESM in Visayas commenced on December 26, 2010. TA's Guimaras plant started trading in April 2011.

Moreover, EPIRA provides for an open access system whereby NGCP and distribution utilities may not refuse use of their transmission facilities by any qualified person or institution, subject to both distribution and wheeling charges. The following items are conditions to open access systems:

	EPIRA Requirement	Status
1	Establishment of the WESM	Done
2	Approval of unbundled transmission & distribution wheeling charges	Done
3	Initial implementation of the cross subsidy removal scheme	Done
4	Privatization of at least 70% of the total generating asset capacity of NPC in Luzon & Visayas	Done
5	Privatization of management & control of at least 70% of the total energy output of power plant under contract with NPC to the IPPA.	In progress

2. R.A. 7916 or The PEZA Law

Republic Act No. 7196 or "The Special Economic Zone Act of 1995 (PEZA law)" created the Philippine Economic Zone Authority (PEZA), the government agency mandated to implement the law which aims to encourage and promote the establishment and development of special economic zones (SEZ) in identified and selected areas in the country. Special economic zones are areas, at least 25 hectares in extent, which have existing or even a potential factor for development as industrial, agro-industrial center, a place ideal for tourism, recreational, or commercial use, banking, investment, and financial center, or for information technology functions.

Under PEZA Law, firms which are registered with PEZA and are located within SEZ are entitled to fiscal and non-fiscal incentives. The following are examples of the incentives being offered to PEZA-registered companies (subject to the nature of the enterprise):

1. Tax-and duty-free importation of capital equipment, raw materials, spare parts, supplies, breeding stocks, and genetic materials
2. Income Tax Holiday (ITH) of four (4) years or six (6) years for non-pioneer and pioneer enterprises, respectively
3. A special tax rate of 5% of gross income earned in lieu of all national and local taxes after the availment of the ITH
4. Tax credit for import substitution
5. Exemption from wharfage dues, export tax and import fees
6. Tax credit on domestic capital equipment
7. Additional deduction for incremental labor expenses and training expenses
8. Unrestricted use of consigned equipment

The following types of enterprises are eligible to avail of such incentives:

1. Export enterprises
2. Free trade zone enterprises
3. Service enterprises
4. Domestic market enterprises
5. Pioneer enterprises
6. Utilities enterprises
7. Facilities enterprises
8. Tourism enterprises
9. Ecozone developers/operators

CIPP is a PEZA-registered company as a utility enterprise engaged in the generation and distribution of electricity within the Carmelray Industrial Park II, which is one of special economic zones in Calamba, Laguna. With the sale of its distribution facilities, CIP ceased operations in April 2009, On February 28, 2012, CIPP filed for de-listing of activities with the PEZA.

3. The Renewable Energy Act of 2008

TA has substantial investments in renewable energy (RE) development.

The RE Law was approved in 2008 and took effect on January 31, 2009. It aims to accelerate the development of renewable energy resources in the country such as wind, hydro and geothermal energy sources to achieve energy self-reliance and independence.

In wind energy, wind is converted into useful electrical or mechanical energy through the use of wind machinery or other related equipment. Hydro power uses water-based energy systems to produce electricity by utilizing the kinetic energy of falling or running water to turn a turbine generator. Geothermal energy is produced through natural recharge where water is replenished by rainfall and heat is continuously produced inside the earth, and through enhanced recharge where hot water used in the geothermal process is re-injected into the ground to produce steam.

The RE Law seeks to increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives. The DOE is the lead government agency tasked to implement the provisions of the RE Law. The Implementing Rules and Regulations of the RE Law were released in May 2009 and presented the guidelines on the implementation of the various fiscal and non-fiscal incentives provided by the law, which include the following:

a. Renewable Portfolio Standards (RPS)

The RPS aims to contribute to the growth of the renewable energy industry by imposing that a fraction of the electricity generated or distributed by electric power industry participants be sourced from eligible renewable energy resources. The National Renewable Energy Board (NREB), created under the RE Law to oversee its implementation, shall set the minimum percentage of generation required. Upon the recommendation of the NREB, the DOE is tasked to determine the incremental increase in the electricity sold by RPS-mandated industry participant, which shall not be less than one percent (1%) of its annual energy demand over the next 10 years. The DOE shall also formulate means of compliance for the mandated RPS participants to meet the RPS requirements, including direct generation, contracting of energy or trading from eligible renewable energy resources. The DOE shall establish the renewable energy market where trading of renewable energy certificates can be made, and the renewable energy registrant which shall issue, keep and verify these renewable energy certificates.

b. Feed-in-Tariff (FiT) System

In order to accelerate the development of emerging renewable energy resources, the RE Law sets a guaranteed fixed price (FiT) for electricity generated from wind, solar, ocean, run-of-river hydropower and biomass. The FiT shall be set by the ERC and shall be imposed for a period of not less than 12 years. Under the FiT system, priority connection to the grid of electricity generated from emerging renewable energy resources is mandated. Priority purchase, transmission and payment for such electricity is also provided by the RE Law.

Transmission and Distribution System Development

The NGCP and all distribution utilities are mandated to include the required connection facilities for renewable energy-based electricity in their transmission and distribution development plans. They are also required to effect the connection of renewable energy-based power facilities with the grid, upon the approval of the DOE, at the start of their commercial operations. The ERC shall provide the mechanism for the recovery of the cost of these connection facilities.
General Incentives

The RE Law provides for the following fiscal-incentives:

1. Income tax holiday for a period of seven (7) years from the start of commercial operation;
2. Exemption from duties on renewable energy machinery, equipment and materials;
3. Special realty tax rates on equipment and machinery;
4. Net operating loss carry over;
5. Corporate tax rate of 10%;
6. Accelerated depreciation;
7. Zero percent value-added tax on energy sale;
8. Tax exemption of carbon credits; and
9. Tax credit on domestic capital equipment and services related to the installation of equipment and machinery.

Cost and Effects of Compliance with Environmental Laws

The Company’s power generation operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the Clean Air Act, address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. TA and its subsidiaries have incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, Trans-Asia and its subsidiaries have made and expects to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations.

RISK FACTORS

Risks Relating to the Company’s Business

A major breakdown of the Company's power plant facilities may adversely affect the results of operations.

The Company's power plants operate machinery with many moving parts. Wear and tear due to operations will inevitably require replacement of parts which require regular maintenance. Even though the Company strictly follows the recommended maintenance schedules for the machinery in its power plants, there may be times when unforeseen breakdowns may cause unplanned full or partial plant shutdowns that may materially affect the Company's ability to deliver the required power to its customers.

To mitigate this, the Company follows the recommended maintenance schedule to minimize the possibility of major breakdowns. Furthermore, the oil-fired power plants that the Company operates have multiple engines, so that the breakdown of one engine may not necessarily affect the other units, thereby minimizing any effects that a particular problem may have on the operation of a plant as a whole.

The lack of available spare parts to replace worn down portions of the Company's plant facilities may adversely affect operations.

Maintenance of the Company's power plant facilities occasionally requires replacement of some of the parts of the operating machineries. Any delay in the delivery or availability of these parts may cause delays in the operations of the machinery being repaired, thereby lengthening down time and increasing opportunity losses.

The Company maintains diversified sources of spare parts from all over the world. It also continuously monitors market prices from various sources other than its own regular suppliers to identify alternate sources of spare parts and materials. In instances where replacement parts have longer delivery times, the plants normally maintain inventories of its critical parts.

A transmission line breakdown may prevent the Company from delivering power to its customers.

Power must be wheeled from the generation source through transmission lines to reach the consumer. The Company supplies power to Holcim's cement plant, exposing the Company to natural or man-made risks of transmission line failures that may prevent the delivery of power. Furthermore, the power that the Company purchases from the WESM is likewise delivered via transmission lines to both the La Union and Bulacan plants of Holcim. A breakdown of the transmission line when: (a) power purchased from the WESM may be lower than the Company’s own cost of generation, and (b) WESM prices are higher and the Company has excess generating capacity may prevent the Company from taking advantage of trading opportunities available in the electricity spot market.

A natural mitigating measure that the Company has used is to locate its plants near its customers, thereby reducing the use and therefore dependence on transmission lines. TA Power is located right beside the Bulacan plant of Holcim and the Guimaras Power Plant is located within the island. In the case of Holcim’s La Union cement plant, the Company has recently completed the transfer of its CIPP II 21 MW plant to the La Union plant of Holcim to provide peaking and backup power in that region.

Disruptions to the supply of fuel could result in a substantial reduction in generation or increased power plant operating cost, and may have an adverse effect on the Company’s financial performance and financial position.

The Company purchases bunker-C fuel from Petron Corporation, the biggest oil supplier in the country, for its power generation business. Any delay in fuel deliveries or disruptions in fuel supply may result in unplanned plant shutdowns. To protect against such disruptions in fuel supply, long term contracts with the fuel supplier were executed. The oil company will give priority deliveries to the Company’s plants in case of temporary fuel shortage along the supply chain. Further, if the fuel supplier fails to deliver, the Company may buy fuel from other vendors with the fuel supplier liable to the replacement cost, allowing the Company to sustain its competitiveness. In the event of *force majeure* situations, however, the Company’s operations will be adversely affected.

To mitigate this risk, the Company maintains safe and strategic inventory levels of fuel to ensure continuous electricity production. With its strategic initiatives and established strong relationships with other fuel suppliers, the Company could obtain alternate sources and arrange the timely delivery of fuel.

SLTEC has secured a long-term coal supply agreement with Semirara Mining Corporation (SMC) for the fuel requirements of its 135MW coal-fired power plant in Calaca, Batangas. SMC is the country’s largest coal producer which contributes about 92% of local coal production. In order to ensure the security of coal supply, SLTEC has likewise entered into a separate coal supply agreement with a major coal company in Indonesia based on an initial validity period of three years subject to additional term extension.

Moving forward, the Company shall continue cultivating relationships with alternative suppliers in the region to mitigate supply delivery risk and as fall back sources in the future.

The Company's results of operation and financial condition may be adversely affected by changes in foreign currency rates.

The Company may face risks from foreign exchange rate fluctuations, especially as it affects fuel prices and the cost of spare parts and equipment. Foreign currency risk is a risk of loss from carrying out operations, or holding assets and liabilities, in a foreign currency. The magnitude of the risk has increased in recent years because of the growth in international trade and financing and the increased magnitude of exchange rate fluctuations.

To mitigate the risks, the Company implements cost efficiency measures, increases foreign exchange holding and renegotiates with its buyers as provided in their Electricity Supply Agreements.

Foreign currency risk is managed by holdings of cash and securities in Philippine pesos and foreign currencies according to an approved currency exposure allocation scheme.

Foreign exchange risks are managed by constant monitoring of the political and economic environments and trading either by spot conversions and forward transactions on a deliverable or non-deliverable basis to protect values. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The Company may not collect all or a portion of its receivables.

The Company carries collection risk when it does not demand up-front cash payment for delivered products or rendered services. The Company must be able to collect promptly from its customers to be able to pay its obligations and finance its operations.

The Company's customers include cement firms Holcim and Lafarge, electric cooperatives SORECO 1, QUEZELCO 2 and GUIMELCO, with which the Company has Electricity Supply Agreements, and the PEMC, the operator of the WESM. To mitigate this risk, the Company continues to assess the financial capability of these entities. In case a customer encounters financial difficulty, the Company may reduce power supply, cut off credit entirely or demand payment in advance to reduce exposure to collection risk and subsequent payment defaults.

WESM electricity prices may increase drastically due to various reasons such as lack of supply or transmission grid failure.

Electricity trading with the customer is usually defined through a bilateral contract with a pre-defined price. The volatility of the market spot price increases the risk of having a buying price that is higher than the selling price.

To mitigate this risk, the Company has a backup power plant that can be used as bilateral supplier in the event that market prices increase beyond the price that the Company can buy. Furthermore, the Company has contracted capacity from One Subic Power Generation Corporation's 116MW power plant located in Subic and up to15MW/hour from Sem-Calaca Power Corporation to be able to sell more power during high spot market prices. This is a hedging technique wherein suppliers refrain from taking any electricity from the market whenever market price increases beyond its reference price.

The Company's petroleum projects may not yield oil or gas deposits in commercial quantities, thus adversely affecting the recovery of the Company's investments.

The major risk associated with the Company's oil projects is exploration risk. There is no certainty of finding commercial petroleum below the surface of the earth. Commercial deposits of petroleum lie deep in the bowels of the earth, and the ultimate objective of exploration work is to find out where these are located. Unfortunately, no instrument or methodology has yet been invented that would directly point to the existence of a commercial deposit. Present methods used in exploration are indirect probes where data are subject to interpretation or "best judgment". This is where the risk emanates, but it is mitigated by careful and judicious application of scientific methods and data analyses. To manage exploration risk, the Company employs various methods to identify and quantify exploration risk using geological and risk-economic yardsticks. The following approaches are used, as applicable:

1. *Use of technical expertise and state-of-the-art technology.* Technical expertise refers to tapping the professional and special capabilities of experienced professionals or teams with proven success records in resource determination or delineation. State-of-the-art technology refers to "computer-based" analysis and interpretation of exploration data which enable modelling of subsurface conditions that could host commercial volumes of oil.

2. *Phased exploration programs with clear exit points.* Exploration is carried out in phases or stages depending on the complexity of the problem at hand. At the end of each phase, the exploration participants are given a chance to assess the results and consequently decide whether to proceed or exit from the work program. It follows that encouraging results from a certain phase shall provide incentive to proceed to the next phase, otherwise the Company can withdraw if the chances of success are perceived to be low.

3. *Determination of participation levels based on available risk capital, expenditure commitments and probability of success.* The extent to which the Company participates in any given exploration program is a function of risk capital at its disposal, the expenses required to finance the exploration program and the chance of success from said exploration program. It is quite clear that, given a program with high probability of success but where the required expenditure commitment is large, participation will be constrained by disposable capital.

4. *Investment in exploration projects with varying risk profiles.* This approach dictates that the Company's oil exploration project portfolio should contain a judicious mix of high- and low-risk projects.

5. *Participation in exploration consortia, in the event 100% equity is not warranted by risk assessment.* Where the assessment says the risk is too high for a single entity to assume, it would be prudent to spread the risk by entertaining participation of other parties in a company-owned acreage, or joining an exploration consortium

6. *Distribution of participation in many rather than one or a few contracts or tenements.* The Company diversifies its project risks by participating in many projects rather than in a single project.

7. *Use of options, whenever feasible.* Some exploration projects are designed in such manner that "options" for entry and exit are provided. This is meant to cater to a wide spectrum of risk tolerance by the incoming party. Options are usually cheap or affordable at the early stages of the project. Then, they gradually increase in value as exploration progresses to such level where the risk is easily discernible and the potential rewards are more or less foreseeable. Under this scenario, the investor is given some flexibility as to when he should commit to the project.

8. *Dilution of interest in phases of work which entail heavy expenditures or high risk.* As the exploration program advances towards its conclusion, the magnitude of expenditures increases to the point that those who were able to gain entry at the early stages might no longer afford the forward financial commitments. One way to mitigate the burden and at the same time retain the interest in the project is to allow dilution or reduction in one's participating interest. The main objective is to maintain an interest in the project until commercial operations commence.

9. *Capping of annual exploration expenditures to projected Company income for the year.* This approach places a self-imposed ceiling on the amount of expenditures that may be used for participation in exploration projects. This expenditure level must be affordable for the Company, i.e. in the event of failure, the Company should still be able maintain a strong financial standing.

10. *Investment in less risky, non-exploration ventures or projects to balance risk exposure.* This approach directs the Company to invest in ventures with greater chance of success or with a more predictable revenue stream to offset the potential ill effects of risky exploration ventures.

Changes in market interest rates may adversely affect the value of financial instruments held by the Company.

The Company holds financial instruments composed of cash and cash equivalents, corporate promissory notes and bonds, government bonds, listed shares of stocks, and investments in mutual and trust funds, in Philippine pesos and US dollars. These are used to finance the Company's operations and investments.

These financial instruments are primarily exposed to interest rate risk. Relative value of financial instruments may decline as a result of changes in market interest rates.

The Company's principal financial instruments are managed by PHINMA's Treasury Department by establishing "red lines," which are reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that serve as guides whether to buy, hold or sell bonds as approved by management. Regular comparison is also done with defined benchmarks. Market and portfolio reviews are done at least once a week during the weekly Treasury Department meeting and as often as necessary should market conditions require so. Monthly reports are given to the Chief Financial Officer.

Adverse business results of the issuers of securities held by the Company may negatively affect the value of TA's investments.

The Company may face credit risk as an investor. Credit risk is a risk that the issuer of a security, such as a bond, may default on interest and/or principal payments or become bankrupt. If either event occurs, the Company may lose part or all of its investments.

In order to mitigate the credit risk, investments are restricted only to the Company's duly accredited domestic and foreign banks and mutual funds. Even if a maximum of 20% of the Company's investible funds can be invested in one bank/mutual fund, PHINMA's Treasury Department allocates funds according to its periodic assessment of the banks'/funds' financial soundness and business performance. For unit investment trust fund ("UITF") and mutual funds, fund placements cannot exceed 10% of the UITF's or mutual fund's total funds. UITF's and mutual funds' investment performances are reviewed weekly and monthly.

Investments in non-rated securities, primarily corporate bonds, are subject to a comprehensive credit and business review in coordination with sponsoring dealers or underwriters. For rated corporate bonds and sovereign bonds, credit ratings studies/updates from the major rating agencies are used as references (such as Standard and Poor's, and Moody's). All major investments are discussed and approved by the Company's Investment Committee.

Exposure limits are tracked for every transaction; major transaction executions are closely supervised. Market and portfolio reviews are done at least once a week during the weekly Treasury Department meeting and as often as necessary should market conditions require so. Monthly reports are given to the Chief Financial Officer.

The Company's working capital may be insufficient to meet its near term financial requirements.

The Company may be exposed to liquidity risk, when the Company's working capital becomes insufficient to meet near-term financial requirements. Liquidity risk must be mitigated as it tends to compound credit risk.

This is managed by continuous monitoring of the weekly/monthly cash flows, as well as the longer term cash flows of the Company. Liquidity risks are managed by restricting investments principally to publicly traded securities with a history of marketability and by dealing only with large reputable domestic and international institutions.

Maturities of each investment are spread out into various lengths of time as may be required by the Company's plans and cash flow needs. The average duration adheres to the guidelines provided by the Company's Investment Committee.

The Company's operations may cause damage to its environment and may adversely affect its financial condition and results of operations.

The Company and its subsidiaries and affiliates are exposed to environmental risks. These are risks that can affect the health and viability of living things and the condition of the physical environment. Adverse effects can be caused by the release of pollutants to air, land or water. Pollutants include waste, emissions (e.g. fumes, smoke, etc.) and noise. Environmental damage can also be caused by irresponsible use of energy and natural resources. Environmental issues can have a significant impact on the Company's operating and financial results.

The Company abides by a number of different environmental laws, regulations, and reporting requirements while it also faces growing constraints in accessing petroleum and mineral reserves, and producing electricity, as the continued search for new sources of oil and energy conflicts with growing efforts to protect and preserve ecosystems and communities.

The Company complies with all environmental regulations prescribed by the DENR. The Company regularly assesses the environmental impact of its business activities and implements control measures to minimize environmental risks. Among other items, the Company regularly incurs expenditures for:

1. prevention, control, abatement or elimination of releases into the air, land and water of pollutants,

2. training of personnel in the event accidents happen to mitigate potential damages,

3. proper disposal and handling of wastes at operating facilities, and

4. promotion of renewable energy sources.

The Company also procures insurance cover for pollution and environmental damage that may be caused by its operations.

The Company's results of operations and financial condition may be adversely affected by risks associated with its efforts in relation to corporate social responsibility.

Many of the Company's operations are located in environmentally sensitive areas and near residential communities. The Company and its subsidiaries and affiliates are at risk with regard to the ethical, social and environmental challenges posed by its operations. There is growing pressure on the Company to closely examine its impacts on, and role within, the society and the communities where it operates. It also faces complex issues as the people in these areas are often economically disadvantaged and characterized by the absence of the proper skills, inadequate governance, a weak supplier base and inadequate physical and social infrastructure. In addition, the Company must adapt to a variety of local conditions, regulations and cultural differences.

In order to manage these challenging issues, the Company focuses not only on financial issues but also on non-financial issues, which have brought a range of benefits in terms of driving continuous improvement in health, safety and environmental performance and risk management, in staff recruitment, retention and motivation, and in terms of reputation enhancement. The Company works hand-in-hand with the host community, in providing medical outreach, jobs and education support. The Company also has begun to recognize that the prospects of gaining new commercial opportunities are enhanced by being the type of company that the Government, partners and suppliers want to work with on non-financial as well as commercial criteria. These are embodied in the Company's vision of aggressively seeking opportunities primarily in the services sector that will allow the organization to address the basic needs of the society, while being globally competitive and generating attractive stakeholder values.

Competition in the businesses of the Company is intense.

The Company and its subsidiaries and affiliates are subject to intense competition. Each of the Company's businesses may be particularly affected by competition as follows:

Power Generation and Supply. The Company competes with other power generating companies in supplying power to customers. With the full implementation of EPIRA and its purpose of establishing a transparent and efficient electricity market via more competition, a substantial number of the Company's customers may choose to buy power from third party suppliers. The execution of bilateral contracts protects the Company because the customers are contractually obliged to purchase exclusively from the Company.

A more competitive environment due to the implementation of Retail Competition and Open Access (RCOA), as set forth by EPIRA, could also result in the emergence of new competitors. There will be some competitors that may have a competitive advantage over the Company due to greater financial resources, more extensive operational experience, and thus be more successful than the Company in acquiring existing power generation facilities or obtaining financing for the construction of new power generation facilities. However, the Company currently has very attractive liquidity and healthy credit ratios which put it in a unique position to pursue its own growth strategies. With an unleveraged balance sheet, a calibrated growth strategy necessary to meet competition can be pursued.

Also, the Company’s existing power generation facilities that operate on diesel fuel have a higher cost of electricity production that may render them uncompetitive to the coal, geothermal and natural gas facilities of its competitors. To decrease costs and increase competitiveness, the Company and its power generating units constantly monitor the trends in the global oil market. TA increases fuel inventory when prices are forecasted to increase to mitigate and manage cost. The Company is also developing other power generation projects that can produce electricity at more competitive rates, particularly the 135 MW clean-coal power plant of SLTEC and the 20 MW geothermal power plant of MGI, which are expected to start commercial operations in the second halves of 2014 and 2013 respectively.

Oil and Gas Exploration. The Company competes with foreign and local exploration companies for acquisition of prospective blocks.

However, due to the capital-intensive nature of oil and gas exploration and the high risks involved, there are oftentimes opportunities to partner with these competing firms and, thereby, mutually spread costs and risks. The Company forged new partnerships and expanded existing alliances with foreign and local companies that share its investment strategy and who can provide capital and technical expertise. Exploration partners include foreign groups such as BHP Billiton and NorAsian Energy Ltd. (controlled by Otto Energy Ltd of Australia) as well as local outfits such as PetroEnergy and Philodrill.

The Company is subject to complex laws and regulations that can adversely affect the cost, manner or feasibility of doing business. Any changes to existing laws may also adversely affect the Company’s results of operations.

Power generation, electricity trading and the exploration, production and sale of oil are subject to extensive national and local laws and regulations. The Company and its subsidiaries may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of anti-pollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the impact of the Company’s operations. Failure to comply with these laws may also result in the suspension or termination of the Company’s operations and subject it to administrative, civil and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company’s costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company’s financial condition and results of operations.

Changes to, or termination of, arrangements with its partners could have an adverse impact on the Company's business operations.

To reduce exploration risks, the Company participates in joint operating or consortium agreements for exploration projects. The agreements include sharing of revenues, costs and technical expertise for the projects. Changes to, or termination of, such arrangements may impede the success of the projects.

In order to mitigate the risks, the Company ensures that its partners in all of its business ventures are credible, reliable and have proven track records. The Company also makes certain that every agreement it enters into has remedy provisions that the defaulting or terminating party shall remain liable for its proportionate share in accordance with its participating interest at the time of default of all costs, expenses and all liabilities.

The Company may not be able to obtain or maintain adequate insurance for its power generation facilities which may have a material adverse effect on the Company's business, financial condition and results of operations.

The business of power generation involves significant hazards, including the risk of fires, explosions, spills, discharge, leaks, and release of hazardous materials, among others. Any of these events may cause loss of life, significant damage to the property and equipment of the Company and its neighbors, and adverse effects on the Company's surrounding environment and may give rise to criminal and administrative offenses or revocation of governmental licenses. These events along with other *force majeure* events such as earthquakes, floods and typhoons could result in significant interruptions to the Company's operations which could adversely affect its business and financial conditions. Finally, power generation facilities, being a heavily equipment-dependent operation, are prone to mechanical and equipment breakdown. These possibilities further add to the risk of plant shutdowns which could materially and adversely affect the Company's electricity supply to its off-takers.

The Company maintains insurance coverage to protect itself against these hazards. There is no assurance however, that existing coverage will provide adequate protection against all events. In addition, the Company's insurance policies are subject to periodic renewal, so the costs, terms and conditions of such policies may increase substantially from one period to the next, due to conditions beyond the Company's control. Any decrease in the scope of its insurance coverage may expose the Company to material losses should any adverse events occur. At the same time, the Company's financial performance may be adversely affected if insurance premiums increase substantially.

Risks Relating to the Company's Growth

The Company may not successfully implement its growth strategy of venturing into new power generation projects which may have different risk and return profiles.

The Company's growth strategy involves (i) entering into new partnerships and alliances, and (ii) investments in new power generation projects. Success in implementing this strategy is dependent on the Company's ability to assess and acquire potential partners and to close financing and acquisition transactions.

Among its new projects, the Company is expanding its power business through the construction and development of a (i) 135MW clean coal-fired power plant through SLTEC, (ii) a 20 MW geothermal power plant through MGI, and (iii) the latest transfer of CIPP's power plant from Calamba, Laguna to Bacnotan, La Union. The Company is also planning to further grow its power portfolio through (i) investments in wind energy development projects, particularly the planned 54MW wind farm in San Lorenzo, Guimaras, (ii) a second 135MW unit of the clean coal-fired power plant of SLTEC, and (iii) possible investments in other power project opportunities, including privatizations of NAPOCOR and PSALM.

This growth strategy will require greater allocation of management resources away from daily operations, and will require the Company to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, which could strain the Company's ability to complete projects at a high level of quality and on time. The Company will be required to manage its internal control and compliance functions to ensure that it will be able to comply with legal and contractual obligations and minimize operational and compliance risks. There can be no assurance that, in connection with its expansion, the Company will not experience capital constraints, construction delays, operational difficulties at new operational locations and training an increasing number of personnel to manage the expanded business. A failure to adapt effectively to the rapid growth, including strains on management and logistics, could result in losses or development costs that are not recovered as quickly as anticipated, if at all. Such problems could have a material adverse effect on the Company's present and expected financial performance.

To mitigate this risk, the Company goes through an extensive and rigorous due diligence investigation of every new project it pursues. Programs that management deem unduly risky, regardless of their potential returns, are not pursued. The Company puts utmost importance on the risk-return assessment on any project.

Failure to obtain financing or the inability to obtain financing on reasonable terms could affect the execution of the Company's growth strategies.

There is no assurance that the Company will be able to raise all of the capital requirements to carry out its growth strategies at acceptable terms. Failure to obtain these financing packages at the desired terms would adversely affect the Company's ability to execute its growth strategies.

Construction of the Company's additional electricity generation facilities and equipment involve significant risks that could lead to increased expenses and lost revenues.

At present, the Company is in the construction stage for the first 135MW unit of the clean coal-fired power plant in Calaca, Batangas which is expected to be completed in the second half of 2014, and the 20MW geothermal plant in Santo Tomas, Batangas, which is expected to be completed in the second half of 2013. It has also completed its feasibility study and is currently undergoing pre-construction activities for a 54MW wind farm in San Lorenzo, Guimaras province. Planning and development is also underway for the second 135MW unit of the clean coal-fired power plant in Calaca, Batangas.

There is a possibility that any or none of these projects may prove to be feasible and even if any of these projects are shown to be feasible, there is no assurance that actual construction and operating costs will approximate those indicated in their respective feasibility studies. Any material deviation from expected project parameters, returns and costs can adversely affect the Company's ability to grow its power generating capacity and therefore its long term revenue growth prospects.

The following are some risks involved in the construction of the Company's additional electricity generation facilities:

1. breakdown of equipment used;
2. failure to obtain necessary governmental permits and approvals;
3. inability to purchase land for the generation facilities;
4. work stoppages and other employee-related actions;
5. major contractual disputes with its EPC Contractor;
6. opposition from host communities and special-interest groups;
7. political and social unrest including terrorism;
8. engineering and environmental problems;
9. delays in construction and operations; and
10. cost overruns

Should the Company experience any of these problems, it may not be able to deliver its power at competitive prices, thereby decreasing profitability.

To manage this risk, the Company employs the services of contractors and suppliers through a stringent decision and awarding process. Some of the factors that influence the decisions are: (i) reputation of the contractor/bidder, (ii) its track record in delivering similar projects, and (iii) the acceptability of its project proposal.

The Company's operations will largely depend on its ability to retain the services of its senior officers.

The Company's directors and members of its senior management have been an integral part of its success. The knowledge, experience and expertise they bring have been key components of the Company's profitability and performance. These are difficult to replace. A change in key Company management and executive personnel may adversely affect its operations and business.

However, in the Company's long history, a high turnover of employees has not been a characteristic of its working environment.

Risks Relating to the Philippines

The operations of the Company are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on the Company.

Historically, the Company's results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy and as a result, its income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso and the imposition of exchange controls.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and global economy, which would be likely to cause economic conditions in the Philippines to deteriorate. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth.

Any political instability in the Philippines may adversely affect the Company.

The Philippines has from time to time experienced political and military instability. The Philippine constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the previous administration. No assurance can be given that the political environment in the Philippines will stabilise. Any political instability in the future result in inconsistent or sudden changes in the economy, regulations and policies that affect the Company, which could have an adverse effect on its business, results of operations and financial condition.

Further, President Benigno S. Aquino III was declared President of the Philippines after the presidential elections held on 10 May 2010. There is no assurance that the new President of the Philippines will continue to implement the economic policies favoured by the previous administration. Any potential political instability could have an adverse effect on the economy and materially impact our results of operations, financial condition and prospects.

Terrorist activities in the Philippines could destabilize the country, adversely affecting the Company's businesses.

The Philippines has been subject to sporadic terrorist attacks in the past several years.

The Company's power generation assets could be vulnerable to terrorist attacks due to their significant impact on local and national economic activity. The occurrence of a terrorist attack at one of the Company's generating assets could have a significant negative impact on the Company's business. There can be no assurance that the Philippines will not be subject to further terrorist or criminal activities in the future, and violent acts arising from, and leading to, instability and unrest may have a material effect on our financial condition, results of operations and prospects.

Any decrease in the credit ratings of the Philippines may adversely affect the Company's business.

The Philippines is currently rated below investment grade by major international credit rating agencies such as Moody's S&P and Fitch. While in recent months these rating agencies have assigned positive or stable outlooks to the Philippines' sovereign rating, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Manpower

As of December 31, 2012, TA has total employees of 79, 50 employees for its Makati office, 14 employees for its power station in Guimaras Island and 15 employees for its power station in Bacnotan, La Union. Of the total employees, 45 are in operations and 34 are in administration.The Company has the intention of hiring additional employees for the ensuing months.

TA has no Collective Bargaining Agreement (CBA) with its employees. No employees were on strike for the past three (3) years nor are they planning to go on strike.

Aside from compensation, TA's employees are given medical, hospitalization, vacation and sick leave, and personal accident insurance benefits. Also, the Company has a retirement fund which is part of the Phinma Jumbo Retirement Plan. It is a funded, noncontributory defined benefit pension plan covering all full-time employees of Phinma and its affiliates. The benefits are based on tenure and remuneration during the years of employment.

Subsidiaries and Affiliates

The Company's subsidiaries and affiliates, and its percentage of ownership are as follows:

Name of Company	Percentage of Ownership
Trans-Asia Renewable Energy Corporation (TAREC)	100.00%
Trans-Asia Petroleum Corporation (TA Petroleum) [formerly Trans-Asia (Karang Besar) Petroleum Corporation]	100.00%
CIP II Power Corporation (CIPP)	100.00%
Trans-Asia Gold and Minerals Development Corp. (TA Gold)	100.00%
Palawan55 Exploration & Production Corporation (Palawan55)	100.00%
Trans-Asia Power Generation Corporation (TAPGC)	50.00%
South Luzon Thermal Energy Corporation (SLTEC)	50.00%
ACTA Power Corporation	50.00%
Asia Coal Corporation (Asia Coal)	28.18%
Maibarara Geothermal, Inc. (MGI)	25.00%

Trans-Asia Renewable Energy Corporation. TAREC is a wholly owned subsidiary of TA. This corporation was incorporated and registered with the SEC on September 2, 1994. TAREC is engaged in the development and utilization of renewable sources of energy (e.g. wind). TAREC has not started commercial operations.

Trans-Asia Petroleum Corporation. TA Petroleum is a wholly owned subsidiary of TA. This corporation was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration & well development. On August 28, 2012, TA Petroleum amended its Articles of Incorporation to change its name to Trans-Asia Petroleum Corporation and increased its authorized capital stock from P40,000,000 to P1,000,000,000. Trans-Asia Petroleum has not started commercial operations.

CIP II Power Corporation . On December 28, 2006, the Company purchased 100% of the shares of stock of CIPP, a wholly owned subsidiary of Ascendas Utilities PTE Limited (Ascendas), a Singaporean corporation. CIPP operated a 21 MW Bunker C-fired power plant in Carmelray Industrial Park II (CIP II) Special Economic Zone in Calamba City, Laguna and the sole provider of power in the industrial park. It was incorporated and registered with the SEC on June 2, 1998 and with the PEZA on June 23, 1998, as an ecozone utilities enterprise, particularly to develop and operate a power supply and distribution system at CIP II Special Economic Zone in Brgy. Punta and Tulo, Calamba City, Laguna. As a PEZA registered company, CIPP is entitled to certain tax incentives which include, among others, a special 5% gross income tax rate as applicable. CIPP ceased operations in April 2009.

In December 2010, CIPP's Board of Directors approved the transfer of its 21MW oil-fired power plant from Laguna to Bacnotan, La Union. In January 2011, the dismantling of power plant facilities started in preparation for the transfer of the power plant to its new location adjacent to the Holcim Cement Plant in Bacnotan. The new location of the plant will not only allow it to serve the requirements of Holcim's plant, but also sell power to the WESM. The plant will operate mostly as a merchant plant, supplying electricity directly to the WESM.

The plant started commercial operations on January 17, 2013.

Trans-Asia Gold and Minerals Development Corp. TA Gold was incorporated and registered with the SEC on July 2, 2007. TA Gold is primarily engaged in the business of mining and mineral exploration within the Philippines and other countries. TA Gold will develop the mineral projects set forth by the Company. Effective March 2009, TA Gold suspended its exploration activities.

Palawan55 Exploration & Production Corporation. Palawan55 is a wholly owned subsidiary of TA. This corporation 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. The corporation has not started its commercial operation.

Trans-Asia Power Generation Corporation . TA embarked on diversification to leverage its risks associated with its main line of business. Besides petroleum operation, Trans-Asia ventured into the business of energy development, principally power generation. It formed TAPGC in a joint venture with Holcim. TAPGC was incorporated on March 14, 1996. It is involved in the operation and maintenance of a power generation plant, including the related facilities, machinery and equipment. The power plant has a capacity of 52 MW and is the sole supplier of Holcim's electricity requirements at the Holcim plant in Norzagaray, Bulacan. Electricity produced is governed by a sales agreement between TAPGC and Holcim. Aside from supplying electricity to Holcim, TAPGC is trading electricity in the WESM. The ERC granted TAPGC a certificate of registration as a Wholesale Generator in October 2006 for its participation in the WESM.

TAPGC was registered with the Board of Investments under the Omnibus Investments Code (OIC) of 1987, otherwise known as Executive Order No. 226, as an operator of a bunker "C" fired power plant on a preferred status. As a registered enterprise, TAPGC is entitled to certain tax and nontax incentives under the provisions of the OIC subject to certain requirements under the terms of its registration. These incentives include, among others, income tax holiday for six years which expired in February 2004. On January 1, 2013 Holcim Philippines executed a Share Purchase Agreement for the purchase by Trans-Asia Oil of Holcim's 50% stake in TAPGC.

South Luzon Thermal Energy Corporation. TA entered into a joint venture with Ayala Corporation in June 2011 to undertake the construction of a 135-MW clean coal power plant in Calaca, Batangas. The project is managed by a new entity, SLTEC, owned 50-50 by Trans-Asia and ACEHI, the power arm of the Ayala conglomerate.

Total project cost of SLTEC may reach P12.9 billion and will be financed by a combination of debt and equity. The project reached financial close in October 2011 when SLTEC signed a P9.0 billion project loan facility with lenders Banco de Oro Universal Bank, Inc., Security Bank Corporation and Rizal Commercial Banking Corporation.

The plant is being constructed by D. M. Consunji, Inc. with the equipment to be supplied from China through China National Technical Import and Export Corporation. The project officially commenced in December 2011 and the plant is expected to start commercial operations by the last quarter of 2014.

TA will purchase all the power generated by the power plant in accordance with a 15-year exclusive power purchase agreement with SLTEC. This will help sustain and support the electricity supply business of the Company.

ACTA Power Corporation. TA entered into a joint venture with Ayala Corporation in February 2012. The new entity, ACTA, is owned 50-50 by Trans-Asia and ACEHI. ACTA has not started commercial operations.

Asia Coal Corporation. Asia Coal was incorporated in the Philippines on August 7, 1991 to engage in the trading of coal. The heightening of competition in the Philippine coal market plus the entry of new traders in 2000 which caused a drastic drop in trading margins put Asia Coal's ability to generate profits under great uncertainty. Thus, the shareholders of Asia Coal decided to cease all trading operations beginning November 1, 2000. Since then, Asia Coal's activity has been limited to money market placements.

On April 26, 2005, the SEC approved the reduction of Asia Coal's authorized capital stock from ₱20 million, consisting of 200,000 shares, with a par value of Php100 per share, to ₱5 million, consisting of 50,000 shares, with the same par value. On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of the Company to October 31, 2009. The Company shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As of February 21, 2011, Asia Coal has filed with the Bureau of Internal Revenue the request for tax clearance in connection with the filing with the SEC of its application for dissolution.

Maibarara Geothermal, Inc. . MGI was incorporated and registered with the SEC on August 11, 2010, to implement the integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. As of June 30, 2012, drilling of the first production well has begun. Commissioning is expected in the second half 2013.

Item 2. Properties

Trans-Asia owns the following fixed assets:

Properties	Location	Amount
Land	Bacnotan, La Union	₱10,800,000
Building and improvements	Makati City, Guimaras and Bacnotan, La Union	171,263,159
Machinery and equipment	Guimaras, Cagayan Valley and Bacnotan, La Union	714,489,353
Wells, platforms and other facilities	Palawan	20,346,661
Transportation equipment	Makati City, Guimaras and Bacnotan, La Union	16,835,899
Mining and other equipment	Makati City, Guimaras	36,502,498
Office furniture, equipment and others	Makati City, Guimaras and Bacnotan, La Union	31,278,401
Total		**₱1,001,515,971**
Less: Accumulated depletion, depreciation and amortization		395,096,318
Net		**₱606,419,653**

Source: Audited consolidated financial statements as of December 31, 2012

Machinery and equipment includes a 3.4 MW power station constructed by the Company in the island of Guimaras. This includes cost of construction, plant and equipment and other direct costs. The installation of the power plant and construction of related facilities were completed in February 2005. The power plant was mortgaged in favor of a bank which provided a term loan. On September 27, 2007, the bank released the chattel mortgage.

Building and improvements are located in the Phinma Plaza, Rockwell Center, Makati City. They include the Company's share in the construction cost of Phinma Plaza which was completed in October 2001 and where the Company holds its office. Also included in building and improvements are leasehold improvements located in Guimaras and buildings of CIPP in Bacnotan, La Union.

Wells, platforms and other facilities are located in Palawan. These assets were fully depreciated. Transportation equipment covers vehicles used by officers and personnel based in Makati, Guimaras and Bacnotan, La Union. Mining equipment, office furniture, and equipment are being used in Makati, Guimaras, and Bacnotan.. The Company has complete ownership of the above properties which have no mortgages or liens.

TAREC had a wind monitoring tower constructed in Sual, Pangasinan in 2005, however, the wind measurement had not reached the required level to operate the wind tower commercially. In August 2007, the wind tower was transferred to San Lorenzo, Guimaras. Four additional wind monitoring towers were constructed and are still operating in Guimaras and Cagayan Valley.

As of December 31, 2012, the Company completed the commissioning of CIPP's 21 MW bunker C-fired power plant that was transferred from Calamba, Laguna to Bacnotan, La Union.

For the next 12 months, the Company will acquire machinery and equipment, furniture and fixtures, office equipment and transportation equipment which will utilize company's funds or bank loans. Total cost of the expenditures is not yet available.

Item 3. Legal Proceedings

There are no pending legal proceedings involving claims for damages the aggregate amount of which exceeds 10% of the current assets of the registrant or any of its subsidiaries. Likewise, no legal proceedings of such nature were terminated during the fourth quarter of the calendar year covered by this report.

Item 4. Submission of Matters to a Vote of Security Holders

As of January 31, 2013, there were 4,857,258,870 shares of Trans-Asia common stock outstanding and entitled to vote at the Annual Stockholders' Meeting. Only holders of the Company's stock of record at the close of business on February 19, 2013 acting in person or by proxy on the day of the meeting are entitled to notice and to vote at the Annual Stockholders' Meeting to be held on March 21, 2013.

Cumulative voting is allowed for election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

PART II – SECURITIES OF THE REGISTRANT

Item 5. Market Price of and Dividend on Registrant's Common Equity and Related Stockholder Matters

Market Price

Trans-Asia's common shares are listed with the Philippine Stock Exchange (PSE). Below are the high and low sales prices for January 31, 2013 and for the calendar years 2012, 2011 and 2010:

Period	High	High adj.	Low	Low adj.
Calendar Year 2013				
January 31	1.78		1.17	
Calendar Year 2012				
First Quarter	1.41	1.31	1.11	1.03
Second Quarter	1.29	1.20	1.18	1.10
Third Quarter	1.26	1.17	1.14	1.06
Fourth Quarter	1.32	1.23	1.08	1.08
Calendar Year 2011				
First Quarter	1.26		1.01	
Second Quarter	1.26		1.01	
Third Quarter	1.20		0.90	
Fourth Quarter	1.15		0.94	
Calendar Year 2010				
First Quarter	1.48		1.18	
Second Quarter	1.40		1.14	
Third Quarter	1.24		1.10	
Fourth Quarter	1.18		1.06	

Stockholders

The Company had 3,269 registered shareholders as of December 31, 2012. Public float level is 45.20% (or 2,195,476,759 common shares).

The following table sets forth the top 20 shareholders of the Company, their nationality, the number of shares held, and the percentage of ownership as of January 31, 2013.

No.	Name of Stockholders	Citizenship	No. of Shares Held	% of Ownership
1	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino	Filipino	3,625,985,209	74.65%
2	Phinma Corporation (formerly Bacnotan Consolidated Industries, Inc.)	Filipino	449,331,621	09.25%
3	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	Foreign	433,410,676	08.92%
4	Philippine Investment Management Consultants, Inc.	Filipino	201,850,614	04.16%
5	Emar Corporation	Filipino	37,283,937	00.77%
6	Francisco L. Viray*	Filipino	4,266,703	00.09%
7	Alberto Tio Ong	Filipino	4,250,000	00.09%
8	Albert Mendoza &/OR Jeannie Mendoza	Filipino	2,987,967	00.06%
9	Albert Awad	American	2,912,188	00.06%
10	Phil. Remnants Co., Inc.	Filipino	2,801,218	00.06%
11	Peter Mar or Annabelle C. Mar	Filipino	2,040,000	00.04%
12	Renato O. Labasan	Filipino	1,520,000	00.03%
13	Teresita A. Dela Cruz	Filipino	1,502,221	00.03%
14	Belek, Inc.	Filipino	1,484,002	00.03%
15	Joseph D. Ong	Filipino	1,397,663	00.03%
16	William How &/OR Benito How	Chinese	1,333,914	00.03%
17	Rizalino G. Santos	Filipino	1,254,385	00.03%
18	Victor J. Del Rosario or Ma. Rita S. Del Rosario	Filipino	1,125,639	00.02%
19	Alexander J. Tanchan &/or Dolores U. Tanchan	Filipino	1,072,867	00.02%
20	Benjamin S. Austria	Filipino	1,022,982	00.02%

*The total number of shares owned by Dr. Francisco L. Viray as of January 31, 2013 is 8,643,245 shares of which 4,376,542 shares are lodged in AB Capital Securities, Inc. (a PCD participant) while 4,266,703 shares are certificated.

Dividends

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration.

The company declares cash or stock dividends to its common shareholders on a regular basis, in amounts determined by the Board, taking into consideration the Company's results of operations, cash position, investment and capital expenditure requirements, and unrestricted retained earnings. The Company may also declare special cash dividends where appropriate

Dividends declared and paid in 2007 up to 2012 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
April 2, 2007	Cash	0.04 per share	April 19, 2007	May 23, 2007
March 25, 2008	Cash	0.04 per share	April 11, 2008	May 8, 2008
March 16, 2009	Cash	0.04 per share	March 30, 2009	April 27, 2009
March 24, 2010	Cash	0.04 per share	May 3, 2010	May 28, 2010
March 21,2011	Cash	0.04 per share	April 11,2011	May 4, 2011
February 16, 2012	Cash	0.04 per share	March 1, 2012	March 27, 2012

No stock dividend was declared for the calendar years 2007 up to 2012.

As of December 31, 2012, Trans-Asia’s retained earnings amounted to ₱1,942.2 billion, of which ₱109.9 million were equity in net earnings of investee companies that are not available for dividend declaration.

Sale of Unregistered Securities Within the Last Three (3) Years

On April 2, 2007, the Company’s Board of Directors and Stockholders approved a total of 100 million shares to be taken from the unsubscribed portion of the Company’s 2 billion authorized shares as (a) stock grants for officers and managers of the Company; and (b) stock options for directors, officers and employees of TA and its subsidiaries and affiliates under the terms and conditions as may be determined by the Executive Committee. On May 7, 2008, the Company suspended that Stock Option Plan. The Company implemented the Company’s Stock Grants Plan for its executives which resulted in the issuance of 0.3 million and 4.7 million shares in first semesters ended June 30, 2009 and June 30, 2008, respectively. The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria. Issuance of these shares are exempt from registration under Section 10.2 of the Securities Regulation Code which states that the Commission may exempt certain transactions if it finds that the requirements for registration under the Code is not necessary in the public interest or for the protection of the investors such as by reason of the small amount involved or the limited character of the public offering. The Plan falls under Section 10.2 because the offer is limited only to qualified directors, officers and employees of TA and its subsidiaries and affiliates.

Trans-Asia issued 552,528,364 shares at ₱1.10 per share and 1,165,237,923 shares at ₱1.00 per share to its stockholders by way of stock rights offering on December 11, 2007 and June 3, 2011, respectively. Both rights offering were classified as an exempt transaction under Section 10.1 (e) of the Securities Regulation Code. Trans-Asia did not engage an underwriter for the offering, but PHINMA and PHINMA Corp. committed to subscribe to any shares not taken up by the stockholders.

Trans-Asia issued 1,627,395,343 shares at ₱1.00 per share by way of stock rights offering on November 27, 2012. The offering was an exempt transaction under Section 10.1 (e) of the Securities Regulation Code. Trans-Asia did not engage an underwriter for the offering, but PHINMA and PHINMA Corp. committed to subscribe to any shares not taken up by the stockholders.

Trans-Asia issued 400,000,000 shares at ₱1.00 per share by way of private placement on Dec. 3, 2012. The offering was an exempt transaction under Section 10.1 (k) and (l) of the Securities Regulation Code. Maybank ATR KIM ENG Capital Partners, Inc. acted as underwriter.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis of Operations

Calendar Year 2012

Oil and Gas

SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Plc., the Operator, completed a geophysical review of the block.

Partners approved the conduct of a new 500 sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry your Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two (2) wells, in exchange for the assigned 70% participating interest.

Block B

Approval of the assignment of 70% of the farming out parties' ("Farmors" which includes Trans-Asia) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farminees") remains pending with the Department of Energy.

Under the Farm-in Agreement dated February 4, 2011, the Farminees shall shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil.

Your Company holds 2.334% and 4.2189% participating interests in Block A and Block B, respectively.

SC 14 Block B-1 (Offshore Northwest Palawan)

The North Matinloc field produced 10,517 barrels of oil in year 2012.

Your Company has 6.103% participating interest in the block.

SC 51 (Northwest Leyte/Cebu Strait)

In April 2012, the Operator, Otto Energy Investments Ltd. (formerly "NorAsian Energy Ltd.") commenced a 100-km 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, whose reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.

In mid-May 2012, the seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the Department of Energy granted the consortium's request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by yearend.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in northwest Leyte as work commitment.

Swan Oil and Gas Ltd. withdrew from SC 51 in September 2013 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto, and as between Otto and the Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation over the South Block on October 23, 2012. Under said Agreement, Frontier has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2014 to July 8, 2015). Frontier may exercise its option no later than January 31, 2013.

Your Company owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The Department of Energy approved a 12-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation, the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well.

The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Your Company's 6.82% participating interest will be carried in the drilling cost of Cinco-1 under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy Investments Ltd.

SC 69 (Camotes Sea)

Interpretation of the 229 sq. km. 3D seismic data acquired in June 2011 generated three (3) drillable prospects.

The DOE granted the consortium's request for a 9-month extension of the current Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

SC 52 (Cagayan Province)

Trans-Asia and Frontier Oil Corporation ("Frontier") executed on January 12, 2012 a Farm-in Option Agreement which granted Trans-Asia the option to acquire 10% participating interest from Frontier, which may be exercised after completion of re-entry and testing of the Nassiping-2 well.

The Nassiping-2 well was drilled by Petro-Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

Trans-Asia and Frontier signed an Amendment Agreement extending the former's option to 90 days after completion of programmed re-testing operations on the Nassiping-2 well.

The Department of Energy approved the consortium's entry into Sub-Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping-2 Stimulation and Testing Program as work commitment.

Frontier suspended the Stimulation and Testing Program in December 2013 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Preparations are underway for the testing of the well in the second quarter of 2013.

GEOTHERMAL

Maibarara Geothermal Incorporated

MGI, 25% - owned subsidiary of your Company, completed the balance of well requirements (1 additional production well and 1 reinjection well for power plant condensates) for the proposed 20 MW power plant.

MGI signed an Engineering, Procurement and Construction contract with Meralco Industrial Engineering Corporation (MIESCOR) covering the transmission line component of the project. Under the EPC contract, MIESCOR shall complete the construction and testing of a 6-km 115 kv transmission facility by end May 2013.

MGI also signed an Interconnection Agreement with Manila Electric Company (MERALCO) for the physical interconnection of MGI's transmission line to MERALCO's 115 kv line in Calamba, Laguna.

Overall progress of steamfield (fluid collection and reinjection system) construction, which is managed by MGI directly, is around 54% as of yearend.

The EPC contract with EEI Corporation for the construction and delivery of a 20 MW geothermal power plant and related site facilities has achieved 57% overall accomplishment as of yearend.

Power plant commissioning is expected in the third quarter of 2013.

Financial Performance
2012 vs 2011

Consolidated revenues increased by 19% from ₱1.36 million to ₱1.62 billion. Following are the material changes in revenues in the Consolidated Statements of Income between 2012 and 2011:

- Generation revenues went up from ₱63.60 million to ₱75.07 million due to higher energy sold by Guimaras power plant brought about by the plant's participation in the electricity supply business beginning March 2011.
- Net trading income rose to ₱747.05 million as compared with ₱524.31 million due to higher power rates and higher energy sales in kWh.
- Interest and other financial income decreased from ₱77.08 million to ₱75.86 million due lower interest rates.
- Dividend income fell from ₱15.79 million to ₱8.30 million. Dividend income in 2011 included dividends received from Union Galvasteel Corp. (UGC) and higher cash dividends declared by Asian Plaza.
- Rental income decreased from ₱5.33 million to ₱4.86 million due termination of a lease contract with AB Capital Securities, Inc.
- The increase in the Company's share in generation revenues of a joint venture from ₱665.52 million to ₱700.61 million due to higher power rates.
- The Company's share in other income of joint ventures increased from ₱7.37 million to ₱9.14 million. The latter includes financial income of Trans-Asia Power Generation Corporation (TAPGC) and SLTEC.

Consolidated costs and expenses increased to ₱965.24 million in 2012 from ₱869.94 million in the same period last year. Following are the material changes in costs and expenses in the Consolidated Statements of Income between 2012 and 2011:

- Cost of power generation increased to ₱61.91 million from ₱49.39 million as a result of higher energy sold and fuel costs.
- Cost of power plant on standby went down from ₱58.48 million to ₱49.11 million due to capitalization of expenses of CIPP plant.
- General and administrative expenses increased to ₱289.93 million from ₱278.42 million brought about by higher taxes & licenses paid in 2012.
- The Company's share in cost of power generation of a joint venture increased from ₱446.39 million to ₱520.26 million as a result of higher fuel costs and repairs and maintenance.
- The increase in the Company's share in general and administrative expenses of joint ventures to ₱44.03 million from ₱37.27 million was brought about by the share in general and administrative expenses of SLTEC which was incorporated on July 29, 2011.

From a total other income of ₱36.91 million in 2011, the company incurred a net other expense of ₱1.1 million in 2012. Following are the material changes in other income and expenses in the Consolidated Income Statements between 2012 and 2011:

- The Company reported a net gain on its currency forward contracts of ₱9.36 million in 2012 as compared with ₱9.63 million in the same period last year. This was due to the more foreign currency contracts entered into in 2011.
- The Company incurred foreign exchange loss of ₱27.20 million from its foreign currency denominated financial assets in 2012 as compared with ₱5.96 million in the same period last year. This was brought about by the appreciation of the Peso vis-a-vis the US dollar particularly in 2012.
- The Company reported a ₱4.05 million gain on sale of interest in SC 69 in 2011.
- Gain on sale of available-for-sale investments amounting to ₱0.08 million was reported in 2012 as compared with ₱1.89 million losses in the same period last year due to lower market value of investments in 2011.
- Gain on sale of property and equipment of ₱0.18 million was reported in 2012 as compared with ₱0.16 million loss for the same period last year.
- The Company reported a gain on sale of asset held for sale of ₱11.02 million in 2012.
- The Company reported a ₱30.73 million option fee received from a third party related to the Company's Camarines Norte MPSA in 2012 as compared with ₱21.94 million option fee received in 2011.
- The Company wrote off the remaining ₱6.02 million property and equipment in Calamba, Laguna in 2012 as compared with ₱ 14.25 million cost of CIPP's Laguna power plant building written-off in the same period last year.
- Equity in net losses of associates decreased to ₱6.66 million from ₱7.23 million in 2011 brought about by lower net losses incurred by investee MGI.
- The Company set-up provision for doubtful accounts of ₱2.09 million in 2012.
- The Company reported ₱11.25 million income in 2011 which represents reimbursement of expenses incurred in relation to coal project which was incurred in 2010.
- Reversal of provision for impairment loss of ₱11.47 million in relation to Camarines Norte MPSA was reported in 2011 while a provision for impairment loss amounting to 12.87 million was made in 2012 for the SC 52 project
- Other income fell to ₱2.39 million from ₱8.06 million in 2011. Other income consists of other miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Provision for income tax in 2012 rose to ₱180.07 million from ₱148.55 million due to higher taxable income. Provision for deferred income tax of ₱1.95 million was reported in 2012 as compared to benefit from deferred tax of ₱35.17 million in the same period last year. Company's share in income tax of a joint venture decreased to ₱1.37 million from ₱4.37 million due to lower taxable income reported this year.

A net income stood at ₱471.17 million was reported in 2012 as compared to ₱408.22 million in the same period last year.

Total consolidated assets increased to ₱7.69 billion as of December 31, 2012 from ₱5.27 billion as of December 31, 2011. Total consolidated liabilities also increased to ₱747.42 million from ₱696.57 million. Equity increased from ₱4.57 billion to ₱6.94 billion.

Following are the material changes in the accounts in the Consolidated Balance Sheets between December 31, 2012 and 2011:

- Cash and cash equivalents increased from ₱874.44 million to ₱907.60 million. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- The Company reported short-term investments of ₱1.56 billion and available-for-sale investments of ₱54.00 million which represents net proceeds from stock rights offering.
- Investments held for trading decreased to ₱835.01 million from ₱871.18 million. The Consolidated Statements of Cash Flows show details of material changes in investments held for trading.
- Receivables went up from ₱457.41 million to ₱626.79 million mainly due to current portion of receivable from Udenna Energy Corporation (UdEC) and increase in trade and nontrade receivables.
- The increase in fuel and spare parts from ₱71.61 million to ₱133.93 million was brought about by the increase in the quantity of bunker fuel purchased. The Company maintains bunker fuel inventories for the Subic power plant under its Power Administration and Management Agreement (PAMA) with One Subic Power Corporation.
- The company reported an asset held for sale of ₱64.57 million as of December 31, 2011 which was subsequently sold in September 2012.
- Other current assets rose to ₱ 66.98 million from ₱47.31 million brought about by the increase in input taxes due to capital expenditures of CIPP's power plant in La Union.
- The Company's share in current assets of joint ventures went up from ₱585.13 million to ₱678.71 million due to increase in the current assets of SLTEC
- Property, plant and equipment rose from ₱482.05 million to ₱606.42 million due to additional capital expenditures of CIPP's power plant in La Union.
- Investment in associates increased from ₱119.66 million to ₱178.18 million due to additional investment in MGI.
- Investment properties went down to ₱19.14 million from ₱21.10 million due to depreciation expense during the period.
- The decrease in deferred exploration cost from ₱98.69 million to ₱72.22 million was due to reimbursement received in 2012.
- Deferred income tax asset decreased from ₱11.29 million to ₱7.98 million brought about by reversal of deferred tax asset.
- The increase in Company's share in noncurrent assets of joint venture to ₱1.72 billion from ₱1.36 billion was due to capital expenditures of SLTEC, whose plant is currently under construction.
- The increase in accounts payable and other current liabilities from ₱479.17 million to ₱522.47 million was due to higher trade payables brought about by increase in cost of power purchased.
- Due to stockholders increased from ₱7.93 million to ₱9.03 million due to unclaimed cash dividend checks.
- Income and withholding tax payable went down from ₱77.78 million to ₱25.40 million due to the payment of income tax payable in April 2012.
- The Company's share in current liabilities of joint ventures rose to ₱165.27 million from ₱104.09 million due to increase in the current liabilities of SLTEC.
- Pension and other post-employment benefits increased from ₱13.19 million to ₱14.33 million due to additional pension expense accrued in 2012.
- Other noncurrent liabilities went down from ₱7.13 million to ₱5.74 million due to reclassification to current liabilities.
- The decrease in Company's share on noncurrent liabilities of joint ventures from ₱7.28 million to ₱5.18 million was due to non-recognition of deferred tax liabilities.
- The Company's capital stock increased by 72% from ₱2.83 billion to ₱4.86 billion mainly due to the Company's stock rights offering in November 2012.

- Additional paid-in capital decreased from ₱42.82 million to ₱24.03 million due to expenses related to the stock rights offering of ₱18.79 million.
- Other equity reserve decreased from ₱30.54 million to ₱27.38 million due to expenses related to the issuance of stocks of joint venture.
- Unrealized fair value gains on available-for-sale investments increased by 15% from ₱74.17 million to ₱84.99 million due to higher market value of the investments.
- The Company's share in unrealized fair value gains on available-for-sale investments of a joint venture declined from ₱13.64 million to ₱13.14 million due to lower market value of an investment.
- Retained earnings increased from ₱1.59 billion to ₱1.94 billion due to the net income earned in 2012.
- Parent company's shares of stock held by joint venture increased from ₱7.33 million to ₱11.47 million. Trans-Asia Power Generation Corporation (TAPGC) exercised its right in relation to the Company's stock rights offering.

The top five (5) key performance indicators of Trans-Asia and its majority-owned subsidiaries, as consolidated, are the following:

Key Performance Indicators	**31-Dec-12**	**31-Dec-11**	**Remarks**
Liquidity Ratio Current ratio	6.73	4.44	Increase in 2012 is due to ₱1.61 billion Short-term investments which is the net proceeds from the SRO in November 2012.
Financial Leverage Ratio Debt to equity	0.11	0.15	Decrease in ratio is also due to the increase equity brought about by the SRO in November.
Profitability Ratio Return on equity	8%	11%	ROE decrease in spite of higher net income was brought about by the increase in capital stock due to SRO.
Efficiency Ratio Return on assets	9%	10%	ROA decrease in spite of higher income following the increase in total assets due to the net proceeds of SRO.
Asset turnover	0.82	0.98	Turnover went down as gross revenues increased by 22% as compared to 47% increase in total assets.

During The Calendar Year 2012:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining 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 Consolidated Financial Statements.
- The Company had not been involved in any business combinations, acquisition of subsidiaries and long-term investments, restructuring and discontinued operations except for the investment of the Company in ACTA, a joint venture with AC Energy Holdings, Inc.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date except those already disclosed in the Consolidated Financial Statements.
- 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.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company except for those mentioned above.
- 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 except for those mentioned above.
- 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 except for those mentioned above.

Calendar Year 2011

To manage the high risks inherent in petroleum exploration, the Company forged new partnerships and expanded existing alliances with foreign and local companies that share its investment strategy and can provide capital and technical expertise.

SC 51 (Cebu Strait/Northwest Leyte)

The consortium and Swan Oil and Gas Ltd. (Australia) signed on February 3, 2011 an Amendment Deed to the Farm-in Agreement among the Filipino partners and the Operator, NorAsian Energy Ltd., that provided for the farm-in of Swan, the drilling of an onshore well in northwest Leyte in fulfillment of Sub-Phase 3 obligation, options for the drilling of the offshore Argao-1 well and a second onshore well.

NorAsian spudded the Duhat -1 well in San Isidro, Leyte on April 20, 2011. Programmed total depth of the well was 1,000 meters with reservoir objectives within the 400 to 1000-meter depth interval. The well was sidetracked when the drill string got stuck at a depth of 325 meters due to overpressured rock formation. The sidetrack well, Duhat-1A, was plugged and abandoned at a depth of 322 meters following unsuccessful attempts to penetrate the same overpressured formation encountered in Duhat-1.

The Department of Energy approved the consortium's entry into Sub-Phase 4 (July 31, 2011 to July 31, 2012) and the proposed substitution of a minimum 100-km onshore 2D seismic program in lieu of a well, as work commitment for said Sub-Phase.

Partners finalized an amended Farm-in Agreement under which NorAsian and Swan retained their respective 40% participating interests in the onshore portion (Northwest Leyte) of the contract area, but shall jointly carry the Filipino partners' share of costs under Sub-Phase 4 and the drilling of one (1) onshore well in Sub-Phase 5 (July 31, 2012 to July 31, 2013). On the other hand, Swan retained 80% participating interest in the offshore portion (Cebu Strait), but shall drill the Argao -1 well in Sub-Phase 5 and shoulder the Filipino partners' share of drilling costs.

Trans-Asia owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The DOE approved the assignment of the Company's 8.18% participating interest to NorAsian Energy Ltd. In accordance with the Agreement of February 3, 2011. NorAsian shall carry the Company's 6.82% residual interest in the costs of the second well in the contract area. Pursuant to the Participation Agreement dated March 15, 2005, NorAsian shall also fund the Company's share of drilling expenditures for the first well under SC 55.

In December 2011, BHP Billiton Petroleum (Philippines) Corporation (Canada) acquired 60% participating interest in SC 55 from NorAsian. Under its agreement with NorAsian, BHP Billiton assumed operatorship of SC 55 and shall drill the obligatory first deepwater exploratory well before the end of Sub-Phase 4 on August 5, 2012.

SC 69 (Camotes Sea)

The consortium completed in June 2011 the acquisition of 229 sq. km. of 3D seismic data over two (2) deepwater prospects mapped from an earlier 2D seismic campaign.

The DOE approved the transfer of the Company's 9% and 15% participating interests to its partner, NorAsian Energy Philippines, Inc. and to Frontier Gasfields Pty. Ltd. (Australia), pursuant to separate agreements. Under the Agreement dated February 3, 2011, NorAsian Philippines shall pay the cost of the first well that is attributable to the Company's residual 6% participating interest in SC 69.

Processing of the 3D seismic data continued as of yearend.

SC 6 (Offshore Northwest Palawan)

Block A

Trans-Asia and all its consortium partners entered into a Farm-in Agreement with Pitkin Petroleum Plc (U.K.) on July 11, 2011 assigning 70% participating interest in the block to the latter, in exchange for a free-carry in a new 500-sq. km. 3D seismic program and the drilling of two (2) wells.

Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. ("Farminees") exercised their option to acquire 70% participating interest of the farming out parties, which includes the Company. The Farminees shall shoulder all of the farming out parties' share of exploration and development expenditures up to the production of first oil in the block.

The Company holds 2.334% and 4.2189% participating interests in Block A and Block B, respectively.

SC 14 Block B-1 (Offshore Northwest Palawan)

The North Matinloc field produced 16,109 barrels of oil in year 2011. The Company has 6.103% participating interest in the block.

Minerals

MPSA 252-2007-V (Camarines Norte)

The Office of the President denied the Company's Appeal for reversal of the decision of the Department of Environment and Natural Resources (DENR) excising portions of the MPSA covered by alleged mineral patents of a third party.

Subsequently, the Company elevated the case to the Court of Appeals.

The Company signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc., subject to certain conditions for a total consideration of US$4.0 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$500,000 (₱21.93 million) was recognized in the 2011 consolidated statement of income.

Financial Performance
2011 vs 2010

Consolidated revenues rose to ₱1.359 billion in 2011 from ₱894.3 million in 2010. Following are the material changes in revenues in the Consolidated Statements of Income between 2011 and 2010:

- In spite of lower energy sold by Guimaras power plant, generation revenues increased from ₱55.6 million to ₱63.6 million due to higher power rates per kilowatt hour (kWh) and the plant's participation in electricity supply business beginning March 2011.
- Net trading income of ₱524.3 million was reported in 2011 as compared with ₱60.3 million net trading loss in 2010 due to higher power rates and higher energy sales in kWh. The availability of additional plant capacity through a Power Administration and Management Agreement (PAMA) with One Subic Power Generation Corporation, or One Subic, and Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation in 2011 protected the Company from higher WESM prices while providing opportunities to sell excess capacities in the market.
- Interest and other financial income increased to ₱77.1 million from ₱70.1 million due to higher fair value of investments held for trading.
- Dividend income doubled from ₱7.1 million to ₱15.8 million due to higher dividends from Asian Plaza.
- Rental income decreased from ₱6.8 million to ₱5.3 million due to termination of lease contract where the Company is the lessor.
- The drop in the Company's share in generation revenues of a joint venture from ₱754.3 million to ₱665.5 million was brought about by lower power rates and lower energy sold.
- The Company's share in other income of a joint venture rose to ₱7.4 million from ₱0.4 million due to higher interest income brought about by higher short-term placements.

Consolidated costs and expenses decreased to ₱869.9 million in 2011 from ₱995.3 million in 2010. Following are the material changes in costs and expenses in the Consolidated Statements of Income between 2011 and 2010:

- Cost of power generation increased to ₱49.4 million from ₱44.5 million as a result of higher fuel costs and cost of repairs and maintenance.
- Cost of power plant on standby doubled from ₱29.5 million to ₱58.5 million. Included in the cost of power plant on standby in 2011 is the cost of dismantling the power plant which was transferred to Bacnotan, La Union.
- General and administrative expenses rose to ₱278.4 million from ₱165.5 million brought about by higher management and professional fees. Management fees are based on a certain percentage of the Company's operating results. Professional fees include fee paid to ING Bank N. V. as financial adviser in getting AC Energy Holdings, Inc. as a partner in the company's coal project.
- The Company's share in cost of power generation of joint ventures decreased to ₱446.4 million from ₱670.6 million as a result of lower energy generated and purchased from WESM.
- The increase in the Company's share in general and administrative expenses of joint ventures to ₱37.3 million from ₱24.9 million was brought about by the share in general and administrative expenses of SLTEC which was incorporated on July 29, 2011.

Other income dropped from ₱113.3 million in 2010 to ₱36.9 million in 2011. Following are the material changes in other income and expenses in the Consolidated Income Statements between 2011 and 2010:

- The Company reported a net gain on its currency forward contracts of ₱9.6 million in 2011 as compared with ₱45.8 net gains in 2010. This was due to the appreciation of peso vis-a-vis the US dollar in 2011.
- The Company incurred foreign exchange loss of ₱6.0 million from its foreign currency denominated financial assets in 2011 which is lower than ₱31.0 million in 2010. This was brought about by the higher appreciation of peso vis-a-vis the US dollar in 2010.

- The Company had written-off ₱14.2 million of property, plant and equipment representing the remaining cost of the plant and administrative building of CIPP in Laguna.
- The Company reported a ₱4.0 million gain on sale of interest in SC 69 in 2011.
- The Company earned ₱58.6 million in 2010 from the sale of its royalty interest in the Cadlao Production Area, Northwest Palawan under Service Contract No. 6.
- Loss on sale of available-for-sale investments of ₱1.9 million was incurred in 2011 as compared with ₱0.06 million gains in 2010 due to lower market value of investments.
- Higher loss on sale of property, plant and equipment of ₱162.4 thousand was reported in 2011 as compared with ₱34.3 thousand losses in 2010.
- Gain on sale of inventories of ₱8.8 million was reported in 2010. This mainly represents the sale of CIPP's bunker fuel inventory.
- Reversal of provision for impairment loss of ₱11.5 million in relation to Camarines Norte MPSA was reported in 2011.
- The Company recognized impairment loss of ₱22.6 million in 2010 covering its investment in unlisted shares of stock.
- In 2010, the Company reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.3 million in 2010.
- Long outstanding trade receivable of CIPP amounting to ₱6.7 million was provided with an allowance in 2010.
- The Company reported ₱11.3 million income in 2011 which represents reimbursement of expenses in relation to coal project which was incurred in 2010.
- Income from option fee increased to ₱21.9 million in 2011 from ₱11.5 million in 2010. The 2011 income represents option fee received from a third party related to the Company's Camarines Norte MPSA while the 2010 income is related to the Company's SC 55.
- Equity in net losses of associates more than doubled from ₱3.4 million in 2010 to ₱7.2 million in 2011 brought about by higher net losses incurred by investees, particularly from Maibarara Geothermal, Inc. (MGI), a 25% associate of the Company which is in preoperating stage.
- Surety bond related charges of ₱8.3 million was reported on 2010 as a result of the Company's participation in a number of biddings for power plants.
- The Company reported a ₱36.9 million receipt of tax credits in 2010 which represents the refunds of duties and taxes from the Bureau of Customs arising from the Company's fuel purchases in previous years.
- Other income of ₱8.1 million was reported in 2011 which is higher than the ₱3.5 million reported in 2010 consisting of miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Provision for income tax in 2011 rose from ₱3.0 million to ₱148.6 million due to higher taxable income. Benefit from deferred income tax also increased to ₱35.2 million from ₱0.6 million due to recognition of deferred tax assets. Company's share in income tax of a joint venture of ₱4.4 million was reported in 2011 while ₱4.8 million Company's share in benefit from deferred income tax of a joint venture was reported in 2010.

Total consolidated assets rose to ₱5.3 billion as of December 31, 2011 from ₱3.4 billion as of December 31, 2010. Total consolidated liabilities increased to ₱696.6 million from ₱387.4 million. Equity also increased from ₱3.0 billion to ₱4.6 billion.

Following are the material changes in the accounts in the Consolidated Balance Sheets between December 31, 2011 and 2010:

- Receivables went up from ₱220.0 million to ₱457.4 million mainly due to increase in electricity supply business revenues.
- The increase in fuel and spare parts from ₱27.3 million to ₱71.6 million was brought about by the increase in the quantity of bunker fuel purchased coupled with higher fuel cost per liter. In 2011, the Company maintains bunker fuel inventories for the Subic power plant under its PAMA with One Subic).

- The Company reported a ₱64.6 million asset held for sale which represents the land and tank farm of CIPP in Laguna.
- Other current assets decreased to ₱47.3 million from ₱79.6 million brought about by the assignment of the CIPP's Tax Credit Certificates issued by the Bureau of Customs to a third party fuel supplier.
- The Company's share in current assets of a joint venture rose from ₱295.1 million to ₱585.1 million. The latter includes Company' share in current assets of SLTEC.
- Investments in associates rose to ₱119.7 million from ₱39.8 million due to additional investment in MGI in 2011.
- The increase in deferred exploration costs from ₱86.7 million to ₱98.7 million was due to the reversal of allowance for impairment loss of ₱11.5 million.
- Deferred income tax asset of ₱11.3 million was recognized in 2011 which is net of ₱30.9 million deferred tax liabilities. Deferred income tax liabilities of ₱23.8 million was reported in 2010 which is net of ₱10.3 million deferred tax asset.
- Investment property decreased from ₱23.1 million to ₱21.1 million due to depreciation incurred in 2011.
- Other noncurrent assets dropped from ₱47.2 million to ₱0.3 million. Bacnotan Industrial Park Corporation refunded the deposit for the purchase of land for the coal power plant.
- The Company's share in noncurrent assets of a joint venture rose from ₱167.2 million to ₱1.4 billion. The latter includes Company' share in noncurrent assets of SLTEC.
- The increase in accounts payable and other current liabilities from ₱194.5 million to ₱479.2 million was brought about by higher trade purchases.
- Income and withholding taxes payable rose from ₱4.2 million to ₱77.8 million due to income tax payable resulting from higher taxable income.
- The Company's share in current liabilities of a joint venture declined from ₱134.7 million to ₱104.1 million brought about by settlement of trade and nontrade payables.
- Pension and other post-employment benefits increased from ₱10.6 million to ₱13.2 million due to additional sick and vacation leave conversion accrued in 2011.
- Capital stock rose to ₱2.8 billion from ₱1.7 billion mainly due to the Company's stock rights offering in May 2011.
- Additional paid-in capital decreased from ₱54.7 million to ₱42.8 million. The latter is net of direct costs related to the stock rights offering in 2011 of ₱11.9 million.
- In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million. The Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded as "Other equity reserve" in the 2011 consolidated statement of changes in equity.
- Retained earnings improved from ₱1.2 billion to ₱1.6 billion due to the higher net income earned despite the declaration of cash dividends in 2011.
- Parent company's shares of stock held by joint venture increased from ₱3.9 million to ₱7.3 million. Trans-Asia Power Generation Corporation (TAPGC) exercised its right in relation to the Company's stock rights offering.

The top five (5) key performance indicators of Trans-Asia and its majority-owned subsidiaries, as consolidated, are the following:

1. Current Ratio = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

   Current ratio decreased to 4.44:1 as of December 31, 2011 from 6.96:1 as of December 31, 2010. As a result of increased electricity supply business activities, both current assets and current liabilities increased as of December 31, 2011, however, current liabilities increase was higher at 96% vs. prior year balance compared to only 25% increase in current assets between 2011 and 2010.

2. Current Assets to Total Assets = $\dfrac{\text{Current Assets}}{\text{Total Assets}}$

The ratio of current assets to total assets decreased to 0.56:1 as of December 31, 2011 from 0.69:1 as of December 31, 2010 due to the increase in the Company's share in noncurrent assets of SLTEC, which is under preoperating and construction stage.

3. Debt/Equity Ratio = $\frac{\text{Total Liabilities}}{\text{Equity}}$

Debt/equity ratio increased slightly to 0.15:1 as of December 31, 2011 from 0.13:1 as of December 31, 2010 due to higher current liabilities. The increase in total liabilities of 80% is higher than the increase in the equity account of 50% between 2011 and 2010.

4. Rate of return on equity = $\frac{\text{Net Income}}{\text{Average Equity}}$

The rate of return on stockholders' equity rose from 0.5% in 2010 as compared to 10.7% in 2011 due to higher net income earned in 2011.

5. Earnings per share = $\frac{\text{Net Income less Preferred Stock Dividend}}{\text{Average No. of Common Shares Outstanding}}$

Earnings per share improved from ₱0.01 to ₱0.18 in 2011 brought about by the higher net income earned in 2011.

During Calendar Year 2011:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining 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 Consolidated Financial Statements.
- The Company had not been involved in any business combinations, acquisition of subsidiaries and long-term investments, restructuring and discontinued operations except for the investment of the Company in SLTEC, a joint venture with AC Energy Holdings, Inc. and the additional investment for the 25% interest in MGI
- There were no contingent assets or contingent liabilities since the last annual balance sheet date except for the following:

  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 until such time that the company has contracted the required capacity up to one year from the date of commissioning of the SLTEC plant;
  - commit to provide advances to SLTEC in proportion to the 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 which guarantee will be called in case the Lenders are unable to consolidate the titles of the land because of the non issuance of the Transfer Certificate of Title (TCT) after SLTEC defaults and its properties are foreclosed; 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.

The Company is also a Project Sponsor for MGI's ₱2.4 billion Term Loan Facility for the Maibarara Geothermal Power Plant. 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 Company
- assign its rights and/or interests in the Joint Venture Agreement
- provide Project Sponsor's support for the completion of the project under such terms and conditions that may be agreed upon by the Company and the lenders.

- 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.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company except for those mentioned above.
- 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 except for those mentioned above.
- 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 except for those mentioned above.

Calendar Year 2010

Oil and Gas

SC 51 (Cebu Strait/Northwest Leyte)

The DOE approved a revised timeline for the remaining SC 51 work phases under which the term of the current Sub-Phase 3 was extended to July 3, 2011.

The Filipino partners, NorAsian Energy Limited (NEL), the Operator, and an Australian company finalized an Amendment Deed to the Farm-in Agreement that provides for, among others, the farm-in of said Australian company, the drilling of an onshore well in Northwest Leyte in fulfillment of the Sub-Phase 3 obligation, and options for the drilling of the Argao - 1 well in the Cebu Strait and a second onshore well.

The Company owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The consortium completed a 600 - sq. km. 3D seismic survey and a separate 1,800 sq. km. 3D seismic survey in the first quarter of year 2010.

The DOE granted a one-year extension of Sub-Phase 3 to August 5, 2011 to give the consortium sufficient time to process and interpret the new seismic data.

The Company signed an Option Agreement with Frontier Gasfields Pty. Ltd. of Australia on June 3, 2010 which grants the latter the option to acquire the 5% participating interest that Trans-Asia has from NorAsian Energy

Ltd. (NEL), the Operator, after the drilling of the first well under SC 55. Under the Option Agreement, the Company received a nonrefundable option fee of US$250,000.

On February 3, 2011, the Company and NEL signed an agreement providing for NEL's acquisition of 8.18% participating interest in SC 55 from the Company. Said assignment of interest is subject to the approval of the DOE.

Interpretation of the processed seismic data was in progress as of December 31, 2010.

The Company has 15% participating interest in SC 55.

SC 69 (Camotes Sea)

The partners completed a 900 - km 2D seismic survey in the second quarter of year 2010.

The DOE approved the consortium's request for a three-month extension of the current Sub-Phase 2 until February 7, 2011 to enable completion of interpretation of the new seismic data.

The Company signed a Farm-in Option Agreement with Frontier Gasfields Pty. Ltd. of Australia on June 3, 2010 which grants the latter the option to acquire 15% out of the 30% participating interest of the Company in SC 69. On February 3, 2011, Frontier notified the Company of its election to exercise its option. Such assignment of interest is subject to the consent of the Company's partner in SC 69 and the approval of the DOE.

The Company and NorAsian Energy Philippines, Inc. (NOEPI) signed an agreement on February 3, 2011 providing for NOEPI's acquisition of 9% participating interest in SC 69 from the Company.

The consortium elected to enter Sub-Phase 3 (February 7, 2011 to August 7, 2012) with a commitment to undertake a 150 - sq. km. 3D seismic program designed to elevate two delineated prospects to drillable status.

SC 6 (Offshore Northwest Palawan)

Cadlao Production Area

On September 21, 2010, TA entered into a Sale and Purchase Agreement and a Deed of Assignment covering the assignment of its entire royalty interest in the Cadlao Production Area, Northwest Palawan under Service Contract No. 6 to Peak Royalties Limited (BVI). On December 22, 2010, DOE approved the Deed of Assignment and recognized the assignment by Trans-Asia of the 1.65% royalty interest in favor of Peak Royalties, Inc. The proceeds amounting to US$1.325 million (₱58.57 million) were recognized in the 2010 consolidated statements of income as Other Income.

Block A

GPC Investments S.A. (formerly known as Vitol GPC Investments S.A.) did not exercise its option to acquire interest in the block.

The consortium adopted a US$560,000 work program for year 2011 consisting mainly of reprocessing of 3D seismic data in the northern sector of the block where prospects had been identified.

Block B

On February 4, 2011, the consortium, excluding one partner, signed a Farm-in Agreement with Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and VenturOil Philippines, Inc. ("farminees"), which granted the farminees the option to acquire 70% of the participating interests of the farmors, upon farminees' completion of a US$325,000 geological and geophysical work program at their sole cost by April 2011.

Should the farminees exercise the option, they will carry the farmors in all expenses until first oil production in the block.

The Company holds 2.334% and 4.2189% participating interests in Blocks A and B, respectively.

SC 14 (Offshore Northwest Palawan)

The DOE approved the final 15-year extension of the term of SC 14 effective December 17, 2010, subject to certain terms and conditions.

Block B - 1 North Matinloc

The North Matinloc field produced 18,737 barrels of oil in year 2010.

The Company has 6.103% participating interest in Block B-1.

Minerals

MPSA 252-2007-V (Camarines Norte)

The Office of the President denied the Company's Appeal for reversal of the decision of the Department of Environment and Natural Resources excising portions of the MPSA covered by alleged mineral patents of a third party.

The Company filed a timely Motion for Reconsideration.

Financial Performance
2010 vs 2009

Consolidated revenues declined to ₱894.3 million in 2010 from ₱1.1 billion in 2009. Following are the material changes in revenues in the Consolidated Statements of Income between 2010 and 2009:

- The drop in generation revenues to ₱55.6 million from ₱155.8 million was due to the cessation of operations of the power generating plant of CIP II Power Corporation (CIPP) beginning April 11, 2009, when Meralco took over the concession agreement with the developer of Carmelray Industrial Park II in Calamba, Laguna. The ₱55.6 million generation revenue in 2010 represents that of Guimaras power plant.
- Net trading loss of ₱60.3 million was reported in 2010 as compared with ₱274.5 million net trading revenues in 2009. The higher cost of power purchased per kilowatt hour in 2010 resulted in negative gross margin for the energy supply business of the Company.
- Interest and other financial income increased to ₱70.1 million from ₱65.6 million due to higher fair value of investments held for trading.
- Dividend income dropped from ₱27.1 million to ₱7.1 million due to lower cash dividends received from Atlas Holdings Corporation (AHC), Bacnotan Consolidated Industries, Inc. (BCII) and Phinma Properties Holdings Corporation (PPHC) in 2010. In 2009, AHC declared ₱21 million cash dividends and was merged with Union Galvasteel Corporation, a Phinma subsidiary, in 2010.
- Rental income improved to ₱6.8 million from ₱5.5 million due to additional lease contracts entered into by the Company, where the Company is the lessor.
- The increase in the Company's share in generation revenues of a joint venture to ₱754.3 million from ₱563.5 million was brought by higher power rates and higher energy sales to both Holcim and WESM.
- The Company's share in other income of a joint venture was ₱381 thousand in 2010 and none in 2009.

Consolidated costs and expenses amounted to ₱995.3 million in 2010 while these amounted only to ₱660.3 million in 2009. Following are the material changes in costs and expenses in the Consolidated Statements of Income between 2010 and 2009:

- Cost of power generation dropped to ₱44.5 million from ₱129.5 million as a result of CIPP's cessation of operations due to Meralco's takeover of its concession agreement on April 11, 2009. The ₱44.5 million cost of power generation in 2010 represents that of Guimaras power plant.
- Cost of power plant on standby of ₱29.5 million was reported in 2010 and ₱26.9 million in 2009. The latter covers only expenses from April 12, 2009 to December 31, 2009. These expenses represent mainly depreciation and related maintenance cost of the power plant in Calamba, Laguna, which ceased operations in April 2009.
- General and administrative expenses decreased to ₱165.5 million from ₱199.8 million brought about by lower management and professional fees. Management fees are based on a certain percentage of the Company's operating results.
- The Company's share in cost of power generation of a joint venture rose to ₱670.6 million from ₱275.9 million as a result of higher energy generated and fuel cost. In 2010, 64% of the total energy sold was generated by the power plant of the joint venture and the remaining 36% was purchased from the WESM. In 2009, 29% of the total energy sold was generated by the power plant and 71% was purchased from the WESM.
- The decrease in the Company's share in general and administrative expenses of a joint venture from ₱27.7 million to ₱24.9 million was brought about by lower management and professional fees. Management fees are based on a certain percentage of the joint venture's operating results.
- The Company's share in other expense of a joint venture of ₱495.3 thousand was reported in 2009 and none in 2010.

Other income amounting to ₱113.3 million was reported in 2010 while other expenses amounted to ₱133.2 million was reported in 2009. Following are the material changes in other income and expenses in the Consolidated Income Statements between 2010 and 2009:

- The Company reported a net gain on its currency forward contracts of ₱45.8 million in 2010 as compared with ₱37.6 net gains in 2009. This was due to the appreciation of peso vis-a-vis the US dollar in 2010.
- The Company reported a ₱36.9 million receipt of tax credits which represents the refunds of duties and taxes from the Bureau of Customs arising from the Company's fuel purchases in previous years.
- The Company incurred foreign exchange loss of ₱31.0 million from its foreign currency denominated financial assets in 2010 which is higher than ₱13.0 million in 2009. This was brought about by the appreciation of peso in 2010.
- The Company earned ₱58.6 million in 2010 from the sale of its royalty interest in the Cadlao Production Area, Northwest Palawan under Service Contract No. 6.
- Gain on sale of inventories increased from ₱7.9 million to ₱8.8 million. This mainly represents the sale of CIPP's bunker fuel inventory.
- Gain on sale of available-for-sale investments increased to ₱60.4 thousand from ₱20.5 thousand as a result of higher market value of the said investments in 2010.
- Loss on sale of property, plant and equipment of ₱34.3 thousand was reported in 2010 as compared with ₱7.3 million gains in 2009. The disposal of the distribution asset of CIP II resulted in the gain on sale of property, plant and equipment in 2009.
- Gain on sale of investment in associates of ₱24.8 million was earned from the disposal of BIPC shares in 2009.
- The Company recognized impairment loss of ₱22.6 million in 2010 covering its investment in unlisted shares of stock.
- In 2010, the Company reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.3 million.
- Long outstanding trade receivable of CIPP amounting to ₱6.7 million was provided with an allowance in 2010.
- Provisions for impairment losses on deferred exploration cost and provision for unrecoverable input tax amounting to ₱11.5 million and ₱0.7 million, respectively, were set-up in 2009.
- Income from option fee of ₱11.5 million was recognized in 2010. This represents option fee received from a third party related to the Company's SC 55.

- Surety bond related charges of ₱8.3 million was reported on 2010 as a result of the Company's participation in a number of biddings of power plants.
- Equity in net losses of associates amounted to ₱3.4 million was reported in 2010 brought about by net losses incurred by investees, particularly from Maibarara Geothermal, Inc., a 25% associate of the Company which is in preoperating stage.
- The Company had written-off ₱78.5 million of intangible assets in 2009 due to expiration of contracts.
- Other income of ₱3.5 million was reported in 2010 consisting of miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Provision for income tax in 2010 dropped from ₱60.1 million to ₱3.0 million due to lower taxable income. Benefit from income tax also dropped to ₱0.6 million from ₱41.1 million. The latter includes the tax effect of the intangible assets written-off in 2009. Company's share in income tax of a joint venture increased to ₱4.8 million from ₱3.4 million.

As a consequence of the above-cited factors, a net income of ₱14.7 million was reported in 2010 as compared with a net income of ₱282.8 million in 2009.

Total consolidated assets increased slightly to ₱3.43 billion as of December 31, 2010 from ₱3.38 billion as of December 31, 2009. Total consolidated liabilities increased to ₱387.4 million from ₱305.2 million. Equity declined from ₱3.1 billion to ₱3.0 billion.

Following are the material changes in the accounts in the Consolidated Balance Sheets between December 31, 2010 and 2009:

- Cash and cash equivalents decreased to ₱880.8 million from ₱985.3 million. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- Short-term investments of ₱5 million as of December 31, 2009 have original maturities of more than three months but less than one year. These investments were converted to short-term deposits with original maturities of less than three months and formed part of cash and cash equivalents as of December 31, 2010.
- Investments held for trading increased to ₱872.7 million from ₱810.4 million. The Consolidated Statements of Cash Flows show the details of materials changes in investments held for trading.
- Receivables increased from ₱157.5 million to ₱220.0 million mainly because the 2010 receivables include ₱58.6 million receivable from the buyer of the Cadlao royalty interest sold in December 2010. This was subsequently collected in January 2011.
- The drop in fuel and spare parts from ₱44.9 million to ₱27.3 million was brought about by the disposal of fuel inventory of CIPP in 2010.
- Other current assets rose to ₱79.6 million from ₱16.2 million on account of the tax credits received in 2010 from the Bureau of Customs and increase in creditable withholding tax and input taxes.
- The Company's share in current assets of a joint venture rose to ₱295.1 million from ₱198.1 million due to higher level of cash and cash equivalents and fuel and spare parts inventory.
- Property, plant and equipment increased to ₱489.3 million from ₱426.7 million due to reversal of a portion of the impairment provision of CIPP power plant and reclassification of certain investment property to property, plant and equipment, net of depreciation incurred in 2010.
- Investments in associates rose to ₱39.8 million from ₱0.6 million due to investment in Maibarara Geothermal, Inc. in 2010.
- Investment property dropped from ₱92.2 million to ₱23.1 million. This was mainly due to the transfer of certain investment property to property, plant and equipment account when the Company decided to occupy the property instead of leasing it out to third parties in 2010.
- The increase in deferred exploration costs from ₱71.9 million to ₱86.7 million was due to the Company's payment of cash calls to the consortium of SC 69.
- Other noncurrent assets dropped from ₱127.9 million to ₱47.2 million brought about by the collection of long-term receivable from Phoenix Petroleum Philippines, Inc (Phoenix). in 2010. Phoenix bought the Company's investment in Bacnotan Industrial Park Corporation (BIPC) in 2009.

- The Company's share in noncurrent assets of a joint venture declined to ₱167.2 million from ₱235.7 million due to depreciation expenses and collection of long-term receivable from Phoenix in 2010. Phoenix bought the Company's investment in BIPC in 2009.
- Accounts payable and other current liabilities increased to ₱194.5 million from ₱160.2 million brought about by higher trade payables in 2010.
- Due to stockholders increased from ₱7.0 million to ₱7.9 million brought about by unclaimed cash dividend checks from the cash dividends declared in 2010.
- Income and withholding taxes payable fell from ₱39.4 million to ₱4.2 million due to payment of 2009 income tax in 2010. In 2010, income tax payable was lower because of lower taxable income.
- The Company's share in current liabilities of a joint venture rose to ₱134.7 million from ₱51.5 million brought about by higher level of trade and nontrade payables as of December 31, 2010.
- Pension and other post-employment benefits increased from ₱6.0 million to ₱10.6 million due to additional pension expense and sick and vacation leave conversion accrued in 2010.
- Deferred tax liabilities increased from ₱23.4 million to ₱23.8 million due to the tax effect of the reversal of impairment provision on CIPP power plant net of the recognition of deferred income tax assets related to NOLCO and MCIT.
- The decrease in other noncurrent liabilities from ₱7.8 million to ₱7.0 million was due to return of certain deposits.
- The Company's share in noncurrent liabilities of a joint venture dropped from ₱9.8 million to ₱4.6 million because no deferred tax liability was recognized in 2010.
- The ₱2.0 million increase in capital stock was brought about by additional issuance of share of stocks during the year.
- The increase in unrealized fair value gains on available-for-sale investments to ₱71.8 million from ₱52.2 million was due to higher market value of the said investments.
- The Company's share in unrealized fair value gains on financial assets of a joint venture rose to ₱13.2 million from ₱9.0 million brought about by the higher market value of the joint venture's financial assets.
- Retained earnings declined to ₱1.2 billion from ₱1.3 billion due to the lower net income earned and the declaration of cash dividends in 2010.

The top five (5) key performance indicators of Trans-Asia and its majority-owned subsidiaries, as consolidated, are the following:

1. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

   Current ratio decreased to 6.96:1 as of December 31, 2010 from 8.59:1 as of December 31, 2009. Although the current assets as of December 31, 2010 increased to ₱2.4 billion from ₱2.2 billion as of December 31, 2010, such increase was only 7% from the prior year balance as compared to the corresponding 32% increase in current liabilities between 2010 and 2009.

2. Current Assets to Total Assets = $\frac{\text{Current Assets}}{\text{Total Assets}}$

   The ratio of current assets to total assets increased slightly to 0.69:1 as of December 31, 2010 from 0.66:1 as of December 31, 2009. There are no significant fluctuations in the balances of both the total current assets and total assets of the Company between 2010 and 2009.

3. Debt/Equity Ratio = $\frac{\text{Total Liabilities}}{\text{Equity}}$

   Debt/equity ratio increased slightly to 0.13:1 as of December 31, 2010 from 0.10:1 as of December 31, 2009. This is because total liabilities increased while equity account decreased between 2010 and 2009.

4. Rate of return on equity = $\frac{\text{Net Income}}{\text{Average Equity}}$

The rate of return on stockholders' equity dropped from 9.5% in 2010 as compared to 0.5% in 2009 due to lower net income earned in 2010.

5. Earnings per share = $\frac{\text{Net Income less Preferred Stock Dividend}}{\text{Average No. of Common Shares Outstanding}}$

Earnings per share fell from ₱0.17 to ₱0.01 in 2010 brought about by the lower net income earned in 2010.

During Calendar Year 2010, other than those already disclosed and/or discussed in this report:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining 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 Note 14 to the Consolidated Financial Statements.
- The Company had not been involved in any business combinations, acquisition of subsidiaries and long-term investments, restructuring and discontinuing operations except for the 25% interest investment in Maibarara Geothermal, Inc.
- 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.
- 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 occurred that 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.

Item 7. Information on Independent Auditors and Other Related Matters

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been the Company's Independent Public Accountant since 1969. Audit services of SGV for the calendar year ended December 31, 2012 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with theSEC.

In the past five (5) years, no event has occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company has complied with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2012 is Ms. Catherine E. Lopez, an SEC accredited auditing partner of SGV. This is Ms. Lopez's fourth year as engagement partner for the Company.

The members of the Audit Committee are the following:

1.	Mr. Alfredo M. Velayo	Chairman
2.	Mr. Roberto M. Lavina	Member
3.	Mr. Victor J. del Rosario	Member
4.	Mr. Ricardo V. Camua	Member
5.	Mr. David L. Balangue	Member

The external auditors for the current year and for the most recently completed fiscal year are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they desire to do so; and are expected to be available to respond to appropriate questions.

The Audit Committee recommended SGV as the Independent Public Accountant and Ms. Catherine E. Lopez as engagement partner for Calendar Year 2013.

External Audit Fees and Related Services

The Company paid its external auditors, SyCip Gorres Velayo & Co. (SGV) the amount of ₱991,500, ₱ 600,000 and ₱1,200,000 in 2012, 2011 and 2010 respectively for professional services rendered for the audits of the Company's annual financial statements and services that are normally provided by the external auditors in connection with statutory and regulatory filings or engagement.

The Company paid ₱82,400 and ₱60,000 for services rendered in connection with the application for increase in authorized capital stock in 2012 and 2011, respectively, and ₱40,000 for services rendered with respect to the disbursements from gross proceeds of the stock rights offering No professional services for tax accounting compliance, advice, planning and any other form of tax services were rendered or fees billed by SGV for 2010.

There were no other fees rendered or fees billed for products and services provided by SGV.

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit. It pre-approves audit fees, plans, scope and frequency one (1) month before the conduct of external audit. It evaluates and determines non-audit work by external auditor and keeps under review the non-audit fees paid to external auditor both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

The Audit Committee, the Board of Directors and the Stockholders of the Company approved the Company's engagement of SGV as external auditor.

Item 8. Financial Statements

The consolidated financial statements of TA and subsidiaries included in the 2012 Annual Report to Stockholders are incorporated herein for reference.

The schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

For the last five (5) years, there have been no disagreements with the independent accountants on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 10. Directors and Executive Officers of the Issuer

Directors and Executive Officers

Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly on a monthly basis, or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The officers are likewise elected annually by the Board of Directors and serve for one (1) year and until their respective successors have been elected and qualified.

None of the members of the Board of Directors directly owns more than 2% of Trans-Asia Oil shares.

Listed are the incumbent directors of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Directors	Age	Citizenship	Position
Oscar J. Hilado	75	Filipino	Director and Chairman of the Board
Ramon R. del Rosario, Jr.	68	Filipino	Director and Vice Chairman
Francisco L. Viray	64	Filipino	Director, President and CEO
Roberto M. Laviña	62	Filipino	Director, SEVP and Treasurer
Antonio V. del Rosario, Sr.	80	Filipino	Director
Magdaleno B. Albarracin, Jr.	76	Filipino	Director
Alfredo M. Velayo	91	Filipino	Director
Raymundo O. Feliciano	87	Filipino	Director
Ricardo V. Camua	69	Filipino	Director
Victor J. del Rosario	64	Filipino	Director
David L. Balangue	61	Filipino	Director

Oscar J. Hilado was elected Chairman of the Board of the Company since April 16, 2008; He was the Chairman & CEO of Phinma Inc. (January 1994 to August 2005); and as Chairman (August 2005 to present). Chairman of Holcim Phils., Inc. Chairman of the Board & Chairman of the Executive Committee of Phinma Corp; Chairman of the Board of Phinma Property Holdings Corp., Vice Chairman of Trans Asia Power Generation Corp. (1996 to present); Director of Manila Cordage Corp. (1986 to present); Director of Seven Seas Resorts & Leisure, Inc., and First Philippine Holdings Corporation (Nov. 1996 to present); Director of A. Soriano Corporation (April 1998 to present) and Philex Mining Corporation (December 2009 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce, (1958) Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). For 13 years, he was the Vice-

Chairman of the Board of Directors and for 17 years, he was the Chairman of the Executive Committee of the Company.

Ramon R. del Rosario, Jr. was elected as Vice Chairman of the Company on April 16, 2008. He obtained his BSC-Accounting and AB-Social Sciences degrees *(Magna cum Laude)* from De La Salle University and Masters in Business Administration degree from Harvard Business School. He is the President and CEO of Phinma Inc., President and Vice Chairman of Phinma Corp., Chairman of AB Capital and Investment Corporation, Chairman of Microtel Inns and Suites (Pilipinas), Inc. and Chairman of the Boards of Trustees of Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He is a director of several PHINMA-managed companies and currently serves as a member of the Boards of Directors of Ayala Corp.and Holcim (Phils.), Inc. Mr. del Rosario served as Secretary of Finance of the Philippines in 1992-1993. He is the Chairman of the Makati Business Club, Philippine Business for Education (PBED) and the National Museum of the Philippines. He is the brother of Mr. Victor J. del Rosario. He has been a Director of the Company since 2002.

Francisco L. Viray is the President and Chief Executive Officer of the Company since April 2007. He was the Executive Vice President of the Company from April 2004 up to April 2007. He has been a Director of the Company since 1998. He is concurrently the President and Chief Executive Officer of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation and CIP II Power Corporation. He is also at present a member of the Board of Directors of Araullo University, Cagayan de Oro College and University of Pangasinan of the Phinma Education Network (PEN), and Chairman, Pangasinan Medical Center, Inc. He obtained his Bachelor of Science and Masters in Electrical Engineering degrees from the University of the Philippines and his Doctorate in Engineering degree from West Virginia University. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. Dr. Viray served on the Board of Directors of Meralco, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

Roberto M. Laviña has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management degree from Asian Institute of Management. He finished his Program for Management Development at Harvard School of Business in 1988. He is the President and a Member of the Board of T-O Insurance Brokers, Inc. In 2005, he became Phinma Inc.'s Senior Executive Vice President/Chief Operating Officer (COO) and is concurrently the Chief Financial Officer of the PHINMA Group and a Member of the Board. He is also a Member of the Board and Executive Vice President/Treasurer of Trans-Asia Renewable Energy Corporation. He is the Senior Vice President/Chief Financial Officer/Treasurer of Trans-Asia Power Generation Corporation and a member of the Board and Senior Vice President and Treasurer of PHINMA Corporation. He is also Treasurer and Board Member of Phinma Property Holdings Corporation, CIP II Power Corporation, Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He has been the Chief Financial Officer and Treasurer of the Company for 19 years. He became the Executive Vice President on April 2, 2004 and was elected as a Director of the Company on April 12, 2005.

Antonio V. del Rosario, Sr. was the President and Chief Executive Officer of Trans-Asia Power Generation Corporation from 1996 to 2002 and has been the Chairman of its Board of Directors from 2003 up to May 2011. He is the past President and Chief Executive Officer of Trans-Asia Oil and Energy Development Corporation, which he served for 14 years until his retirement in April 2007. He has been a Director of the Company since 1989. He served as officer and/or a member of the Board of Directors of a number of companies including Atlas Holdings Corporation, Asia Coal Corporation, Filmag Holdings, Inc. and Trans-Asia Gold and Minerals Development Corporation. He is an Honorary Chairman of the Global World Energy Council, which he served as Chairman from 2002 to 2004. He began his career in energy in FILOIL. Then, commencing with the Oil Crisis years of the 1970s, continued on to the Philippine National Oil Company and the Ministry of Energy where he rose to the position of Executive Vice President and Deputy Minister, respectively. Mr. del Rosario is a Life member of the Management Association of the Philippines, the Manila Polo Club, Inc. and the Alabang Country Club, Inc.

Magdaleno B. Albarracin, Jr. obtained his Bachelor of Science in Electrical Engineering degree from the University of the Philippines and Master of Science in Electrical Engineering degree from the University of Michigan. He finished his Masters in Business Administration from the University of the Philippines and

Doctorate in Business Administration from Harvard University. Dr. Albarracin joined the PHINMA Group in 1971 as a consultant. He is currently the Vice-Chairman of PHINMA and Chairman of its Executive Committee. He is also Vice Chairman of Araullo University, Cagayan De Oro College, University of Iloilo and University of Pangasinan. He is Senior Executive Vice President of Phinma Corp. and Chairman of UP Engineering Research and Development Foundation. He is the former President of Holcim Philippines. He is also a member of the Board of Directors of AB Capital and Investment Corporation, Phinma Foundation, Union Galvasteel Corporation, Trans-Asia Power Generation Corporation, Phinma Property Holdings Corp., Pangasinan Medical Center, Inc. and UP Board of Regents. He has been a Director of the Company since 1986.

Alfredo M. Velayo is a Certified Public Accountant and has a Bachelor of Science in Commerce degree from the University of Sto. Tomas. He was the co-founder of SyCip Gorres & Velayo (SGV), the largest accounting firm in Asia. He retired from SGV in 1970. He has been the Chairman of Amvel Corporation since 1976 and KVY Realty Corporation since 1997. He is the Chairman Emeritus of William Shaw Foundation, Inc. He has been a Director of the Company since 1982 and the Chairman of the Audit Committee and Compensation Committee for the past 10 years.

Raymundo O. Feliciano is a Certified Public Accountant with a Bachelor of Science in Commerce degree from Far Eastern University. He has been the Chairman and President of ROF Management and Development Corporation and the Chairman of B. U. Properties Corporation, Bates Licensing & Entertainment and Tuesday Licensing & Entertainment. He is the Corporate Secretary of Bates Management & Development Company Inc. In September 2002, he was elected as director of Filmag Holdings, Inc. He has been a Director of the Company since its incorporation in 1969.

Ricardo V. Camua has a Bachelor of Science in Electrical Engineering degree from Mapua Institute of Technology. He was the President and Chief Executive Officer of Manila Cordage Company (2000-2009) and Manco Synthetics, Inc. (2007-2009). Mr. Camua was the Vice-President and member of the Board of Directors of Manco Insurance Agents Inc. and Tupperware Realty Corporation. In 2005, he was elected director of Filmag Holdings, Inc. Since 2008, he has been the President of Ricardo V. Camua & Co., Inc. (RVCCI). He has been a Director of the Company since 1996.

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master of Business Administration degree from Columbia University. He was elected as Director on September 15, 2008 to serve the unexpired term of Amb. Ramon del Rosario, Sr. He is the Vice-Chairman /CEO of Union Galvasteel Corporation and is also the Executive Vice President and Chief Strategic Officer of PHINMA Inc. He is also a member of the Board of Directors of PHINMA Inc. and various PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr.

David L. Balangue is an accounting and auditing professional whose career spanned 38 years at SGV & Co., the Philippines' largest audit and accounting professional services firm. He is a former Chairman & Managing Partner of the Firm, after being admitted to partnership in 1982. Mr. Balangue holds a Bachelor's Degree in Commerce, major in Accounting, Magna Cum Laude, from Manuel L. Quezon University and a Master of Management degree, with distinction, from the Graduate School of Management of Northwestern University in Evanston, Illinois, USA as an SGV scholar and where he received a Distinguished Scholar Award and elected to the Beta Gamma Sigma, an exclusive honors fraternity. He placed second highest in the 1972 Philippine CPA Board Examinations. He served as President of the Financial Executives Institute of the Philippines (2006); Philippine Institute of Certified Public Accountants (2005); and Management Association of the Philippines (2004). Among others, he was President of the Capital Markets Development Council (2008); Chairman of FINEX Foundation (2007); Chairman of MAP Research and Development Foundation (2004); Chairman of Standing Interpretations Committee, Accounting Standards Council (2000-2006); Chairman of Philippines-Korea Economic Council (2002-2008); trustee of Philippine Business for Social Progress (2004-2010) ; Chairman of the Philippine Interpretations Committee of the Philippine Financial Reporting Standards Council (2006-2010); and Chairman and President of the SGV Foundation (2003-2010) and Member of the Board of Trustees, Makati Business Club (2000-2011). At present, he is Vice-Chairman of the Business for Integrity & Stability of Our Nation (BISYON 2020) (since 2003), National Movement for Free Election (NAMFREL) (since 2010) and Chairman of the Coalition Against Corruption (since 2011); Chairman of the Philippine Financial Reporting Standards Council (since 2010),Chairman/President of the Makati Commercial Estate Association, Inc. (since 2010) and President of the Makati Parking Authority, Inc. (starting 2011). He is a consultant to the Philippine Deposit Insurance Corporation and a member of the Board of Directors of The Manufacturers Life Insurance Co., (Phils.), Inc., Manulife Financial Plans, Inc., Roxas Holdings, Inc. and Unistar Credit and Finance Corporation. He was elected as a Director of the Company on March 24, 2010.

Independent Directors

The following independent directors are not officers or substantial shareholders of Trans-Asia Oil and Energy Development Corporation nor are they directors or officers of its related companies:

1. Mr. Alfredo M. Velayo
2. Mr. Raymundo O. Feliciano
3. Mr. Ricardo V. Camua
4. Mr. David L. Balangue

Executive Officers

None of the Officers of the Company owns more than 2% of Trans-Asia Oil shares.

Listed are the incumbent officers of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Executive Officers	Age	Citizenship	Position
Francisco L. Viray	64	Filipino	President and CEO
Roberto M. Laviña	62	Filipino	SEVP and Treasurer
Virgilio R. Francisco, Jr.	55	Filipino	Sr. Vice President
Juan J. Diaz	82	Filipino	Corporate Secretary
Pythagoras L. Brion, Jr.	59	Filipino	SVP and CFO
Raymundo A. Reyes, Jr.	60	Filipino	Sr. Vice President – Oil and Gas
Rizalino G. Santos	60	Filipino	Sr. Vice President – Electricity Trading and Marketing
Mariejo P. Bautista	48	Filipino	Vice President – Controller
Frederick C. Lopez	58	Filipino	Vice President – Materials Management
Cecille B. Arenillo	55	Filipino	Vice President/Compliance Officer
Manuel G. Garcia	45	Filipino/Canadian	Vice President – Strategic Planning
Miguel Romualdo T. Sanidad	54	Filipino	Assistant Corporate Secretary
Alan T. Ascalon	38	Filipino	Assistant Corporate Secretary
Danilo L. Panes	56	Filipino	Assistant Vice President

Francisco L. Viray is President and Chief Executive Officer of the Company since April 2007. He was the Executive Vice President of the Company from April 2004 up to April 2007. He has been a Director of the Company since 1998. He is concurrently the President and Chief Executive Officer of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation and CIP II Power Corporation. He is also at present a member of the Board of Directors of Araullo University, Cagayan de Oro College and University of Pangasinan of the Phinma Education Network (PEN), and Chairman, Pangasinan Medical Center, Inc. He obtained his Bachelor of Science and Masters in Electrical Engineering degrees from the University of the Philippines and his Doctorate in Engineering degree from West Virginia University. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. Dr. Viray served on the Board of Directors of Meralco, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

Roberto M. Laviña has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management degree from Asian Institute of Management. He finished his Program for Management Development at Harvard School of Business in 1988. He is the President and a Member of the Board of T-O Insurance Brokers, Inc. In 2005, he became PHINMA's Senior Executive Vice President/Chief Operating Officer (COO) and is concurrently the Chief Financial Officer of the PHINMA Group and a Member of the Board. He is also a Member of the Board and Executive Vice President/Treasurer of Trans-Asia Renewable Energy Corporation. He is the Senior Vice President/Chief Financial Officer/Treasurer of Trans-Asia Power Generation Corporation and a member of the Board and Senior Vice President and Treasurer of PHINMA Corporation. He is also Treasurer and Board Member of Phinma Property Holdings Corporation, CIP II Power Corporation, Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He has been the Chief Financial Officer and Treasurer of the Company for 19 years. He became the Executive Vice President on April 2, 2004 and was elected as a Director of the Company on April 12, 2005.

Virgilio R. Francisco, Jr. is a Professional Industrial Engineer. He earned his Bachelor of Science in Management and Industrial Engineering degree from the Mapua Institute of Technology (MIT). He is a Senior Vice President of the Company and the Executive Vice President of South Luzon Thermal Energy Corp., a joint venture of the Company with AC Energy Holdings Corp., the energy arm of Ayala Corp. He was formerly the Senior Vice President and General Manager of CIP II Power Corporation, the Executive Vice President and General Manager of Asia Coal Corp. and Bacnotan Industrial Park Corp. He was recognized by MIT for his contribution in leading the MIT MIE-IE alumni in the field of Management and he was conferred the Outstanding Mapuan Award for Management and Industrial Engineering in 2003. He is a member of the Foundation of Outstanding Mapuans, Inc.. He is the Senior Vice President of the company since April 2009.

Juan J. Diaz is a member of the Philippine Bar and has a Master of Laws degree from Harvard Law School. He has been Corporate Secretary of the company since its incorporation and has served as Legal Counsel for many years since then.

Pythagoras L. Brion was elected Senior Vice President and Chief Financial Officer of the Company on March 20, 2012. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from University of the Philippines. He is currently the EVP/CFO of Phinma Property Holdings Corporation and SVP/Treasurer of Phinma Inc. and served various executive posts in the Phinma-managed companies since joining the Phinma group in 1992.

Raymundo A. Reyes, Jr. holds a Bachelor of Science in Chemistry and Master of Science in Geology degrees from the University of the Philippines and is both a licensed geologist and chemist. After a short teaching and graduate assistantship stint at U.P., he started his career as a geologist with the Philippine National Oil Company in 1976, and was seconded to the Department of Energy and its predecessor agencies. In 1987, he joined the Company as Exploration Manager and in 1994, became its Vice President for Exploration.. He is currently Trans-Asia's Senior Vice President, *Oil and Gas. He is concurrently the Vice President of Trans-Asia Gold and Minerals Development Corporation and the Vice* President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company.

Rizalino G. Santos finished his Bachelor and Master of Science degrees in Electrical Engineering from the University of the Philippines. His relevant course/program participation includes training in energy and electricity planning by the Energy Center of Pennsylvania, Institute of International Education (IIE), and International Atomic Energy Agency (IAEA). He also attended study tours on electric utility practices, deregulation and privatization in US, UK, Germany, Japan and New Zealand. Prior to becoming an Independent Power Systems Consultant, he was the Vice-President for Market Operations of TRANSCO from March 2003 to October 2004. He was a director and Vice President of the Philippine Electricity Market Corp. (PEMC) from December 2003 to March 2004. Before the creation of TRANSCO in 2002, he had been with the National Power Corporation (NPC) for nineteen years, working mainly at the Corporate Planning Group where he was responsible for the Power Development Program (PDP). He joined Trans-Asia Oil on August 1, 2006 as Vice President for Electricity Trading and Marketing.

Mariejo P. Bautista obtained her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines. She is a Certified Public Accountant with a Masters degree in Business Management from the Asian Institute of Management. She worked with SyCip Gorres Velayo & Co. in 1987 and with various multinational manufacturing and service companies up to August 2011. She joined the Trans-Asia Oil and Energy Development Corporation in September 2011 and was elected as Vice President – Controller of the Company, Trans Asia Power Generation Corporation, CIP II Power Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia (Karang-Besar) Petroleum Corporation and Trans-Asia Gold and Minerals Development Corporation. On December 21, 2012, she was appointed Vice President – Controller of Palawan55 Exploration and Production Corporation.

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Frederick C. Lopez has a Bachelor of Science in Industrial Engineering degree from the University of the Philippines. He obtained his Masters of Science in Management Engineering degree from the Rensselaer Polytechnic Institute at Troy, New York, in the United States. Mr. Lopez has rejoined PHINMA as Vice President for Materials Management of the Trans Asia Oil and Energy Group in August 2007. He first joined the PHINMA Group in 1980 as Manager of the Corporate Planning Department. From there, he had several assignments in the then PHINMA Cement Group as Vice President for Materials Management of Union Cement Corporation and Vice President of the PHINMA Construction Materials Group of Companies consisting of Bacnotan Consolidated Industries Inc., Bacnotan Cement Corporation, Davao Union Cement Corporation, Hi Cement Corporation, Central Cement Corporation, Bacnotan Steel Industries Inc., and Bacnotan Steel Corporation. Mr. Lopez directed and managed the procurement of materials and services of the then PHINMA Cement Group, GI Roofing Sheets and the Steel Rebars Manufacturing operations for 15 years. He is presently Vice President for Materials Management for Trans Asia Oil and Energy Development Corporation, Trans Asia Power Generation Corporation and CIP II Power Corporation. The Board of Directors of the Company approved the appointment of Mr. Lopez on August 21, 2007 and presently heads the Corporate Social Responsibility (CSR) initiatives of the Trans Asia Group currently known as HELP Earth (See www.helpearthphil.org).

Cecille B. Arenillo is a Certified Public Accountant with a Bachelor of Science in Commerce degree from the University of Sto.Tomas. She is currently the Vice President-Treasury and Compliance Officer of Phinma Corp., Vice President-Compliance Officer of Phinma Property Holdings Corporation and Vice President & Phinma Group Compliance Officer of PHINMA, Inc and Asst. Treasurer of Union Galvasteel Corporation. She was elected as the Vice President and Compliance Officer of the Company on August 1, 2009.

Manuel G. Garcia holds a Bachelor's of Science in Business Administration, with a concentration in finance from Boston University. In 2001, Karim obtained his Masters of Business Administration in finance and international business from the Marshall School of Business at the University of Southern California. Within the energy industry, he has over a decade worth of experience. Initially, Karim was an oil trader for Chemoil Corporation, one of the largest independent fuel oil bunker service companies. He then moved to Houston, Texas and joined Enron Development Corp, where he managed several international greenfield power infrastructure development projects with a combined generation capacity of close to 1000MW, from concept to financial close. In 1998, he transferred to Enron International's energy venture capital arm, Enron Global Investments where he led Enron's Mergers & Acquisitions efforts in South East Asia. In addition, he played a leading role in Enron's $2.2 billion purchase of UK based Wessex Water on behalf of Azurix Corp. Currently, he is Vice President, Strategic Planning for Trans Asia Oil and Energy Development Corporation.

Miguel Romualdo T. Sanidad has a Bachelor of Science in Business Economics and Bachelor of Laws degrees from the University of the Philippines. From 1997 up to the present, he is the Assistant Vice President – Legal Counsel of Phinma, Inc. He is the Assistant Corporate Secretary of Phinma Property Holdings Corp. (PPHC) and President of various condominium corporations that have been formed to manage PPHC's condominium projects. . In 2010, he was appointed Hearing Officer of the People's Law Enforcement Board for Quezon City. He is a law professor at the San Sebastian College, Manila and Araullo University, Cabanatuan City. He is the Assistant Corporate Secretary since 2000.

Alan T. Ascalon graduated from the University of the Philippines with a Bachelor of Arts degree in Journalism in 1996 and a Bachelor of Laws degree in 2000. He was the Assistant Legal Counsel of Phinma, Inc. from 2005 to 2008, and is currently Legal Counsel. He was elected as the Assistant Corporate Secretary of Trans- Asia Oil on April 4, 2011. He is also the Corporate Secretary of Trans- Asia Renewable Energy Corp., and Assistant Corporate Secretary of Trans-Asia Gold & Minerals Development Corp.

Danilo L. Panes is a licensed Mining Engineer. He obtained his Bachelor of Science in Mining Engineering degree from the Mapua Institute of Technology as a government scholar. He joined the Company in May 1996 as Project Development Manager and was promoted to Assistant Vice President in May 2006. He obtained his MBA studies at the De la Salle University and completed his Management Development Program at the Asian Institute of Management.

Significant Employee

Other than the aforementioned Directors and Executive Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

Family Relationships

Mr. Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario.

Involvement in Certain Legal Proceedings

As of January 31, 2013, to the knowledge and/or information of the Company, the nominees for election as directors of the Company, present members of the Board of Directors and the Executive Officers are not, presently or during the last five (5) years, in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition, and none of its directors and senior executives has been subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign; (c) to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

As of January 31, 2013, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of the property of the Company or that of its subsidiaries is the subject.

Item 11. Executive Compensation

For the calendar years ended December 31, 2012, 2011 & 2010, the total salaries, allowances and bonuses paid to the directors and executive officers as well as estimated compensation of directors and executive officers for calendar year 2012 are as follows:

Name/Position	Year	Salaries	Bonus	Others
CEO and Top 4 (Total Compensation)				
Francisco L. Viray, President and CEO				
Ramon R. Del Rosario, Jr, Director & Vice Chairman				
Roberto M. Laviña, SEVP and Treasurer				
Raymundo A. Reyes, Jr., Sr. Vice President – Exploration				
Rizalino G. Santos, Sr. Vice President – Electricity Trading and Marketing				
	2013	15,847,806.00(a)		498,00(a)
	2012	16,523,867.99	8,743,414.47(b)	486,000
	2011	21,357,802	2,378,693(c)	180,000
	2010	16,831,048	1,234,210(d)	180,000
All Other Officers and Directors as a Group (Total Compensation)				
Unnamed	2013	13,896,597(a)		2,694,000(a)
	2012	13,821,867	21,733,579(b)	2,994,000
	2011	11,978,230	23,465,877(c)	3,356,000
	2010	7,981,875	876,864(d)	3,770,500

(a) *Estimated compensation of directors and executive officers for the ensuing year*
(b) *Includes estimated bonus accrued in 2012 but payable in 2013.*
(c) *Includes bonus accrued in 2011 but paid in 2012.*
(d) *Includes bonus accrued in 2010 but paid in 2011.*

Compensation of Directors

The Directors receive allowances, per diem and bonus based on a percentage of the net income of the Company for each fiscal year.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no existing contract between the Company and the executive officers or any significant employee.

Under Article VI Section 1 of the Company's By-Laws, the officers of the Corporation shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

Compensatory Plan or Arrangement

The compensation received by officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

All permanent and regular employees of the Company and its subsidiaries are covered by the Phinma Group retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age 60, early retirement beginning at age 50 with completion of at least 10 years of service, voluntary separation beginning upon completion of at least 10 years of service, total and physical disability, death and involuntary separation. Benefits are based on the employee's final monthly basic salary and length of service.

Warrants and Options Outstanding

On April 2, 2007, the Board of Directors and stockholders approved a total of 100 million shares set aside from the unsubscribed portion of the corporation's 2 billion authorized shares for (a) stock grants for officers and managers of the corporation, and (b) stock options for directors, officers and employees of the corporation and its subsidiaries and affiliates for the purposes and under terms and conditions as determined by the Executive Committee of the Board of Directors. On January 8, 2008, the SEC approved the Company's Executive Stock Grants Plan and Stock Option Plan. Pursuant to the Company's undertaking dated October 11, 2007, independent directors are excluded from the proposed stock options.

The Executive Stock Grants Plan is available to all officers of Trans-Asia and its subsidiaries including unclassified Managers. Upon achievement of company's goals and the determination of any variable compensation, 20% of the entitled officers' or managers' variable compensation are granted in the Company's shares with a 20% discount on weighted average closing price for 20 trading days before the date of grant but not lower than par value of P1.00 per share. The first stock grants were subject to a holding period of one (1) year for the first 1/3 of the shares, two (2) years for the next 1/3 of shares and three (3) years for the last one third. Succeeding stock grants are subject to a holding period of three (3) years.

The Stock Option Plan is available to all Directors, permanent officers and employees of Trans-Asia and its affiliates/subsidiaries. Employees may purchase up to 33% of their allocated shares within the first year of the grant, up to 66% on the second year of the grant, and up to 100% on the third year of the grant, in cash at the weighted average closing price for 20 trading days prior to date of grant but not lower than P1.00 per share

On May 7, 2008, the Company's Stock Option Committee suspended implementation of the Stock Option Plan.

As of December 31, 2012, 2011 and 2010, no stock options have been granted and awarded to any of the directors, officers and employees of the Company.

The table below shows the allocation of shares for the stock options plan:

1. Options allocated to CEO & Executive Officers

Name	Position	Allocation of Stock Options
Oscar J. Hilado	Chairman	2,000,000
Ramon R. del Rosario, Jr.	Vice Chairman	1,500,000
Francisco L. Viray	President & CEO	3,000,000
Roberto M. Laviña	EVP/CFO & Treasurer	1,750,000
Rosario B. Venturina	SVP - Business Development	1,000,000
Juan J. Diaz	Corporate Secretary	500,000
Raymundo A. Reyes, Jr.	VP – Exploration	750,000
Rizalino G. Santos	VP - Electricity Trading and Marketing	750,000
Danilo L. Panes	Assistant Vice President	500,000
Miguel Romualdo T. Sanidad	Asst. Corporate Secretary	75,000
Benjamin S. Austria	Senior Consultant	200,000
Total		12,025,000

2. Options allocated to all other directors and officers as a group

Unamed	11,250,000

The exercise of such grants and options are subject to the following terms and conditions:

Approved Number of Shares

Up to 100 million shares from the Company's ₱2 billion authorized capital stock.

Executive Stock Grants Plan

Purpose	To motivate officers to achieve the Company's goals, to help make their personal goals and corporate goals congruent and reward them for the resulting increase in value of TA shares
Coverage	For all officers of TA and its subsidiaries and affiliates, including unclassified managers who are covered by the Company's Variable Compensation Plan
Share Price	20% discount on weighted average closing price for 20 trading days before the date of grant but not lower than par value of ₱1.00 per share
Vesting Period	Upon achievement of the Company's goals and the determination of the payout under the Variable Compensation Plan
Payout Scheme	As 20% of the officer's annual variable compensation
Holding Period From Grant Date	For 1st stock grants, 1/3 of shares should have a holding period of one (1) year; 1/3 of shares should have a holding period of two (2) years and the balance should be held for three (3) years. For succeeding stock grants, all shares should have a holding period of three (3) years. The holding periods shall be annotated on the stock certificates.

Stock Option Plan

Coverage	Directors, permanent officers and employees of TA and its affiliates and subsidiaries
Option Price	At weighted average closing price for 20 trading days prior to date of grant but should not be lower than par value of ₱1.00 each share
Period Of Option	Valid for three (3) years from date of grant: Up to 33% of the allocated shares can be exercised on the 1st year from date of grant; Up to 66% of the allocated shares can be exercised on the 2nd year from date of grant; and

	Up to 100% of the allocated shares can be exercised on the 3rd year from date of grant.
Payment Of Shares	Cash payment required upon exercise of option.
Right To Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.
Administration of the Plan	The Company's Stock Option Committee shall have the power to amend or modify the terms and conditions of the Plan provided that no amendment shall, in any way, affect the rights already acquired and vested prior to the amendment thereof.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The table below shows the persons or groups known to Trans-Asia Oil as of January 31, 2013 to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Philippine Depository and Trust Corporation[1] MSE Bldg., Ayala Avenue, Makati City Stockholder		Filipino 74.65% Foreign 8.92%	4,059,395,885	83.57%
Common	Phinma Corporation (or Phinma Corp., formerly Bacnotan Consolidated Industries, Inc.)[2] Level 12 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City Stockholder	Phinma Corp., which is also the record owner. Mr. Oscar J. Hilado, Chairman of the Board, is the person appointed to exercise voting power.	Filipino	449,331,621	9.25%

[1] **Philippine Depository and Trust Corporation ("PDTC")** is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are PCD's participants who hold the shares on their behalf or in behalf of their clients.

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

AB Capital Securities, Inc. (ABCSI) is the only PCD Nominee who holds more than 5% of the Company's securities. The only beneficial owners of these shares with more than 5% shareholdings are Philippine Investment Management (Phinma), Inc. for 832,751,976 shares and Phinma Corp. for 823,131,152 shares. Mr.

Oscar J. Hilado, Chairman of the Board of Phinma, Inc. and Phinma Corp., is the person appointed to exercise voting power.

ABCSI is one of the Philippines' leading local stock brokerage firms with over thirty years industry presence. It is one of the pioneers in online stock trading.

[2] **Phinma Corp.**, was incorporated on 12 March 1957. Its principal activity is investment in shares of various subsidiaries and affiliates engaged in the manufacture of galvanized and pre-painted coils and sheets, property development, power and energy development and education. The ultimate parent company of Phinma Corp. and its subsidiaries is Phinma, Inc. Phinma Corp. is listed in thePSE. The principal stockholders of Phinma Corp. are Phinma, Inc. and PDTC.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors' nominees and executive officers of Trans-Asia Oil as of January 31, 2013:

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Held	Nature	% of Class
Common	Oscar J. Hilado	Filipino	3,500,000	Direct	0.07%
Common	Ramon R. del Rosario, Jr.	Filipino	15,751,426	Direct	0.32%
			26,704,008	Indirect	
Common	Francisco L. Viray	Filipino	8,643,245	Direct	0.18%
Common	Roberto M. Laviña	Filipino	2,772,303	Direct	0.06%
Common	Antonio V. del Rosario, Sr.	Filipino	300,711	Direct	0.01%
Common	Magdaleno B. Albarracin, Jr.	Filipino	5,007,836	Direct	0.10%
Common	Raymundo O. Feliciano	Filipino	1,154,017	Direct	0.02%
Common	Ricardo V. Camua	Filipino	938,000	Direct	0.02%
Common	Victor J. del Rosario	Filipino	3,120,362	Direct	0.06%
			26,704,008	Indirect	
Common	Alfredo M. Velayo	Filipino	468	Direct	0.00%
Common	David L. Balangue	Filipino	10,001	Direct	0.00%
Common	Juan J. Diaz	Filipino	57,211	Direct	0.00%
Common	Raymundo A. Reyes, Jr.	Filipino	1,148,362	Direct	0.02%
Common	Rizalino G. Santos	Filipino	3,062,629	Direct	0.06%
Common	Frederick C. Lopez	Filipino	505,073	Direct	0.01%
Common	Danilo L. Panes	Filipino	69,892	Direct	0.00%
Common	Virgilio R. Francisco, Jr.	Filipino	229,472	Direct	0.00%
Common	Alan T. Ascalon	Filipino	48,509	Direct	0.00%
Common	Mariejo P. Bautista	Filipino	351,420	Direct	0.01%
Common	Pythagoras L. Brion, Jr.	Filipino	168,000	Direct	0.00%
	Manuel G. Garcia	Filipino/Canadian	0		0.00%
	Cecille B. Arenillo	Filipino	0		0.00%
	Miguel Romualdo T. Sanidad	Filipino	0		0.00%
	Total Directors & Officers		**46,838,937**		**0.96%**

Voting Trust Holders of 5% or more

None of the directors and officers owns 5% or more of the outstanding capital stock of the Company. The Company is not also aware of any person holding 5% or more of the Company's outstanding shares under a voting trust agreement or similar agreement.

Changes in Control

There are no arrangements that may result in a change in control of the Company, nor has there been any change in control since the beginning of the last fiscal year and for the last three years.

Item 13. Certain Relationship and Related 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.

In the last two (2) years, the Company has not been a party in any transaction in which a Director or Executive Officer of the Company, any nominees for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon.

Outstanding balances at year-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 year ended December 31, 2012 and 2011, the Company has not recorded any impairment of receivables from receivables 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.

Phinma, Inc.
The Company has a management contract with Phinma, Inc. up to August 31, 2013 renewable thereafter upon mutual agreement. Under this contract, Phinma, Inc. has a general management authority with the 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. Phinma, Inc. owns 1,214,770,003 shares, which represent 25.01% of total outstanding shares of stock of the Company. Under the existing management agreement, the Parent Company pays Phinma, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income. Total management fees, including annual incentives, amounted to ₱27.67 million, ₱26.73 million and ₱6.72 million in 2012, 2011 and 2010, respectively.

Trans-Asia Power Generation Corporation (TA Power)
TA Power leases and occupies part of the office space owned by the Parent Company. Rental income earned from TA Power included in the consolidated statements of income amounted to ₱0.69 million, ₱0.64 million and ₱0.92 million in 2012, 2011 and 2010, respectively, net of the Parent Company's interest. Cash dividends received from TA Power amounted to ₱22.50 million in 2011. Also, the Parent Company sold electricity to TA Power in 2012, 2011 and 2010. On November 3, 2011, TA Power granted the Parent Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to a customer. Sales of electricity are based on WESM prices.

South Luzon Thermal Energy Corporation (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. Rental income earned from SLTEC included in the consolidated statements of income amounted to ₱1.00 million and ₱0.23 million in 2012 and 2011, respectively, net of the Parent Company's interest. SLTEC reimbursed TA Oil for the cost of the coal power plant under construction and other costs incurred in relation to the coal project amounting to ₱21.76 million and ₱11.25 million, respectively, in 2011.

Phinma Corporation

Phinma Corporation is likewise controlled by Phinma, Inc. through a management agreement. Phinma Corp. bills the Parent Company for its share in expenses which amounted to ₱1.47 million, ₱0.72 million and ₱0.89 million in 2012, 2011 and 2010, respectively. Cash dividends received from Phinma Corp. amounted to ₱3.26 million, ₱3.26 million and ₱3.22 million in 2012, 2011 and 2010, respectively. .

Phinma Property Holdings Corporation (PPHC)

PPHC is likewise controlled by Phinma, Inc. through a management agreement. Cash dividends received amounted to ₱2.17 million and ₱2.04 million in 2012 and 2010, respectively. No cash dividend was received from PPHC in 2011.

Union Galvasteel Corporation (UGC)/Atlas Holdings Corporation (AHC)

UGC/AHC is an entity under common control. Cash dividends received from UGC/AHC amounted to ₱1.52 million, ₱3.80 million and ₱1.30 million in 2012, 2011 and 2010, respectively.

Asian Plaza, Inc.

Asian Plaza, Inc. (Asian Plaza) is an entity under common control. Cash dividends received from Asian Plaza amounted to ₱1.32 million, ₱8.70 million and ₱0.45 million in 2012, 2011 and 2010, respectively.

T-O Insurance, Inc.

T-O Insurance, Inc. is likewise controlled by PHINMA, INC. through a management agreement. The insurance expense charged by T-O Insurance amounted to ₱3.08 million, ₱2.53 million and ₱2.98 million in 2012, 2011 and 2010, respectively.

AB Capital & Investment Corporation (AB Capital)

AB Capital is an entity under common control. AB Capital leased and occupied part of the office space owned by the Parent Company. The lease agreement was terminated in August 2011. Rental income earned from AB Capital included in the consolidated income statements amounted to ₱2.82 million in 2011 and 2010. AB Capital rendered professional services to the Parent Company until January 31, 2011. Professional fees amounted to ₱0.07 million in 2011.

Directors

The Company recognized bonus to directors computed based on net income before the effect of the application of the equity method of accounting. Directors' bonus amounted to ₱26.59 million, ₱26.01 million and ₱0.47 million in 2012, 2011 and 2010, respectively.

PART V – CORPORATE GOVERNANCE

Item 14. Compliance Program

Corporate Governance

The Board of Directors, officers and employees of Trans-Asia Oil and Energy Development Corporation (TA-Oil) commit themselves to the principles and best practices embodied in its Manual on Good Corporate Governance. TA-Oil believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

Compliance Officer

The Board of Directors designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the SEC.

The Compliance Officer's duties include monitoring compliance with the provisions and requirements of the Revised Code of Corporate Governance, identifying compliance risks, determining violations and recommending appropriate disciplinary action, if necessary.

The Compliance Officer submitted to the SEC and the PSE on January 24, 2013 the Corporate Governance Compliance Certification certifying that as of December 31, 2012, TA-Oil substantially complied with the principles and best practices contained in the Manual.

Board of Directors

Composition

The Board of Directors consists of 11 members, nominated in accordance with the By-Laws of the Company. In compliance with the requirement of the SEC for publicly-listed corporations, TA-Oil's Board of Directors includes four (4) independent directors. The independent directors are not officers or substantial shareholders of the Company and have no relationship with the Company that may hinder their independence from the Company or management or would interfere with their exercise of independent judgment in carrying out their responsibilities.

In order that no director or small group of directors can dominate the decision making process, the Board is a combination of executive and non-executive directors.

The Board of Directors held 12 regular, 1 organizational and 1 special meetings in 2012. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the shareholders.

The attendance of the directors in the board meetings is as follows:

	2012 Board Meetings													
Directors	20-Jan Regular	10-Feb Special	16-Feb Regular	20-Mar Regular	20-Mar Org	23-Apr Regular	23-May Regular	25-Jun Regular	23-Jul Regular	28-Aug Regular	24-Sep Regular	22-Oct Regular	26-Nov Regular	17-Dec Regular
Mr. Oscar J. Hilado	A	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Antonio V. del Rosario, Sr.	P	P	P	P	P	P	P	P	P	A	P	P	P	P
Dr. Magdaleno B. Albarracin, Jr.	P	P	P	P	P	A	P	P	P	P	P	A	P	P
Mr. Ramon R. del Rosario, Jr.	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Dr. Francisco L. Viray	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Roberto M. Laviña	P	P	P	P	P	P	P	A	P	P	P	P	P	P
Mr. Victor J. del Rosario	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Alfredo M. Velayo (Independent)	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Raymundo O. Feliciano (Independent)	P	P	P	P	P	P	P	A	P	P	P	A	P	P
Mr. Ricardo V. Camua (Independent)	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. David L. Balangue (Independent)	P	P	P	P	P	P	P	P	P	P	P	A	P	P

P : Present A : Absent

Board Committees

To aid in compliance with the principles of good corporate governance, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

For 2012, the board committees and their members are as follows:

Directors	Board Committees			
	Nomination	Compensation	Audit	ExCom
Mr. Oscar J. Hilado		M		M
Mr. Antonio V. del Rosario, Sr.	M			
Dr. Magdaleno B. Albarracin, Jr.				M
Mr. Ramon R. del Rosario, Jr.	C	M		C
Dr. Francisco L. Viray				M
Mr. Roberto M. Laviña			M	
Mr. Victor J. del Rosario			M	
Mr. Alfredo M. Velayo (Independent)		C	C	M
Mr. Raymundo O. Feliciano (Independent)	M			
Mr. Ricardo V. Camua (Independent)			M	
Mr. David L. Balangue (Independent)			M	

C : Chairman M : Member

Nomination Committee

The Nomination Committee is composed of three (3) directors, one of whom is an independent director. The Nomination Committee pre-screens and shortlists all candidates nominated to become members of the Board of Directors in accordance with the qualification and disqualification guidelines as specified in the Company's Manual on Corporate Governance.

On March 21, 2012, the Nomination Committee, after a review of the qualifications of the candidates, submitted to the Board of Directors the list of qualified nominees.

Compensation Committee

The Compensation Committee is composed of three (3) directors, one of whom is an independent director. The duties and responsibilities of this committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the Company's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

There was no Compensation Committee meeting held in 2012 and none was required.

Audit Committee

The Audit Committee is composed of five (5) members of the Board, three (3) of whom are independent directors. The Audit Committee is responsible for checking all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements. The Committee ensures that the Company's controls are functioning effectively and efficiently. The Committee likewise performs oversight financial management functions, specifically in the areas of crisis management of credit, market, liquidity, operations and legal risks.

In 2012, the Audit Committee held four (4) meetings and reviewed the audited financial statements for 2011 and the interim statements for the quarters ending March 31, June 30 and September 30, 2012. The Committee made a motion for a comprehensive revision of the Audit Committee Charter to fully comply with the requirements of the 2012 SEC Memo Circular #4.

On February 15, 2013, the Committee endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo and Company (SGV & Co.) as the external auditor for 2013.

The attendance of the Audit Committee members in the Audit Committee meetings is as follows:

Audit Committee	2012 Audit Committee Meeting			
	10-Feb	20-Apr	20-Jul	18-Oct
Mr. Roberto M. Laviña	P	A	P	P
Mr. Victor J. del Rosario	P	P	P	A
Mr. Alfredo M. Velayo (Independent)	P	P	P	P
Mr. Ricardo V. Camua (Independent)	P	P	P	P
Mr. David L. Balangue (Independent)	P	P	P	P

P : Present A : Absent

External Auditor
The External Auditor contributes to the enforcement of good corporate governance through independent examination of the financial records and reports of the Company.

On March 20, 2012, the stockholders, upon recommendation of the Audit Committee and the endorsement by the Board of Directors, approved the appointment of SGV & Co. as TA-Oil's external auditor.

The Company has complied with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for the calendar year 2012 is Ms. Catherine E. Lopez, an SEC accredited auditing partner of SGV. This is Ms. Lopez's fourth year as engagement partner for the Company.

Following are the fees for professional services rendered by SGV & Co. for the past 3 years:

Year	Audit Fees (Php)
2012	1,000,000.00
2011	900,000.00
2010	900,000.00

Internal Audit
The Internal Audit group of the Company provides the Board, senior management and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate and faithfully complied with.

In 2012, the Internal Audit group conducted examinations of the following: Internal Control review of the Electricity supply business unit (ESBU) operations, surprise audit of head office cash funds and review of electronic reimbursement facility.

Disclosure and Transparency
In addition to submitting annual and quarterly financial information and other statutory requirements, the Company promptly discloses to the SEC and the PSE all material information such as key results of operations, execution of contracts, declaration of dividends and investments, among others. Such disclosures are promptly up-loaded at the Company's website for the benefit of the investing public.

Code of Conduct
The Code of Conduct of the Company contains policies on professional decorum, conflict of interest and penalties for violations.

Employees are required to always act in the best interest of the Company. As a matter of policy, every employee and officer of the Company should avoid any situation that could interfere or appear to interfere with their independent judgment in performing their duties. The policy also prohibits using one's official position to secure a contract of employment for a related party, soliciting gifts or any property for personal gain from any individual or organization that deals with the Company and using Company information for personal gain. No employee may engage in any business or undertaking that is indirectly or directly in competition with or prejudicial to the interests of the Company.

PART VI – EXHIBITS AND SCHEDULES

Item 15. Exhibit and Reports on SEC Form 17-C

List of Exhibits

Exhibit A	-	Consolidated Audited Financial Statements for the Calendar Year 2012
Exhibit B	-	Supplementary Schedules to the Consolidated Financial Statements
Exhibit C	-	Parent Company Audited Financial Statements for the Calendar Year 2012
Exhibit D	-	Annual Report of Use of Proceeds from Stock Rights Offering

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the fiscal year 2012 covered by this report:

Date of Filing	**Items Reported**
January 12, 2012	Please be informed that Trans-Asia signed today a Farm-in Option Agreement with Frontier Oil Corporation (Frontier) in relation to petroleum Service Contract No. 52 which covers a certain area in Cagayan province ("SC 52"). Under said Agreement, in consideration of payment of an option fee Frontier granted Trans-Asia the option to acquire from it 10% participating interest in SC 52, which may be exercised by payment of an agreed amount within a specified period of time following the completion of re-entry and testing of the Nassiping – 2 well. The Nassiping – 2 well exhibited gas shows when it was drilled in 1984, but was not flow-tested then. Frontier mobilized a rig from Thailand for the drilling that are expected to start in the third or fourth week of this month.
January 30, 2012	The attendance of the Board of Directors of Trans-Asia for the Year 2011 was submitted.

February 10, 2012

Please be informed that at the special meeting of the Board of Directors of Trans-Asia (the "Corporation") held today, February 10, 2012:

a) The Board set the 2012 Annual Shareholders Meeting of the Corporation on March 20, 2012,

   For the purposes of said meeting, the record date for the determination of shareholders entitled to notice and to vote at said meeting is February 24, 2012;

b) The Board adopted the following:

   "RESOLVED, subject to the approval of the shareholders and the Securities and Exchange Commission, that the authorized capital stock of the Corporation be increased from ₱4,200,000,000.00 divided into 4,200,000,000 common shares of the par value of ₱1.00 each share to ₱8,400,000,000.00 divided into 8,400,000,000 shares of the par value of ₱1.00 each share to be funded by a stock offering, the terms and conditions of which, including the final issue size, rights entitlement, offer price and record date, shall be determined by the Board of Directors; and to effect the foregoing increase of authorized capital stock, Article Seventh of the Articles of Incorporation be amended as follows:

   > 'SEVENTH: - That the total authorized capital stock of this Corporation is EIGHT BILLION FOUR HUNDRED MILLION PESOS (₱8,400,000,000.00) Philippine Currency, and that said capital stock shall be divided into EIGHT BILLION FOUR HUNDRED MILLION (8,400,000,000) common shares of the par value of ₱1.00 per share."

February 16, 2012

Please be informed that at the regular meeting of the Board of Directors of Trans-Asia (the "Corporation") held today, February 16, 2012, the following actions were taken:

a) Approval of audited Financial Statements of year 2011, showing consolidated net income of ₱408 million, and

b) Declaration of cash dividend of ₱0.04 per share, payable on March 27, 2012 to all shareholders of record as of March 1, 2012.

February 17, 2012

In compliance with Section 17.15 of the PSE Revised Disclosure Rules, a Certification from the Department of Energy (DOE) that Trans-Asia's petroleum Service Contracts are valid and subsisting and that Trans-Asia has no pending violation with the DOE of as of December 31, 2011 was submitted

February 29, 2012

Please be informed that re-entry and testing operations at the Nassiping – 2 well in Gattaran, Cagayan under petroleum Service Contract No. 52 were completed.

Seven (7) zones within a 200 meter section of the objective limestone reservoir were perforated and the well was flowed for about 26 hours for clean up, then shut in for 12 hours to build up pressure prior to gas flow testing.

Despite high pressure readings and initial high gas flow rates, Frontier, the Operator, was unable to establish a stable and sustained measurement during testing. A decision was made to suspend the test. It was later established that the packer was unseated at some point during the operation. The well was controlled by heavy drilling mid and temporarily plugged for possible re-entry and re-testing at a future date.

Trans-Asia will evaluate the results of testing once all the pertinent data become available.

Trans-Asia has an option to acquire 10% participating interest in SC 52 from Frontier, which may be exercised by payment of an agreed amount within a specified period of time following completion of re-entry and testing of Nassiping – 2 well.

March 20, 2012

Please be informed that at the Annual Meeting of the Shareholders of Trans-Asia (the "Corporation") held today, 20 March 2012, with all directors present, the following actions were taken:

1) The following directors of the Corporation were elected:
   Oscar J. Hilado
   Antonio V. del Rosario
   Magdaleno B. Albarracin, Jr.
   Ramon R. del Rosario, Jr.
   Francisco L. Viray
   Roberto M. Laviña
   Victor J. del Rosario
   Alfredo M. Velayo (independent)
   Raymundo O. Feliciano (independent)
   Ricardo V. Camua (independent)
   David L. Balangue (independent)

2) The increase in authorized capital stock of the Corporation from ₱4,200,000,000.00 to ₱8,400,000,000.00 and amendment of the Corporation's amended Articles of Incorporation to reflect the same were approved, in a resolution worded as follows:

"RESOLVED, subject to the approval of the shareholders and the Securities and Exchange Commission, that the authorized capital stock of the Corporation be increased from ₱4,200,000,000.00 divided into 4,200,000,000 common shares of the par value of ₱1.00 each share to ₱8,400,000,000.00 divided into 8,400,000,000 shares of the par value of ₱1.00 each share to be funded by a stock offering, the terms and conditions of which, including the final issue size, rights entitlement, offer price and record date, shall be determined by the Board of Directors; and to effect the foregoing increase of authorized capital stock, Article Seventh of the Articles of Incorporation be amended as follows:

> 'SEVENTH: - That the total authorized capital stock of this Corporation is EIGHT BILLION FOUR HUNDRED MILLION PESOS (₱8,400,000,000.00) Philippine Currency, and that said capital stock shall be divided into EIGHT BILLION FOUR HUNDRED MILLION (8,400,000,000) common shares of the par value of ₱1.00 per share."

3) The auditing firm of SyCip Gorres Velayo & Co was reappointed external auditors for the year 2012;

4) Following the Annual Meeting of Shareholders the following officers were reelected:

Oscar J. Hilado	- Chairman
Ramon R. del Rosario, Jr.	- Vice Chairman
Francisco L. Viray	- President & CEO
Roberto M. Laviña	- SEVP/Treasurer
Juan J. Diaz	- Corp. Secretary
Virgilio R. Francisco, Jr.	- SVP
Pythagoras L. Brion, Jr.	- SVP & CFO
Rosario V. Venturina	- SVP – Renewable Energy
Raymundo A. Reyes, Jr.	- SVP – Oil and Gas
Rizalino G. Santos	- SVP – Electricity Supply
Cecille B. Arenillo	- VP & Compliance Officer
Frederick C. Lopez	- VP – Materials Management
Mariejo P. Bautista	- VP – Controller
Danilo L. Panes	- AVP – Renewable Energy
Alan. T. Ascalon	- AVP/Asst. Corp. Secretary
Miguel Romualdo T. Sanidad	- Asst. Corporate Secretary

Moreover, the various Committees of the Board were organized as follows:

Executive Committee/Stock Option Committee:

Ramon R. del Rosario, Jr.	- Chairman
Oscar J. Hilado	- Member
Magdaleno B. Albarracin, Jr.	- Member
Francisco L. Viray	- Member
Alfredo M. Velayo	- Member

Audit Committee:

Alfredo M. Velayo	- Chairman
Roberto M. Laviña	- Member
Ricardo V. Camua	- Member
Victor J. del Rosario	- Member
David L. Balangue	- Member

Nominations Committee:

Ramon R. del Rosario, Jr.	-	Chairman
Antonio V. del Rosario	-	Member
Raymundo O. Feliciano	-	Member

Compensation Committee:

Alfredo M./ Velayo	-	Chairman
Ramon R, del Rosario, Jr.	-	Member
Oscar J. Hilado	-	Member

March 21, 2012

This refers to your letter dated March 21, 2012, requesting confirmation/clarification of the news article entitled "*₱33B projects in Trans-Asia pipeline"* posted in Inquirer.net on March 21, 2012. The article reported that:

Trans-Asia Oil and Energy Development Corp. is embarking on a series of power generation projects collectively worth ₱33B, over the next five years to boost its generating capacity to as much 687 megawatts (MW).

During a stockholders' meeting on Tuesday, Trans-Asia chief finance officer Roberto M. Laviña said that the company expects its equity share in four new power projects to reach roughly ₱5 billion – the reason why Trans-Asia on Tuesday sought the approval of its shareholders to raise the company's stock to ₱8.4 billion.

Laviña revealed that the company is eyeing four new power generation projects, which include the second phase of its ongoing 135-megawatt coal-fired power project in Batangas. Trans-Asia is undertaking the project in partnership with the Ayala Group's AC Energy Holdings.

Through the same joint venture vehicle called the South Luzon Thermal Energy Corp., Trans-Asia is looking to put up a second 135-MW unit in the area worth an estimated ₱9.6 billion.

According to the company president Francisco L. Viray, Trans-Asia still does not have a timetable for the project, but the company aims to complete the second 135MW unit in the next five years.

Another project is the proposed second phase of the 20-MW geothermal facility to be built on Mt. Makiling. Trans-Asia has a 25-percent interest in Maibarara Geothermal, Inc., which is undertaking the said project. The second phase entails the construction of another 20-MW unit worth ₱3 billion in the vicinity.

The third project according to Laviña, is the proposed 135-megawatt coal project in North Mindanao, which is expected to cost ₱13.7 billion.

Trans-Asia Oil has already begun pre-engineering and feasibility study to build a coal facility in northeastern Mindanao, similar to what is being built in Batangas. Should the company proceed with *the project, the power plant could start operations by 2015 or 2016, Viray added.*

The fourth project is the ₱6.5 billion 54-MW Guimaras wind farm. The move to proceed with the project, however, will hinge on the issuance of feed-in tariff rates. The rates, which are yet to be issued by the Energy Regulatory Commission, will determine the economic viability of renewable energy projects and will assure developers of fixed cash flows over the next 20 years.

Please be informed that we confirm the accuracy of the news article with the following clarifications:

- The proposed 54 MW Guimaras wind farm will be undertaken with a partner on a 50:50 sharing;
- The 135 MW Mindanao coal project will likewise be undertaken with a partner on a 50:50 sharing; and
- The Company is still in the process of negotiating with prospective partners for the two projects.

March 26, 2012

This refers to your letter dated March 26, 2012, requesting confirmation/clarification of the news article entitled "*Trans-Asia projecting 50% jump in 2012 profit*" published in the March 26, 2012 issue of the Philippine Daily Inquirer (PDI). The article reported that:

PHINMA-led Trans-Asia Oil and Energy Development Corp. is targeting a record-high profit for the year, which a projected 20-percent increase from last year's net of ₱408.2 million.

The places the target net income for 2012 of about ₱408.2 million.

According to Trans-Asia Oil president Francisco L. Viray, the profit increase is expected to come from a bigger customer base that may be brought about by the commissioning of a power facility within this quarter and the implementation of the open access and retail scheme….

Please be informed that the above news article and the news articles that were published on March 21, 2012 in PDI and Philippine Star, which we confirmed with the PSE on the same day, quoted information and plans that were presented during the annual stockholders' meeting on March 20, 2012.

We confirm the accuracy of the March 26 news article with the following clarifications:

- The projected increase in net income is 20% (not 50% as stated in the headline).

March 30, 2012

Please be informed that Ms. Rosario B. Venturina, Senior vice President – Renewable Energy of Trans-Asia is retiring effective March 31, 2012.

April 16, 2012	Please be informed that BHP Billiton, Operator of SC 55, has requested the Department of Energy (DOE) an 18-month extension of Exploration Sub-Phase 4 of SC 55 which expires on August 5, 2012. A deepwater well is required to be drilled within the current Sub-Phase.

The request was made to enable BHP Billiton to secure an ultra deepwater drilling with specialized well control equipment capable of drilling the Cinco prospect, and to provide sufficient time for post – well evaluation. Availability of such rigs is limited for the rest of the year.

The co-contractor in SC 55 are:

Trans-Asia	6.82%
Otto Energy Ltd. (though wholly owned Subsidiary NorAsian Energy Ltd.)	33.18
BHP Billiton Petroleum (Phils.) Corp.	60.00

April 17, 2012 — Certification on qualifications of independent directors.

April 24, 2012 — Please be informed that Maibarara Geothermal, Inc. (MGI), a 25% owned subsidiary of Trans-Asia, signed a Land Lease Agreement (LLA) with the National Power Corporation (NPC) and Power Sector Assets and Liabilities Corporation (PSALM) over two (2) NPC lots in Sto. Tomas, Batangas, for use in the Maibarara steamfield operations. The LLA has a term of 25 years, extendible by an additional 25 years upon mutual agreement of the parties.

Furthermore, the DOE approved the drilling of two (2) new wells in the Maibarara contract area. One well will be used as a steam producer and the other well will serve as a reinjection well for condensate fluids. The wells are expected to be drilled in the 3rd quarter of this year.

May 15, 2012 — Summary information flyer on the Trans- Asia's first quarter 2012 results of operations.

May 23, 2012 — Please be informed that at the regular meeting of the Board of Directors of Trans-Asia held today, Mr. Manuel "Karim" G. Garcia was elected Vice President-Strategic Planning effective May 28, 2012.

May 28, 2012 — Please be informed that the DOE granted a one-year extension to exploration Sub-Phase 4 of SC 55, which entails a commitment to drill one (1) well.

Sub-Phase 4 will now end on August 5, 2013.

The SC 55 consortium is composed of BHP Billiton Petroleum (Phils.) Corp. (Operator with 60% interest), NorAsian Energy Ltd (33.18%) and Trans-Asia (6.82%).

May 30, 2012	Please be informed that Trans-Asia entered into an Amendment Agreement with Investwell Resources, Inc. (“Investwell”) amending the Agreement dated October 18, 2011 that provided for the assignment of Trans-Asia’s Mineral Production Sharing Agreement (MPSA) denominated as MPSA No. 252-2007-V to Investwell. The Amendment Agreement modified, among others, the amount, timing and mode of payment of the outstanding financial considerations stipulated in the Agreement that are pertinent to the assignment of MPSA No. 252-2007-V to Investwell.
June 25, 2012	Please informed that DOE approved the SC 69 consortium’s request for a 9-month extension of the current exploration Sub-Phase 3 to May 7, 2013. The extension period will allow the consortium to complete the interpretation of new seismic data and undertake other technical studies. Trans-Asia has 6% participating interest in SC 69.
June 25, 2012	Please be informed that Trans-Asia and its wholly-owned subsidiary, Trans-Asia Gold and Minerals Development Corp. (“Trans-Asia Gold”) entered into a Termination Agreement terminating their Operating Agreement dated February 4, 2008. Under said Termination Agreement, Trans-Asia Gold relinquished its right to explore, develop and operate the area covered by Trans-Asia’s MPSA denominated as MPSA 252-2007-V in Jose Panganiban, Camarines Norte, in exchange for certain compensation. Trans-Asia had earlier assigned said MPSA to a third party, subject to certain terms and conditions including approval by the Department of Environment and Natural Resources (DENR).
July 06, 2012	Please be informed that Trans- Asia Oil and Energy Development Corporation signed an Amendment Agreement with Frontier Oil Corporation amending their Farm-in Option Agreement dated 12 January 2012. The Amendment Agreement extended the period during which Trans-Asia may exercise its option to acquire 10% interest in SC 52 until ninety (90) days after completion of programmed re-test operations on Nassiping-2 well.
July 09, 2012	Please be informed that Trans- Asia Oil and Energy Development Corporation signed today a Contract for the Sale of Electricity with LaFarge Republic Inc., valid for five (5) years, commencing on December 26, 2012.

August 10, 2012	Please be informed that Trans-Asia and its partners in the South Block of SC 51 ("Farmors") entered into a Settlement Agreement with Swan Oil and Gas Ltd. ("Swan"), thereby settling their dispute under the Farm-in Agreement as amended in January 2012 . The Settlement Agreement grants Swan to acquire eighty percent (80%) participating interest in the South Block of SC 51 by bringing in a drilling partner for the proposed Argao – 1 no later than 31 December 2012, subject to the Farmors securing a Farminee at an earlier date. Trans-Asia has 6.67% participating interest in SC 51.
August 28, 2012	Please be informed that the Board of Directors of Trans-Asia Oil and Energy Development Corporation (the "Corporation") approved today: a) The change of the primary purpose of Trans-Asia (Karang-Besar) Petroleum Corporation, a 100% subsidiary of the Corporation, from power generation to oil and gas exploration and production, and b) Increase in the authorized capital stock of Trans-Asia (Karang-Besar) Corporation from Php40,000,000 divided into 4,000,000,000 shares with the par value of Php00.01 per share to Php1,000,000,000 divided into 100,000,000,000 share with the par value of Php00.01 per share.
August 28, 2012	Further to Trans-Asia Oil and Energy Development Corporation's (the "Corporation") stock rights offer of 1,415,002,816 shares representing one (1) share for every two (2) shares held (the "SRO") which was disclosed to the Commission and the Exchange last July 23, 2012, please be informed that the Board of Directors of the Corporation approved today the offer of an additional 212,250,422 of the Corporation, or 15% of the number of shares in the SRO, to meet any subscriptions in excess of the SRO, to be exercised at the option of the Corporation .
September 19, 2012	Please be informed that Trans-Asia and Frontier Gasfields Pty. Ltd. ("Frontier") entered into an agreement today amending their Option Agreement dated June 3, 2010. Under said Option Agreement, Frontier had an option to acquire from Trans-Asia the 5% participating interest in Petroleum Service Contract No. 55 ("SC 55") that Trans-Asia has the option to acquire from a partner from SC 55, after the drilling of the first exploratory well in the contract area. The Amendment Agreement provides, among others, that upon exercise of its option, Frontier shall instead acquire shares in a Trans-Asia affiliate that would be organized to hold the parties' joint interest in SC 55.

Trans-Asia currently holds 6.82% participating interest in SC 55.

October 12, 2012

Please be informed that the Department of Energy approved the consortium’s request for a six-month extension of the term of the current exploration Sub-Phase 4 until January 2013.

The extension was granted to allow the completion of the ongoing 2D seismic program covering the onshore northwest Leyte sector of the contract area.

Acquisition of the 102 km of 2D seismic data over the Duhat prospect was completed in early October 2012 and processing of the data is in progress.

Otto Energy, the Operator, disclosed to the Australian Stock Exchange that it is planning to drill the Duhat – 2 well in 2013.

Trans-Asia has 6.67% participating interest in SC 51.

October 23, 2012

Please be informed that Trans-Asia, together with its Filipino partners in SC 51 (collectively the “Farmors”), entered into a Farm-In Option Agreement (the “Agreement”) with Frontier Oil Corporation covering the Cebu Strait sector of the SC 51 Contract Area (the “South Block”).

Under the Agreement, Frontier has the option to acquire eighty percent (80%) of the Farmors’ combined participating interest in the South Block primarily by undertaking to drill the offshore Argao-1 exploratory well at its sole cost and risk under the 6th Sub-Phase of the Exploration Period of SC 51 (31 January 2014 to 8 July 2015). Frontier may exercise the option no later than 15 December 2012.

Trans-Asia currently has 33.34% participating interest in the South Block of SC 51.

October 23, 2012

Please be informed that the Board of Directors of Trans-Asia Oil and Energy Development Corporation (“Trans-Asia”) approved today:

1.) The assignment of its entire participating interest in Service Contract No. 6 Block A and Block B, Service Contract No. 51 and Service Contract No. 69, as well as all its interests, rights and obligations in all other agreements related to the aforementioned participating interests, to its wholly-owned subsidiary, Trans-Asia (Karang-Besar) Petroleum Corporation, subject to government and partners’ approval/ratification.

2.) The assignment of its entire participating interest in Service Contract No. 55 as well as all its interests, rights and obligations in all other agreements related to the aforementioned participating interest, to a new corporation (the “NewCo”) to be organized by Tans-Asia and Trans-Asia (Karang Besar) Petroleum Corporation, subject to the NewCo’s registration with the Securities and Exchange

Commision and government and partners' approvals/ratification.

November 08, 2012	Please be informed that we received a Court of Appeals Decision dated October 30, 2012 granting Trans-Asia's petition to reverse and set aside the resolutions of the Office of the President (OP) and the Department of Environment and Natural Resources (DENR) that ordered and affirmed excision of certain areas covered by alleged mining patents of a third party, from the contract area of Trans-Asia's Mineral Production Sharing Agreement No. 252-2007-V in Camarines Norte.
November 13, 2012	Please be informed that Trans-Asia Oil and Energy Development Corporation ("the Company") received today the approval of the Securities and Exchange Commission ("the SEC") of the Company's application for an increase of capital stock from Php4,200,000,000.00 divided into 4,200,000,000 shares with the par value of Php1.00 each, to Php8,400,000,000.00 divided into 8,400,000,000 shares with the par value of Php1.00 each and the amendment of the Trans-Asia's Articles of Incorporation to reflect the same.
November 28, 2012	This refers to the news article entitled "Trans-Asia mulls listing of spinoff petroleum unit" published in the November 28, 2012 issue of the Philippine Star which reported that:

> *TRANS-ASIA Oil Energy and Development Corp.*, fresh from raising P 1.627 billion through a stock rights offering, is looking at securing more funds for its petroleum projects through a public listing.
>
> Trans-Asia will spin off and list its petroleum exploration company as early as next year, company executives said.
>
> "I guess in time, as these (petroleum) projects mature, there could be a need for a capital raising effort on the petroleum side as well," Trans-Asia chairman Oscar J. Hilado told reporters.
>
> "There are plans approved by the board to spin off the oil and gas SCs into a petroleum exploration production company," said Pythagoras Brion, Jr., senior vice-president and chief finance officer of Trans-Asia.
>
> "That is in process right now. Eventually, the hope is that it can be listed at the right time," Brion said, adding that the initial public offering (IPO) might be conducted in a year or so.
>
> We hereby confirm the information quoted above except for the reference to an "initial public offering (IPO)" which was not mentioned in the media interview.

November 29, 2012	Please be informed that Trans-Asia (Karang Besar) Petroleum Corporation ("the Company") received today the approval of the Securities and Exchange Commission ("the SEC") of the Company's application for the following: 1.) Increase of authorized capital stock from Php40,000,000.00 divided into 4,000,000.00 shares with the par value of Php0.01 each, to Php1,000,000,000.00 divided into 100,000,000,000.00 shares with the par value of Php0.01 each; and 2.) Amendment of the Articles of Incorporation of Trans-Asia (Karang Besar) Petroleum Corporation.
December 03, 2012	This refers to your letter dated December 03, 2012, requesting confirmation and/or clarification of the news article entitled "Trans-Asia Eyeing Power Barges ReBid" published in the December 01, 2012 issue of the Manila Bulletin. The article reported in part that: *Trans-Asia Oil and Energy Development Corporation is still keen on joining the re-bid process for Power Barges 101 to 104, but it specified that it will only do so under "different conditions."* *This was intimated by Trans-Asia President Francisco L. Viray, noting that the transfer of three of the facilities to Mindanao has to be re-evaluated given the growing power needs also of their current sites in Visayas.* *"Under the same conditions, maybe we are not going to participate anymore… because if under the same conditions, there is no way we can change our valuation." he said.* *Viray explained that while there are really no stringent conditions in the previous bidding terms of reference, the mandated transfer of assets will perpetually pull down the cost offers.* *"Nothing is stringent, but of course the transfer will entail some costs so you have to put that into your valuation," he reiterated.* *Among all parties which eyed the facilities, it is only Trans-Asia which has been sustaining its interest, even until the last pronouncement by asset seller Power Sector Assets and Liabilities Management Corporation (PSALM) on prospects of another round of bidding.* We confirm the accuracy of the December 01 news article.
December 03, 2012	We have been informed by Frontier Oil Corporation ("Frontier"), Operator of SC 52, that it has "temporarily suspended the Nassiping - 2 acid stimulation program due to an obstruction in the well bore" that prevented conveyance of equipment to the zone of interest.

Frontier added that it intends to mobilize a drilling rig (instead of a coiled tubing unit similar to that used in the recently concluded operations) in early 2013to remove the obstruction and complete the stimulation program, and also to test prospective gas – bearing horizons below the present target interval.

The SC 52 consortium re-entered the Nassiping – 2 well in February 2012, but flow test conducted on a potential bypassed gas zone yielded inconclusive results. This same zone is the target of the stimulation program.

Trans-Asia has an option to acquire ten percent (10%) participating interest in SC 52 from Frontier, which may be exercised within ninety days after completion of the Nassiping – 2 stimulation program.

December 05, 2012	Please be informed that SC 6 Block B consortium members ("farmors") issued a notice to Peak Oil & Gas Philippines Limited, Blade Petroleum Philippines Limited and VenturOil Philippines, Inc. ("farminees") terminating their Deed of Assignment and Farmin Agreement under which the farmors assigned seventy percent (70%) of their combined participating interests to the farminees. Approval of the Department of Energy to said Deed was not obtained within the prescribed period due to the failure of the farminees to demonstrate the required financial capacity. As a result of the foregoing termination, Trans-Asia's 4.2189% participating interest in the block shall revert to the original 14.063%.
December 07, 2012	Please be informed that Maibarara Geothermal inc. (MGI) signed an Engineering, Procurement and Construction (EPC) contract with Meralco Industrial Engineering Services Corporation (MIESCOR) covering the transmission line component of the 20MW Maibarara Geothermal Project. Under the contract, MIESCOR shall undertake the design, supply, delivery, installation, and testing of a 6-km transmission line that would connect MGI's power plant currently under construction in Sto. Tomas, Batangas, to Manila Electric Company's (MERALCO) existing 115 kv line in Calamba, Laguna. MIESCOR shall complete the construction and testing of the transmission facility by end May 2013. MGI is a joint venture company 25% - owned by Trans-Asia. Partners include Petrogreen Energy Corporation and PNOC Renewables Corporation.
December 13, 2012	Please be informed that Maibarara Geothermal Inc. (MGI), 25% - owned by Trans-Asia, signed an interconnection Agreement with Manila Electric Company (MERALCO) covering the physical interconnection of the transmission line of MGI's proposed 20 MW

	power plant in Sto. Tomas, Batangas to MERALCO's 115 kv line in Calamba, Laguna some 6 kilometers away. MGI, Trans-Asia and MERALCO also signed a Memorandum of Agreement that defined their rights and obligations in relation to the sale of MGI's electricity output through MERALCO's distribution system. Trans-Asia is the sole offtaker of MGI's electricity output under an Electricity Sales Agreement dated September 2011. MGI is targeting July 2013 for initial facilities testing and fourth quarter 2013 for commercial operations.
December 21, 2012	Please be informed that Trans-Asia Oil and Energy Development Corporation and the Philippine Economic Zone Authority (PEZA) signed today the Contract for the Sale of Electricity (Lot 1-Base Load) and the Contract for the Sale of Electricity (Lot 2-Shoulder and Peak Load) for the supply of the entire electricity requirement of the Cavite Economic Zone, valid for five (5) years commencing on December 26, 2012.
December 21, 2012	Please be informed that the SC 51 consortium has elected to enter the 5th Sub-Phase of the Exploration Period (1 February 2013 to 31 January 2014) and opted to drill one onshore exploratory well which carries a minimum expenditure commitment of US $ 750,000. The consortium also submitted to the Department of Energy the work program for said 5th Sub-Phase consisting of the drilling of the Duhat – 2 well in the town of San Isidro, northwest Leyte. Preliminary budget for the drilling program (including testing) is US $ 6.7 million. Estimated resource potential of the prospect is between 2 to 62 million barrels of oil. Trans-Asia has 6.67% participating interest in SC 51.
December 26, 2012	Further to our disclosure of October 22, 2012, please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") signed today (a) the Memorandum of Agreement, and Deeds of Assignment assigning its participating interests in Service Contract No. 6 Block A and Block B, Service Contract No. 51 and Service Contract No. 69 to its wholly owned subsidiary Trans-Asia Petroleum Corporation (formerly Trans-Asia (Karang Besar) Petroleum Corporation) ("TAPC") and (b) the the Memorandum of Agreement, and Deeds of Assignment assigning its participating interest in Service Contract No. 55 to Palawan55 Exploration & Production Corporation, which is owned by Trans-Asia and TAPC. Both assignments are subject to approval of the Department of Energy and delivery of certain undertakings to Trans-Asia's service contract partners.

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 April 11, 2012.

Trans-Asia Oil and Energy Development Corporation

By:

FRANCISCO L. VIRAY
President and CEO

ROBERTO M. LAVIÑA
SEVP/Treasurer

Raymundo A. Reyes Jr.
RAYMUNDO A REYES, JR.
SVP – Energy Resources Development

PYTHAGORAS L. BRION, JR.
SVP & Chief Financial Officer

RIZALINO G. SANTOS
SVP – Power Business

MARIEJO P. BAUTISTA
VP - Controller

JUAN J. DIAZ
Corporate Secretary

(Republic of the Philippine)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this APR 15 2013 affiant(s) exhibiting to me his/her Driver's License/ Passport/Community Tax Certificate, as follows:

Name	Driver's License No. /Passport No./Senior Citizen No.	Date of Issue/Expiration Date
Francisco L. Viray	EB008400	June 1, 2015
Roberto M. Laviña	XX5492753	February 8, 2015
Pythagoras L. Brion, Jr.	EB6637129	October 23, 2017
Raymundo A. Reyes, Jr.	EB2193620	April 6, 2016
Rizalino G. Santos	N02-81-076260	December 27, 2014
Juan J. Diaz	1714595	March 2002
Mariejo P. Bautista	N02-96-322934	May 13, 2014

MIGUEL ROMUALDO T. SANIDAD
NOTARY PUBLIC
Until December 31, 2013
Appointment No. M-42 (2012-2013)
IBP No. 926662; 01-18-13; Makati Chapter
PTR No. 3691440; 01-18-13; Makati City
Roll No. 33861

Doc. No. 188
Page No. 39
Book No. 97
Series of 2013

REPORT OF AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The Board of Directors
Trans-Asia Oil and Energy Development Corporation

The Audit Committee is composed of three (3) independent directors and two (2) executive directors. An independent director chairs the Audit Committee. The Committee has adequate understanding of the Company's business and industry in which it operates.

We are pleased to report our activities for Calendar Year 2012.

The Audit Committee had four (4) meetings during the year. All meetings obtained complete attendance save two meetings where only four members attended. Overall, attendance is at ninety percent. The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor (SGV & Co.), the findings and status of Internal Audit's engagements and the 2011 Audit Committee Report.

We received information and support from Management, the Compliance Officer and Internal Audit to enable us to carry out our function effectively.

ACTIVITIES

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the 2011 audited consolidated financial statements and 2012 quarterly consolidated financial statements.

Informatively, in our first meeting for 2013, held on February 15, 2013, we, likewise, reviewed and endorsed to the Board of Directors for approval the 2012 audited consolidated financial statements presented in this 2012 annual report. These activities were performed in the following context:

- Management has the primary responsibility for the financial statements and the financial reporting process.
- SyCip, Gorres, Velayo & Co. (SGV & Co.) is responsible for expressing an opinion on the annual audited consolidated financial statements in accordance with Philippine Financial Reporting Standards.

External Audit

We endorsed to the Board of Directors the nomination of SyCip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2012. We reviewed and approved the scope and deliverables of the SGV audit plan. The Committee ensured that SGV's scope included the review of Company's compliance to Philippine Financial Reporting Standards (PFRS).

We also proposed to the Board of Directors to retain SGV & Co. as the external auditor for 2013 as discussed in our committee meeting held February 15, 2013.

Internal Audit

We reviewed and approved the Internal Audit plan for 2012. Based on this plan, the Committee received and reviewed the audit reports submitted by Internal Audit. Various audit and control issues including actions taken by management were discussed in the Committee meetings.

Audit Committee Charter

We performed a self-assessment of the Audit Committee's performance in line with the Guidelines issued by the Securities and Exchange Commission for the year 2012. Following this exercise, we recommended, and the Board of Directors subsequently approved, the revision of the Audit Committee Charter to fully comply with the SEC Guidelines.

ALFREDO M. VELAYO
Chairman, Independent Director

RICARDO V. CAMUA
Independent Director

DAVID L. BALANGUE
Independent Director

VICTOR J. DEL ROSARIO
Executive Director

ROBERTO M. LAVIÑA
Executive Director

EXHIBIT A

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2012 and 2011
And Years Ended December 31, 2012, 2011 and 2010

Trans-Asia Oil and Energy Development Corporation
A PHINMA Company

HELP EARTH
Harnessing Energy Literacy for Planet EARTH

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Trans-Asia Oil and Energy Development Corporation and Subsidiaries (the "Company") is responsible for the preparation and fair presentation of the consolidated balance sheets as of December 31, 2012 and 2011 and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the Stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2012 and 2011, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Stockholders or members, has expressed their opinion on the fairness of presentation upon completion of such examination.

OSCAR J. HILADO
Chairman of the Board

FRANCISCO L. VIRAY
President & Chief Executive Officer

PYTHAGORAS L. BRION, JR.
SVP & Chief Financial Officer

Signed this 18th day of February 2013

11th Floor Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1200 Philippines
Tel. No.: (632) 870-0100 Fax No.: (632) 870-0433

Trans-Asia Oil
and Energy Development Corporation
A PHINMA Company

HELP EARTH
Harnessing Energy Literacy for Planet EARTH

(Page 2 of Statement of Management's
Responsibility for Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this FEB 27 2013 affiant(s) exhibiting to me their Passport and Driver's License, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Oscar J. Hilado	XX4476833	17 September 2009	Manila
Francisco L. Viray	EB0308400	2 June 2010	Manila
Pythagoras L. Brion, Jr.	EB6637129	24 October 2012	Manila

MIGUEL ROMUALDO T. SANIDAD
NOTARY PUBLIC
Until December 31, 2013
Appointment No. M-42 (2012-2013)
IBP No. 926662; 01-18-13; Makati Chapter
PTR No. 3691440; 01-18-13; Makati City
Roll No. 33861

Doc. No. 148
Page No. 31
Book No. 96
Series of 2013

Trans-Asia Oil & Energy Development Corporation
Financial Highlights
(Amounts in thousand pesos except earnings per share and ratios)

	31-Dec-12	31-Dec-11	31-Dec-10
Current Assets	4,858,353	2,971,659	2,375,477
Total Assets	7,685,240	5,267,966	3,433,915
Current Liabilities	722,171	668,971	341,397
Total Liabilities	747,422	696,575	387,445
Total Equity	6,937,818	4,571,391	3,046,470
Paid in Capital	4,881,285	2,872,685	1,719,319
Total Revenues	1,620,886	1,359,004	894,295
Net Income	471,170	408,217	14,745
Earnings Per Share	0.16	0.18	0.01
Current ratio	6.73:1	4.44:1	6.96:1
Debt/Equity Ratio	0.11:1	0.15:1	0.13:1
Asset-to-Equity Ratio	1.11:1	1.15:1	1.13:1
Return on Equity	8%	11%	0.5%
Interest Rate Coverage Ratio	Not applicable	Not applicable	Not applicable

COVER SHEET

0 6 9 - 0 3 9 2 7 4

SEC Registration Number

TRANS-ASIA OIL AND ENERGY
DEVELOPMENT CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

11th Floor, PHINMA Plaza,
39 Plaza Drive, Rockwell Center,
Makati City

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

Yolanda D. Añonuevo

(Contact Person)

870-0100

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

A A C F S

(Form Type)

0 3 2 1

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3,269

Total No. of Stockholders

-	-
Domestic	*Foreign*

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited the accompanying consolidated financial statements of Trans-Asia Oil and Energy Development Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trans-Asia Oil and Energy Development Corporation and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

February 18, 2013

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 31 and 32)	**₱907,595,393**	₱874,437,195
Short-term investments (Note 7)	**1,555,339,849**	–
Investments held for trading (Notes 8, 31 and 32)	**835,008,772**	871,184,403
Receivables (Notes 9, 28, 30, 31 and 32)	**626,777,642**	457,409,183
Fuel and spare parts - at cost	**133,932,089**	71,614,701
Available-for-sale investments (Note 7)	**54,001,939**	–
Other current assets (Note 32)	**66,984,801**	47,309,078
Company's share in current assets of joint ventures (Note 14)	**678,712,401**	585,134,829
	4,858,352,886	2,907,089,389
Assets held for sale (Note 10)	–	64,570,166
Total Current Assets	**4,858,352,886**	2,971,659,555
Noncurrent Assets		
Property, plant and equipment (Note 10)	**606,419,653**	482,053,999
Investments in associates (Note 11)	**178,181,773**	119,660,358
Available-for-sale investments (Notes 12 and 32)	**224,563,249**	205,386,573
Investment properties (Note 13)	**19,139,211**	21,099,821
Deferred exploration costs (Note 15)	**72,218,898**	98,685,691
Deferred income tax assets - net (Note 26)	**7,983,090**	11,289,840
Other noncurrent assets	**2,379,345**	331,678
Company's share in noncurrent assets of joint ventures (Note 14)	**1,716,001,940**	1,357,798,844
Total Noncurrent Assets	**2,826,887,159**	2,296,306,804
TOTAL ASSETS	**₱7,685,240,045**	₱5,267,966,359
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 28, 31 and 32)	**₱522,470,148**	₱479,168,831
Due to stockholders (Notes 28, 31 and 32)	**9,034,206**	7,932,125
Income and withholding taxes payable	**25,400,288**	77,784,346
Company's share in current liabilities of joint ventures (Note 14)	**165,266,353**	104,085,505
Total Current Liabilities	**722,170,995**	668,970,807
Noncurrent Liabilities		
Pension and other post-employment benefits (Note 27)	**14,334,004**	13,190,076
Other noncurrent liabilities (Note 30)	**5,741,057**	7,129,993
Company's share in noncurrent liabilities of joint ventures (Note 14)	**5,175,753**	7,283,968
Total Noncurrent Liabilities	**25,250,814**	27,604,037
Total Liabilities	**747,421,809**	696,574,844

(Forward)

	December 31	
	2012	2011
Equity		
Capital stock (Note 17)	**₱4,857,258,870**	₱2,829,863,527
Additional paid-in capital (Note 17)	**24,026,492**	42,821,420
Unrealized fair value gains on available-for-sale investments (Note 12)	**84,985,224**	74,174,480
Company's share in unrealized fair value gains on available-for-sale investments of a joint venture	**13,140,777**	13,635,665
Other equity reserve (Note 14)	**27,375,956**	30,540,000
Retained earnings (Note 17)	**1,942,498,505**	1,587,687,133
Parent Company shares of stock held by a joint venture (Note 14)	**(11,467,588)**	(7,330,710)
Total Equity	**6,937,818,236**	4,571,391,515
TOTAL LIABILITIES AND EQUITY	**₱7,685,240,045**	₱5,267,966,359

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUES			
Generation revenue (Note 1)	**₱75,067,928**	₱63,597,441	₱55,588,335
Trading revenue - net (Notes 1 and 19)	**747,048,764**	524,314,693	–
Interest and other financial income (Notes 8 and 32)	**75,862,831**	77,080,049	70,143,513
Dividend income	**8,295,610**	15,794,935	7,090,765
Rental income (Notes 13 and 28)	**4,862,496**	5,329,104	6,831,677
Company’s share in revenue of a joint venture (Note 14):			
Generation	**700,608,835**	665,515,380	754,259,237
Other income	**9,139,996**	7,372,793	381,337
	1,620,886,460	1,359,004,395	894,294,864
COSTS AND EXPENSES			
Cost of power generation (Notes 20, 24 and 28)	**61,910,971**	49,387,918	44,472,389
Cost of power plant on standby (Notes 1, 10, 21, 23 and 24)	**49,106,424**	58,478,507	29,516,171
Trading loss - net (Notes 1 and 19)	**–**	–	60,297,092
General and administrative expenses (Notes 22, 23, 24, 27 and 28)	**289,930,899**	278,416,486	165,495,010
Company’s share in costs and expenses of joint ventures (Note 14):			
Cost of power generation	**520,256,979**	446,391,682	670,649,773
General and administrative expenses	**44,029,913**	37,266,577	24,915,168
	965,235,186	869,941,170	995,345,603
OTHER INCOME (EXPENSES) (Note 25)	**(1,096,271)**	36,905,050	113,332,315
INCOME BEFORE INCOME TAX	**654,555,003**	525,968,275	12,281,576
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**180,071,004**	148,552,121	3,034,812
Deferred	**1,948,750**	(35,169,350)	(649,944)
Company’s share in income tax of a joint venture (Note 14)	**1,365,294**	4,368,395	(4,848,218)
	183,385,048	117,751,166	(2,463,350)
NET INCOME	**₱471,169,955**	₱408,217,109	₱14,744,926
Basic/Diluted Earnings Per Share (Note 29)	**₱0.16**	₱0.18	₱0.01

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
NET INCOME FOR THE YEAR	**₱471,169,955**	₱408,217,109	₱14,744,926
OTHER COMPREHENSIVE INCOME			
Unrealized fair value gains on available-for-sale investments - net of deferred income tax (Note 12)	**10,810,744**	2,340,387	19,610,150
Company's share in unrealized fair value gains (losses) on available-for-sale investments of a joint venture - net of deferred income tax	**(494,888)**	449,889	4,219,006
Other comprehensive income	**10,315,856**	2,790,276	23,829,156
TOTAL COMPREHENSIVE INCOME	**₱481,485,811**	₱411,007,385	₱38,574,082

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Capital Stock (Notes 17 and 18)	Additional Paid-in Capital (Note 17)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 12)	Company's Share in Unrealized Fair Value Gains on Available-for-Sale Investments of a Joint Venture (Note 14)	Other Equity Reserve (Note 14)	Retained Earnings (Note 17)	Parent Company Shares of Stock Held by a Joint Venture (Note 14)	Total
BALANCES AT DECEMBER 31, 2009	**₱1,662,603,069**	**₱54,693,308**	**₱52,223,943**	**₱8,966,770**	**₱–**	**₱1,297,895,148**	**(₱3,923,869)**	**₱3,072,458,369**
Net income for the year	–	–	–	–	–	14,744,926	–	14,744,926
Other comprehensive income	–	–	19,610,150	4,219,006	–	–	–	23,829,156
Total comprehensive income for the year	–	–	19,610,150	4,219,006	–	14,744,926	–	38,574,082
Cash dividends - ₱0.04 per share	–	–	–	–	–	(66,585,025)	–	(66,585,025)
Issuance of stocks	2,022,535	–	–	–	–	–	–	2,022,535
	2,022,535	–	–	–	–	(66,585,025)	–	(64,562,490)
BALANCES AT DECEMBER 31, 2010	**1,664,625,604**	**54,693,308**	**71,834,093**	**13,185,776**	**–**	**1,246,055,049**	**(3,923,869)**	**3,046,469,961**
Net income for the year	–	–	–	–	–	408,217,109	–	408,217,109
Other comprehensive income	–	–	2,340,387	449,889	–	–	–	2,790,276
Total comprehensive income for the year	–	–	2,340,387	449,889	–	408,217,109	–	411,007,385
Cash dividends - ₱0.04 per share	–	–	–	–	–	(66,585,025)	–	(66,585,025)
Issuance of stocks from stock rights offering, net of direct costs of ₱11.87 million	1,165,237,923	(11,871,888)	–	–	–	–	–	1,153,366,035
Share in additional investment of a venturer in the joint venture company	–	–	–	–	30,540,000	–	–	30,540,000
Increase in parent company shares held by joint ventures	–	–	–	–	–	–	(3,406,841)	(3,406,841)
	1,165,237,923	(11,871,888)	–	–	30,540,000	–	(3,406,841)	1,180,499,194
BALANCES AT DECEMBER 31, 2011	**2,829,863,527**	**42,821,420**	**74,174,480**	**13,635,665**	**30,540,000**	**1,587,687,133**	**(7,330,710)**	**4,571,391,515**
Net income for the year	–	–	–	–	–	471,169,955	–	471,169,955
Other comprehensive income	–	–	10,810,744	(494,888)	–	–	–	10,315,856
Total comprehensive income for the year	–	–	10,810,744	(494,888)	–	471,169,955	–	481,485,811
Cash dividends - ₱0.04 per share	–	–	–	–	–	(113,194,540)	–	(113,194,540)
Issuance of stocks from stock rights offering, net of direct costs of ₱18.79 million	2,027,395,343	(18,794,928)	–	–	–	–	–	2,008,600,415
Share in expenses directly attributable to issuance of stocks of a joint venture	–	–	–	–	(3,164,044)	(3,164,043)	–	(6,328,087)
Increase in parent company shares held by joint ventures	–	–	–	–	–	–	(4,136,878)	(4,136,878)
	2,027,395,343	(18,794,928)	–	–	(3,164,044)	(3,164,043)	(4,136,878)	1,998,135,450
BALANCES AT DECEMBER 31, 2012	**₱4,857,258,870**	**₱24,026,492**	**₱84,985,224**	**₱13,140,777**	**₱27,375,956**	**₱1,942,498,505**	**(₱11,467,588)**	**₱6,937,818,236**

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱654,555,003**	₱525,968,275	₱12,281,576
Adjustments for:			
Company's share in loss (income) before income tax of joint ventures (Note 14)	**12,925,479**	12,331,851	(17,566,256)
Interest and other financial income (Note 32)	**(75,862,831)**	(77,080,049)	(70,143,513)
Depreciation and amortization (Note 24)	**44,426,084**	55,546,449	53,210,527
Gain on option fee (Note 25)	**(30,729,019)**	(21,935,000)	–
Gain on derivatives - net (Note 32)	**(9,364,316)**	(9,625,976)	(45,755,928)
Unrealized foreign exchange loss - net	**10,747,761**	3,736,911	34,870,085
Dividend income	**(8,295,610)**	(15,794,935)	(7,090,765)
Property and equipment written-off (Note 10)	**6,024,978**	14,246,800	–
Provisions for (reversals of):			
Impairment loss on deferred exploration costs (Note 15)	**12,874,373**	(11,473,481)	–
Impairment loss on available-for-sale investments (Note 12)	**–**	–	22,590,410
Impairment loss on property, plant and equipment (Note 10)	**–**	–	(20,320,409)
Loss (gain) on sale of:			
Interest in service contract (Note 15)	**–**	(4,048,828)	–
Assets held for sale (Note 10)	**(11,016,834)**	–	–
Available-for-sale investments	**(75,499)**	1,893,238	(60,400)
Royalty interest (Note 15)	**–**	–	(58,571,625)
Property and equipment (Note 25)	**(175,773)**	162,397	34,314
Equity in net losses of associates (Notes 11 and 25)	**6,656,925**	7,231,752	3,377,806
Operating income (loss) before working capital changes	**612,690,721**	481,159,404	(93,144,178)
Decrease (increase) in:			
Receivables	**20,413,168**	(572,938,915)	13,954,106
Fuel and spare parts	**(62,485,875)**	(45,006,223)	17,633,155
Other current assets	**(15,840,373)**	7,924,466	(52,105,142)
Increase (decrease) in accounts payable and other current liabilities	**(97,213,685)**	556,354,457	72,147,413
Net cash generated from (used in) operations	**457,563,956**	427,493,189	(41,514,646)
Interest received	**36,385,439**	50,517,390	50,103,685
Income taxes paid	**(242,761,548)**	(64,871,875)	(29,059,014)
Company's share in net cash flows provided by (used in) operating activities of joint ventures (Note 14)	**51,491,503**	(3,128,655)	76,839,394
Net cash flows provided by operating activities	**302,679,350**	410,010,049	56,369,419
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investments held for trading	**(3,655,378,789)**	(3,550,018,828)	(1,966,250,844)
Investment in associates (Note 11)	**(65,178,340)**	(87,072,035)	(42,578,125)
Property and equipment (Note 10)	**(173,860,255)**	(147,766,438)	(28,262,773)
Deferred exploration costs (Note 15)	**(18,928,348)**	(8,481,126)	(14,832,931)
Available-for-sale investments	**(61,533,214)**	(31,222,148)	(1,477,981)
Short-term investments (Note 7)	**(1,555,339,849)**	–	–

(Forward)

	Years Ended December 31		
	2012	2011	2010
Proceeds from:			
Sale and redemption of investments held for trading	**₱3,721,148,939**	₱3,582,231,716	₱1,915,351,202
Settlement of currency forward contracts (Note 32)	**7,138,409**	14,941,316	46,418,460
Sale of property and equipment (Note 10)	**1,179,922**	22,423,633	1,930,410
Sale of available-for-sale investments	**598,844**	31,487,848	254,916
Sale of interest in service contract	–	12,012,859	–
Receipt of option fee (Note 15)	**42,202,500**	21,935,000	–
Sale of assets held for sale (Note 10)	**75,587,000**	–	–
Reimbursement of deferred exploration costs (Note 15)	**21,047,287**	–	–
Termination of short-term investments	–	–	5,000,000
Decrease (increase) in other noncurrent assets (Note 11)	**(2,047,669)**	46,890,000	80,685,000
Cash dividends received	**8,295,610**	15,794,935	7,572,394
Company's share in net cash flows provided by (used in) investing activities of joint ventures	**(431,466,134)**	(1,170,927,334)	2,456,000
Net cash flows provided by (used in) investing activities	**(2,086,534,087)**	(1,247,770,602)	6,265,728
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of capital stock (Note 17)	**2,008,600,415**	1,153,366,035	–
Payment of cash dividends	**(112,092,459)**	(66,611,906)	(65,635,409)
Increase (decrease) in other noncurrent liabilities	**(617,881)**	2,700,569	3,358,901
Company's share in net cash flows provided by (used in) financing activities of joint ventures	**(6,328,088)**	30,540,000	–
Net cash flows provided by (used in) financing activities	**1,889,561,987**	1,119,994,698	(62,276,508)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes on cash and cash equivalents of venture	**67,312**	(6,003,572)	(26,732,147)
Company's share in effect of foreign exchange rate changes on cash and cash equivalents of joint ventures	–	124	–
Net effect of foreign exchange rate changes on cash and cash equivalents	**67,312**	(6,003,448)	(26,732,147)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**105,774,562**	276,230,697	(26,373,508)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	**1,277,787,249**	1,001,556,552	1,027,930,060
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,383,561,811**	₱1,277,787,249	₱1,001,556,552

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or "Parent Company"), incorporated on September 8, 1969, and its wholly-owned subsidiaries, Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Petroleum Corporation (TA Petroleum) [formerly Trans-Asia (Karang Besar) Petroleum Corporation], CIP II Power Corporation (CIPP), Trans-Asia Gold and Minerals Development Corporation (TA Gold) and Palawan55 Exploration and Petroleum Corporation (Palawan55) (collectively referred to as "the Company") are incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. TA Oil is managed by PHINMA under an existing management agreement.

The Parent Company is involved in power generation and trading, oil and mineral exploration, exploitation and production. The Parent Company has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras using its 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island. The renewal of the Company's certificate of registration as a Wholesale Aggregator was issued on December 19, 2011 renewable every five (5) years, and the renewal of its Retail Electricity Supplier's (RES) license was issued on November 19, 2012, renewable every five years. The license authorizes the Parent Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). As a RES, the Parent Company is allowed to supply electricity to the contestable market, pursuant to EPIRA. The other activities of the Company are investments in various operating companies and financial instruments.

TAREC was incorporated and registered with the SEC on September 2, 1994. TAREC is engaged in the development and utilization of renewable sources of energy (e.g. wind). As of February 18, 2013, TAREC has not started commercial operations.

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 the par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with the 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. As of February 18, 2013, TA Petroleum has not started commercial operations.

CIPP is a utilities enterprise, the primary purpose of which is to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone, in Barangay Punta and Tulo, Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP's operations (see Notes 10 and 21). Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Board of Directors (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-fire power plant from Laguna to La Union. As of December 31, 2012, the Company has completed the transfer of CIPP's power plant (see Note 10). As of

February 18, 2013, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

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.

Palawan55 was 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 form of petroleum. Palawan55 has not started commercial operations.

The Parent Company also has a 50% interest in Trans-Asia Power Generation Corporation (TA Power), a joint venture with Holcim Philippines, Inc. The company is engaged in power generation. 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. On January 1, 2013, the Parent Company entered into a Share Purchase Agreement with Holcim Philippines, Inc. (Holcim) for the purchase of Holcim's 50% stake in TA Power (see Note 14).

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. SLTEC was incorporated on July 29, 2011. As of February 18, 2012, SLTEC has not yet started operations.

The Parent Company has 50% interest in ACTA Power Corporation (ACTA), a joint venture with AC Energy. The company 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 it has not started commercial operations as of February 18, 2013.

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

The consolidated financial statements of the Company were authorized for issuance by the BOD on February 18, 2013.

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), derivative assets and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise stated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly-owned subsidiaries as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. Where the reporting date of a subsidiary or associate is different from the Parent Company, adjustments shall be made for the effects of significant transactions and events that occur between that date and the date of the Parent Company's financial statements. The difference between the end of the reporting period of the subsidiary or associate and the Parent Company shall be no more than three months.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Changes in the controlling ownership interest i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

In addition, the Company's share of each of the assets, liabilities, income and expenses of its jointly controlled ventures, TA Power, SLTEC and ACTA, are included as a separate line item in the consolidated financial statements based on the account grouping (see Note 14).

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Financial Reporting Standards (PFRS) and Philippine Interpretations which were adopted as of January 1, 2012.

Standards that have been adopted by the Company are described below:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments have no impact on the Company's financial position or performance.

- Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis),

rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Company's financial statements since the Company has no investment properties and property and equipment carried at revalued amounts.

Standards Issued but not yet Effective
Standards issued but effective subsequent to December 31, 2012 are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  A reassessment of control was performed by the Parent Company on all its subsidiaries in accordance with the provisions of PFRS 10. Following the reassessment, the Parent Company determined that it still controls all of its subsidiaries and that there is no change in the manner of accounting for its associates.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  As a result of the reassessment based on PFRS 11 requirements, the Company will account for its investments in TA Power, SLTEC and ACTA using the equity method. Currently, the proportionate consolidation is applied for these joint ventures. The change in accounting for its investments in TA Power, SLTEC and ACTA will decrease total consolidated assets as of December 31, 2012 and 2011 by ₱167.22 million and ₱113.35 million, respectively, and will decrease consolidated liabilities as of December 31, 2012 and 2011 by ₱138.17 million and ₱76.51 million, respectively. Consolidated revenues will also decrease by ₱553.43 million and ₱483.66 million for the years ended December 31, 2012 and 2011, respectively, while consolidated income before income tax will decrease by ₱1.37 million and ₱4.37 million for the years ended December 31, 2012 and 2011, respectively. There are no changes in earnings per share for the years ended December 31, 2012 and 2011.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28*, Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments are not expected to have an impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

  Balance sheet

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Net defined retirement benefits liability	₱12,838,000	₱8,248,100
Deferred income tax asset	3,851,400	2,474,430
Other comprehensive income	(3,474,800)	–
Retained earnings	(5,511,800)	(5,773,670)*

  * *Other comprehensive income will be closed to Retained earnings at transition date. Subsequent to January 1, 2013, other comprehensive income shall be separately presented.*

  Income statement

	2012
Increase (decrease) in:	
Net retirement benefits cost	(₱374,100)
Income tax expense	112,230
Profit for the year	261,870
Other comprehensive income, net of deferred income tax	(3,474,800)

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company presents separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the Company. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Company.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

  <u>Annual Improvements to PFRSs (2009-2011 cycle)</u>
  The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

4. Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Financial Assets and Financial Liabilities
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" gain or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" gain or loss amount.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets and financial liabilities are classified as either financial asset or liability at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments or other financial liabilities. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at every reporting date.

Financial Assets and Liabilities at FVPL

a. Financial Assets or Financial Liabilities Designated at FVPL

   Financial assets or financial liabilities classified in this category include those that are designated by management on initial recognition as at FVPL when any of the following criteria is met:

   - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities designated at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in the consolidated statement of income. Interest and other financial income or charges are recorded when earned or incurred, respectively, while dividend income is recorded according to the terms of the contract, or when the right to receive the payment has been established.

As of December 31, 2012 and 2011, the Company has no financial asset or financial liability designated on initial recognition as at FVPL.

b. Financial assets or financial liabilities held for trading
These financial instruments are recorded in the consolidated balance sheet at fair value. A financial asset or financial liability is classified under this category when any of the following criteria is met:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income as gain on investment held for trading under the “Interest and other financial income” account. Interest and other financial income or charges are recorded when earned or incurred, respectively, while dividend income is recorded when the right to receive payment has been established.

As of December 31, 2012 and 2011, the Company’s investments in bonds and fixed treasury notes (FXTNs) and unit investment trust funds (UITFs) are classified as financial assets held for trading (see Notes 8 and 32).

Derivatives recorded at FVPL
The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative, if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

As of December 31, 2012 and 2011, the Company's derivative asset and derivative liability are classified as financial assets at FVPL (see Note 32).

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company's cash and cash equivalents, short-term investments and receivables are classified as loans and receivables (see Notes 6, 7, 9 and 32).

HTM Investments
Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. HTM investments are classified as current if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company did not classify any financial asset under HTM investments.

AFS Investments
AFS investments are nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income. Unlisted AFS equity financial assets, on the other hand, are carried at cost, net of any impairment, until the investment is derecognized.

AFS investments are classified as current if they are expected to be realized within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company classified its investments in government securities and fixed treasury notes as current AFS investments while the Company's investments in listed and unlisted equity securities and golf club shares are classified as noncurrent AFS investments (see Notes 7, 12 and 32).

Other Financial Liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2012 and 2011, the Company's accounts payable and other current liabilities, due to stockholders and other noncurrent liabilities are classified as other financial liabilities (see Notes 16, 28 and 32).

<u>Impairment of Financial Assets</u>
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For the purpose of specific evaluation of impairment, the

Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the creditors' capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Any such accrual is recorded as part of "Interest and other financial income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired or have been transferred;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a currently legal right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Fuel and Spare Parts</u>
Fuel and spare parts are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost of fuel and spare parts.

<u>Assets Held for Sale</u>
Assets held for sale is carried at the lower of its carrying amount and fair value less cost to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, are stated at cost less accumulated depletion, depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties (where applicable), borrowing costs incurred during the construction period and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Under the component depreciation method, plant overhaul costs are segregated into two categories, that is: (a) costs that should be depreciated over the useful life of the plant; and, (b) parts that are replaced at periodic intervals. The cost of the initial overhaul that may be capitalized is depreciated over its estimated useful life, through the next overhaul, at which time the process is repeated. Under this method, repairs and maintenance are also expensed as incurred.

Depletion of wells, platforms and other facilities are provided on a field basis under the unit-of-production method based upon estimates of proven reserves. The depletion base includes the estimated future development cost of the undeveloped reserves.

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

Buildings and improvements	20-25 years
Machinery and equipment	9-20 years
Transportation equipment	3-5 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

The useful lives and depletion, depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investments in Associates

The Parent Company's investments in associates are accounted for using the equity method of accounting. Associates are entities in which the Parent Company has significant influence and which are neither subsidiaries nor joint ventures of the Parent Company. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Parent Company's share of net assets of the associates, less any impairment in value. The consolidated statement of income includes the Parent Company's share of the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Parent Company's interest in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

When the Parent Company's accumulated share in net losses of an associate equals or exceeds the carrying amount of the investment, including advances, the Company discontinues the recognition of its share in additional losses and the investment is reduced to zero. If the associate subsequently reports net income, the Parent Company will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

An investment in associate is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the consolidated statement of income in the year the investment is derecognized.

Interests in Joint Ventures
The Parent Company's interests in its joint ventures are proportionately consolidated to the accounts of the Parent Company. This method involves presenting the Parent Company's share in the joint ventures' assets, liabilities, income and expenses as separate line items in the consolidated financial statements.

The joint venture's investment in the Parent Company's shares of stock is accounted for as "Parent Company shares of stock held by a joint venture" included and shown as a reduction in the equity section of the consolidated balance sheet.

Investment Properties
Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 years.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Deferred Exploration Costs
The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) area. Under this method, all exploration costs relating to each SC are tentatively deferred to the extent that the capitalized costs do not exceed the value of those reserves, pending determination of whether the contract area contains oil and gas reserves in commercial quantities, net of an allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Deferred exploration costs are assessed for impairment when:
- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or

- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36.

Business Combinations
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Company reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognizes immediately in the consolidated statement of income any excess remaining after that reassessment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Property and Equipment, Investment Properties and Deferred Exploration Costs
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depletion, depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Asset Retirement Obligation

The Company is legally required under a lease agreement to dismantle the installations and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the effective interest rate method with the related interest expense recognized in profit or loss.

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration.

Revenue

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

Trading revenue

Revenue from the sale of electricity is recognized during the period when electricity is purchased from the spot market and sold to the end consumer. Revenue is measured at the fair value of the consideration received or receivable. Trading revenue is presented gross of trading costs where the Company acts as principal and:

- has primary responsibility for providing the goods and services;
- has discretion in establishing prices; and
- bears the credit and inventory risks.

Trading revenue is presented net of trading costs where the Company acts as agent.

Generation Revenue
Revenue from the sale of electricity is recognized during the period when electricity is generated. Revenue from its bilateral contracts is recognized in accordance with the terms of the ESA in relation to the electricity generated.

Dividend
Dividend income is recognized when the Company's right to receive the payment is established.

Interest
Income is recognized as the interest accrues, taking into account the effective yield on the asset.

Rental
Income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized when incurred.

Pensions and Other Post-Employment Benefits
The Company has a defined benefit pension plan. The costs of providing benefits under the defined benefit plan are determined using the projected unit credit actuarial valuation method. The method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of the past service cost of the current period exceeding any increase in the present value of the economic benefits stated in the foregoing are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Stock Option

The Company had a stock option plan offered to qualified employees, officers and directors of the Company. As allowed under PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*, the Company availed of the exemption from applying PFRS 2, *"Share-based Payment"*, to stock options granted after November 7, 2002 but were fully vested as of January 1, 2005. There were no stock options granted after November 7, 2002 which remained unvested as of January 1, 2005.

Stock option grants subsequent to January 1, 2005 are accounted for in accordance with PFRS 2, that is, the cost of stock option awards are measured by reference to the fair value at the date on which they are granted. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c, or d above, and at the date of renewal or extension period for scenario b.

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income and expense is recognized in the consolidated statement of income on a straight-line basis over the lease arrangements.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs including foreign exchange differences arising from foreign currency-denominated borrowings, to the extent they are regarded as an adjustment to interest costs, are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Foreign Currency-denominated Transactions
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Nonfinancial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Nonfinancial items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Income Tax
Current tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the consolidated balance sheet date.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share (EPS)
Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as of the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The Company's consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements. In preparing the Company's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments and estimates and related impact and associated risks in its consolidated financial statements.

Judgments
Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determination of whether an arrangement contains a lease and proper classification of leases
Under TA Oil's ESA with Guimelco and TA Power's ESA with Holcim, TA Oil sells all of its output to Guimelco and TA Power sells all or substantially all of its output to Holcim (see Note 30). The Company has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to Guimelco and Holcim are recognized as operating revenues.

Under the Power Administration and Management Agreement between TA Oil and One Subic Power Generation Corporation (One Subic Power), TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic (see Note 30). The Company has evaluated that the Company does not have control over the asset and that the arrangements and the terms of the agreement do not contain a lease.

The Company also has various lease agreements for the lease of its investment property. The Company has determined that the risks and rewards of ownership of the underlying properties are retained by the Company. Accordingly, the related assets have been recognized in the books of the Company and the leases are classified as operating leases.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet. The classification of the Company's financial assets and financial liabilities are presented in Note 32.

Estimates

Fair value of financial assets and financial liabilities

The fair value for financial instruments traded in an active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. Any change in value of these financial assets and financial liabilities (including derivatives) would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity. The fair values of the Company's financial assets amounted to ₱4.13 billion and ₱2.37 billion as of December 31, 2012 and 2011, respectively, while fair values of the Company's financial liabilities amounted to ₱442.49 million and ₱441.24 million as of December 31, 2012 and 2011, respectively (see Note 32).

Estimated allowance for doubtful accounts

The Company maintains allowance for doubtful accounts based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, which considers the significant financial difficulties of the customer, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, past-due status and terms) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. As of December 31, 2012 and 2011, allowance for doubtful accounts amounted to ₱12.10 million and ₱10.01 million, respectively. The carrying value of receivables amounted to ₱626.78 million as of December 31, 2012 and ₱457.41 million as of December 31, 2011 (see Note 9).

Realizability of deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2012 and 2011, deferred income tax assets recognized by the Company amounted to ₱31.83 million and ₱42.16 million, respectively. The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized in the consolidated balance sheets amounted to ₱216.86 million and ₱206.41 million as of December 31, 2012 and 2011, respectively (see Note 26).

Estimated useful lives of property, plant and equipment and investment properties

The Company estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property, plant and equipment amounted to ₱606.42 million and ₱482.05 million as of December 31, 2012 and 2011, respectively (see Note 10). The carrying value of investment properties amounted to ₱19.14 million and ₱21.10 million as of December 31, 2012 and 2011, respectively (see Note 13).

Impairment of deferred exploration costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. In 2009, the Company recorded a provision for impairment loss amounting to ₱11.47 million representing the carrying value of deferred exploration costs where a portion of the contract area was excised and an unfavorable ruling was issued by the Department of Environment and Natural Resources (DENR). In 2011, the Company reversed the provision for impairment loss amounting to ₱11.47 million since the management believes that it will be able to recover its costs based on the deed of assignment that TA Oil executed with a third party.

Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. Provision for probable losses of ₱12.87 million to a service contract was set-up in 2012 since based on the recent test results, management has assessed that the carrying value of deferred exploration costs may not be recoverable. Carrying value of deferred exploration costs amounted to ₱72.22 million and ₱98.69 million as of December 31, 2012 and 2011, respectively (see Note 15).

Impairment of property, plant and equipment and investment properties
The Company performs annual impairment testing of assets which are not used in operations and those with indications of impairment. The impairment testing of assets not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The impairment testing of property, plant and equipment with indications of impairment requires an estimation of the value-in-use of the cash-generating units. In 2010, the Company reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.32 million based on their fair value less costs to sell (as presented as part of "Other income (expenses)" in the consolidated statement of income) as a result of the developments in CIPP. Property, plant and equipment with carrying value of ₱6.02 million and ₱14.25 million were directly written-off and charged in the consolidated statement of income in 2012 and 2011, respectively. The carrying value of property, plant and equipment as of December 31, 2012 and 2011 amounted to ₱606.42 million and ₱482.05 million, respectively (see Note 10). The carrying value of investment properties amounted to ₱19.14 million and ₱21.10 million as of December 31, 2012 and 2011, respectively (see Note 13).

Impairment of investments in associates
The carrying value of investments in associates is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. No impairment loss was deemed necessary in 2012 and 2011. Accumulated impairment loss amounted to ₱1.56 million as of December 31, 2012 and 2011.

The carrying value of investments in associates amounted to ₱178.18 million and ₱119.66 million as of December 31, 2012 and 2011, respectively (see Note 11).

Impairment of AFS investments
The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged", greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. In 2010, the Company provided for impairment loss on its investment in unlisted shares of stock amounting to ₱22.59 million. No impairment loss was deemed necessary in 2011 and 2012. The carrying value of AFS investments amounted to ₱278.56 million and ₱205.39 million as of December 31, 2012 and 2011 (see Notes 7 and 12).

Pension and other post-employment benefits
The determination of the Company's obligation and cost for pension and other post-employment benefits is dependent on the selection of certain assumptions in calculating such amounts. The assumptions described in Note 27 to the consolidated financial statements include among others, discount rates, expected rates of returns on plan assets and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. Pension and other post-employment benefits liability amounted to ₱14.33 million and ₱13.19 million as of December 31, 2012 and 2011, respectively (see Note 27).

6. Cash and Cash Equivalents

	2012	2011
Cash on hand and in banks	**₱177,805,788**	₱36,493,764
Short-term deposits	**729,789,605**	837,943,431
	₱907,595,393	₱874,437,195

Cash in banks earn interest at the respective bank deposit rates. 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.

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of the following at December 31:

	2012	2011
Cash and cash equivalents of venture	**₱907,595,393**	₱874,437,195
Share in cash and cash equivalents of joint ventures (Note 14)	**475,966,418**	403,350,054
	₱1,383,561,811	₱1,277,787,249

7. Investments in Escrow Account

The Company placed in an escrow fund account the net proceeds from its November 2012 stock rights offering. The said escrow account shall only be used for the following:

- 54MW Wind Energy Project in San Lorenzo, Guimaras
- Equity investment in SLTEC to fund the second 135MW clean coal-fired power plant in Calaca, Batangas
- Other potential investments in power project opportunities

Following are the composition of the escrow fund and classification in the December 31, 2012 balance sheet:

Short-term investments	
Savings account	₱326,967,170
Special deposit account	1,228,372,679
	1,555,339,849
Available-for-sale investments - Current	
AFS investments in bonds and FXTNs	54,001,939
	₱1,609,341,788

The Company expects to utilize these assets within one year.

8. Investments Held for Trading

	2012	2011
Investments in bonds and FXTNs	**₱246,466,134**	₱219,339,074
Investments in UITFs	**588,542,638**	651,845,329
	₱835,008,772	₱871,184,403

The Company's unrealized gain from changes in fair value of investments held for trading (included in net gains on investments held for trading under "Interest and other financial income" account in the consolidated statements of income) amounted to ₱18.68 million, ₱11.13 million and ₱21.57 million in 2012, 2011 and 2010, respectively (see Note 32).

9. Receivables

	2012	2011
Trade (Note 30)	**₱516,131,079**	₱330,018,116
Due from related parties (Notes 28 and 30)	**43,561,373**	86,704,136
Loan receivable	**50,000,000**	–
Others	**29,189,187**	50,699,069
	638,881,639	467,421,321
Less allowance for doubtful accounts	**12,103,997**	10,012,138
	₱626,777,642	₱457,409,183

Trade receivables mainly represent receivables from PEMC and the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on a 30-day credit term.

Other receivables include amount due from a third party for the assignment of tax credit certificate amounting to ₱29.13 million and ₱39.81 million as of December 31, 2012 and 2011 respectively, and interest receivable amounting to ₱4.53 million and ₱5.27 million as of December 31, 2012 and 2011, respectively. Loan receivable from a third party amounting to ₱50.00 million as of December 31, 2012 will be offset against the monthly energy fees billed by a subsidiary of the said third party. The said loan receivable which will become due in September 2013, has an interest rate of 6.564% per annum with monthly amortization of ₱5.56 million.

As of December 31, the aging analysis of past due but not impaired receivables is as follows:

	2012						
		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**
				(In Thousands)			
Trade	**₱516,131**	**₱498,740**	**₱3,037**	**₱578**	**₱567**	**₱4,399**	**₱8,810**
Due from related parties	**43,562**	**43,562**	–	–	–	–	–
Loan receivable	**50,000**	**50,000**	–	–	–	–	–
Others	**29,189**	**25,445**	–	**34**	–	**416**	**3,294**
	₱638,882	**₱617,747**	**₱3,037**	**₱612**	**₱567**	**₱4,815**	**₱12,104**

	2011						
		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
				(In Thousands)			
Trade	₱330,018	₱227,562	₱51,608	₱3,453	₱1,334	₱39,343	₱6,718
Due from related parties	86,704	85,567	–	–	–	1,137	–
Others	50,699	46,978	–	–	–	427	3,294
	₱467,421	₱360,107	₱51,608	₱3,453	₱1,334	₱40,907	₱10,012

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

	Trade	**Others**	**Total**
		(In Thousands)	
Balances at January 1, 2012	**₱6,718**	**₱3,294**	**₱10,012**
Provision for the year (Note 25)	**2,092**	–	**2,092**
Balances at December 31, 2012	**₱8,810**	**₱3,294**	**₱12,104**

There was no movement in allowance for doubtful accounts in 2011.

10. Property, Plant and Equipment

	Land	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction In Progress	Total
Cost									
At January 1, 2011	**₱57,983,000**	**₱173,473,350**	**₱497,231,531**	**₱20,346,661**	**₱17,626,353**	**₱25,271,178**	**₱29,080,392**	**₱9,133,537**	**₱830,146,002**
Additions	10,800,000	1,603,918	112,622,234	–	5,698,265	1,821,693	625,758	14,594,570	147,766,438
Disposals	–	–	–	–	(2,166,473)	(13,718)	(303,574)	(21,765,994)	(24,249,759)
Written-off	–	(4,119,521)	(25,042,531)	–	–	–	–	–	(29,162,052)
Reclassification	–	–	–	–	–	1,962,113	–	(1,962,113)	–
Transfer to assets held for sale	(57,983,000)	–	(14,558,179)	–	–	–	–	–	(72,541,179)
At December 31, 2011	**10,800,000**	**170,957,747**	**570,253,055**	**20,346,661**	**21,158,145**	**29,041,266**	**29,402,576**	**–**	**851,959,450**
Additions	–	305,412	159,938,859	–	3,136,000	8,405,808	2,074,176	–	173,860,255
Disposals	–	–	–	–	(7,458,246)	–	(198,351)	–	(7,656,597)
Written-off	–	–	(15,702,561)	–		(944,576)	–	–	(16,647,137)
At December 31, 2012	**10,800,000**	**171,263,159**	**714,489,353**	**20,346,661**	**16,835,899**	**36,502,498**	**31,278,401**	–	**1,001,515,971**
Accumulated Depreciation, Amortization, Depletion and Impairment									
At January 1, 2011	**–**	**56,448,294**	**223,409,772**	**20,346,661**	**4,054,806**	**10,325,990**	**26,284,083**	**–**	**340,869,606**
Depreciation (Note 24)	–	11,230,724	26,219,198	–	8,583,158	4,969,620	2,583,139	–	53,585,839
Disposals	–	–	–	–	(1,438,847)	(4,278)	(220,604)	–	(1,663,729)
Written-off	–	(1,554,206)	(13,361,046)	–	–	–	–	–	(14,915,252)
Transfer to assets held for sale	–	–	(7,971,013)	–	–	–	–	–	(7,971,013)
At December 31, 2011	**–**	**66,124,812**	**228,296,911**	**20,346,661**	**11,199,117**	**15,291,332**	**28,646,618**	**–**	**369,905,451**
Depreciation (Note 24)	–	11,457,077	24,067,751	–	3,032,121	3,117,747	790,778	–	42,465,474
Disposals	–	–	–	–	(6,456,389)	–	(196,059)	–	(6,652,448)
Written-off	–	–	(10,427,997)	–		(194,162)		–	(10,622,159)
At December 31, 2012	**–**	**77,581,889**	**241,936,665**	**20,346,661**	**7,774,849**	**18,214,917**	**29,241,337**		**395,096,318**
Net Book Value									
At January 1, 2011	₱57,983,000	₱117,025,056	₱273,821,759	₱–	₱13,571,547	₱14,945,188	₱2,796,309	₱9,133,537	₱489,276,396
At December 31, 2011	10,800,000	104,832,935	341,956,144	–	9,959,028	13,749,934	755,958	–	482,053,999
At December 31, 2012	**10,800,000**	**93,681,270**	**472,552,688**	–	**9,061,050**	**18,287,581**	**2,037,064**	–	**606,419,653**

In 2009, CIPP sold its distribution assets to MERALCO. The depreciation and related maintenance cost of the power plant of CIPP beginning April 12, 2009 are presented as part of "Cost of Power Plant on Standby" account in the consolidated statements of income (see Note 21).

In 2010, the Company received an offer for the purchase of certain assets of CIPP. This event triggered the review of impairment and the reversal of a portion of impairment provision. The fair value less costs to sell of the assets was determined based on the quoted price from a willing third party buyer and supplier. The Company accordingly reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.32 million in 2010 based on their fair value less costs to sell (see Note 25).

In December 2010, CIPP's BOD approved the transfer of its 21 MW bunker C-fired power plant from Laguna to La Union. As of December 31, 2012, the Company has substantially completed the transfer of CIPP's power plant. Certain assets not included in the transfer and the administration building with a net book value of ₱6.02 million and ₱14.25 million were written-off in 2012 and 2011, respectively.

In 2011, CIPP entered into an agreement with a third party for the sale of its land and certain assets previously used in its Laguna operations. Since these assets are available for sale in their present condition and the sale is highly probable, management accordingly reclassified these assets from property, plant and equipment to assets held for sale in the Company's 2011 consolidated balance sheet. The sale was completed in September 2012. Gain recognized from the said sale amounted to ₱11.02 million.

11. **Investments in Associates**

The percentages of ownership and the carrying values of investments in associates are as follows:

	Percentage of Ownership	**2012**	2011
Maibarara Geothermal, Inc. (MGI)	25.00	**₱177,550,744**	₱119,029,329
Asia Coal Corporation (Asia Coal)*	28.18	**631,029**	631,029
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		₱178,181,773	₱119,660,358

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

The details and movements of investments in associates accounted for under the equity method are as follows:

	2012	2011
Acquisition costs:		
Balance at beginning of year	**₱156,385,073**	₱69,313,038
Addition	**65,178,340**	87,072,035
Balance at end of year	**221,563,413**	156,385,073
Accumulated equity in net losses:		
Balance at beginning of year	**(35,165,464)**	(27,933,712)
Equity in net losses for the year (Note 25)	**(6,656,925)**	(7,231,752)
Balance at end of year	**(41,822,389)**	(35,165,464)
	179,741,024	121,219,609
Less accumulated impairment losses	**1,559,251**	1,559,251
	₱178,181,773	₱119,660,358

Maibarara Geothermal, Inc. (MGI)

The 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 integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation.

The details of the net assets of MGI as of December 31 are shown below:

	2012	2011
Current assets	**₱634,614,694**	₱385,540,999
Noncurrent assets	**1,847,572,461**	716,369,458
Total assets	**2,482,187,155**	1,101,910,457
Current liabilities	**(173,355,806)**	(25,793,138)
Noncurrent liabilities	**(1,598,628,371)**	(600,000,000)
Net assets	**₱710,202,978**	₱476,117,319

The results of operations of MGI for the year ended December 31 are shown below:

	2012	2011
Interest income	**₱10,368,175**	₱4,809,581
General and administrative expenses	**(36,995,876)**	(33,736,588)
Net loss	**(₱26,627,701)**	(₱28,927,007)

On September 16, 2011, the Company entered into an ESA with MGI under which the 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.

As of December 31, 2011, third party validation of resource assessment was completed by a New Zealand consulting company. The study indicated that there is a 90% probability that the proven field reserves could support a power plant with 28 MW or higher capacity for 25 years.

As of December 31, 2012, MGI completed the balance of well requirements (1 additional production well and 1 reinjection well for power plant condensates) for the proposed 20 MW power plant. Overall progress of steamfield (fluid collection and reinjection system) construction, which is managed by MGI directly, is around 60% as of yearend. The Engineering, Procurement and Construction contract for the construction and delivery of 20 MW geothermal power plant and related site facilities has achieved 57% overall accomplishment as of yearend.

The Company is also a Project Sponsor for MGI's ₱2.4 billion Term Loan Facility for the Maibarara Geothermal Power Plant. In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

a. 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 Company
b. assign its rights and/or interests in the Joint Venture Agreement
c. provide Project Sponsor's support for the completion of the project under such terms and conditions that may be agreed upon by the Company and the lenders.

Asia Coal

On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of Asia Coal to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As of December 31, 2012, 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.

The net assets of Asia Coal as of October 31, 2009 are as follows:

Current assets	₱2,358,801
Noncurrent asset	14,700
Total assets	2,373,501
Current liability	133,701
Net assets	₱2,239,800

The results of operations of Asia Coal for the year ended October 31, 2009 are as follows:

Interest income	₱194,393
General and administrative expenses	(152,475)
Other expenses	(83,377)
Benefit from income tax	4,197
Net loss	(₱37,262)

Other than the approval of the directors and stockholders of Asia Coal of the shortening of its corporate life, there were no significant transactions or events that need to be adjusted in Asia Coal's financial statements.

Bacnotan Industrial Park Corporation (BIPC)

On March 10, 2009, the Parent Company signed a Share Purchase Agreement with Phoenix Petroleum Philippines, Inc. (Phoenix) for the sale of its 30% equity interest in BIPC. Total gain on the sale of the investment recognized in the 2009 consolidated statement of income amounted to ₱24.79 million. The current portion of the receivable from Phoenix amounting to ₱26.32 million and the related noncurrent portion of the receivable amounting to ₱127.57 million which is included as part of "Other noncurrent assets" account in the 2009 parent company balance sheet, were collected in full in 2010.

In January 2010, the Parent Company entered into a Contract for the Sale and Purchase of Industrial Lots with BIPC. Under the contract, the Parent Company shall have the sole and exclusive option to purchase the properties upon making the down payment of ₱15.63 million. On November 10, 2010, TA Oil decided to exercise its option and paid the option price of ₱31.26 million. In 2011, SLTEC decided to purchase the said properties and TA Oil was refunded the entire amount of option price and down payment totaling ₱46.89 million.

12. **Available-for-sale Investments**

	2012	2011
Shares of stock:		
Listed	**₱97,136,676**	₱97,965,953
Unlisted	**83,246,573**	77,040,620
Golf club shares	**44,180,000**	30,380,000
	₱224,563,249	₱205,386,573

AFS investments are stated at fair value as of December 31, 2012 and 2011, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Gain from change in fair value recognized as other comprehensive income amounted to ₱10.81 million, net of deferred income tax of ₱1.36 million in 2012 and ₱2.34 million, net of deferred income tax of ₱0.08 million in 2011. The Company recognized impairment loss amounting to ₱22.59 million in 2010 covering its investment in unlisted shares of stock (see Note 25).

13. **Investment Properties**

	2012	2011
Cost	**₱28,133,288**	₱28,133,288
Less accumulated depreciation		
Balance at beginning of the year	**7,033,467**	5,072,857
Depreciation	**1,960,610**	1,960,610
Balance at end of year	**8,994,077**	7,033,467
	₱19,139,211	₱21,099,821

Investment properties are stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment properties based on the latest valuation by an independent firm of appraisers amounted to ₱35.8 million as of December 31, 2012 and 2011, respectively. The valuation undertaken considered the sales of similar or substitute properties and related market data and established estimated value by processes involving comparison.

Rental income in 2012, 2011 and 2010 amounted to ₱2.51 million, ₱2.39 million and ₱5.36 million, respectively, recognized in the consolidated statements of income, while related direct costs and expenses incurred in 2012, 2011 and 2010 amounted to ₱2.35 million, ₱2.47 million and ₱2.38 million, respectively, included as part of "General and administrative expenses" (see Note 22).

14. **Interests in Joint Ventures**

TA Power

The Company's proportionate share in assets and liabilities of TA Power as of December 31 before elimination of intercompany transactions and balances are as follows:

	2012	2011
Current assets	**₱423,587,618**	₱388,007,458
Noncurrent assets*	**43,207,685**	106,781,621
	466,795,303	494,789,079
Current liabilities	**(140,246,484)**	(164,443,121)
Noncurrent liabilities	**(5,175,753)**	(7,283,968)
	(145,422,237)	(171,727,089)
Net assets	**₱321,373,066**	₱323,061,990

* *Net of investment in shares of stock of the Parent Company of ₱11.47 million and ₱7.3 million as of December 31,2012 and 2011, respectively.*

The Company's proportionate share in the revenue and expenses of TA Power for the years ended December 31, 2012, 2011 and 2010 before elimination of intercompany transactions are as follows:

	2012	2011	2010
Revenue	**₱956,854,722**	₱889,194,673	₱897,732,782
Cost of power generation	**(931,135,878)**	(858,429,510)	(854,620,255)
General and administrative expenses	**(30,361,823)**	(27,539,186)	(26,991,583)
Other income - net	**5,328,966**	6,216,167	1,445,312
Income before tax	**685,987**	9,442,144	17,566,256
Benefit from (provision for) income tax	**1,346,870**	(4,220,314)	4,848,218
Net income	**₱2,032,857**	₱5,221,830	₱22,414,474

Details of the Company's share in the current and noncurrent assets and current and noncurrent liabilities of TA Power as of December 31, 2012 and 2011, after elimination of intercompany balances, are as follows:

	2012	2011
Current assets:		
Cash and cash equivalents	**₱192,366,159**	₱171,809,456
Trade and other receivables	**84,674,539**	90,479,137
Fuel and spares - at cost	**52,066,441**	46,959,130
Prepaid expenses and other current assets	**62,507,102**	44,192,296
	₱391,614,241	₱353,440,019

	2012	2011
Noncurrent assets:		
Property, plant and equipment - net	**₱7,149,700**	₱71,660,399
Available-for-sale investments	**32,174,497**	32,669,386
Other noncurrent assets	**954,740**	433,200
	₱40,278,937	₱104,762,985

	2012	2011
Current liabilities:		
Trade and other payables	**₱97,473,318**	₱77,851,120

Noncurrent liabilities:		
Deferred income tax liabilities - net (Note 26)	**₱–**	₱2,588,577
Provisions	**2,500,000**	2,500,000
Other noncurrent liabilities	**2,675,753**	2,195,391
	₱5,175,753	₱7,283,968

Details of the Company's share in the cost of power generation and general and administrative expenses of TA Power for the years ended December 31, 2012, 2011 and 2010, after elimination of intercompany transactions, are as follows:

	2012	2011	2010
Cost of power generation:			
Fuel	**₱278,806,767**	₱223,669,566	₱561,966,770
Power purchased	**127,657,615**	117,205,746	–
Depreciation and amortization	**64,061,019**	64,030,759	63,825,719
Labor	**18,195,948**	16,058,045	11,720,899
Repairs and maintenance	**15,412,204**	8,715,516	16,099,595
Taxes and licenses	**9,998,213**	10,238,740	7,903,973
Insurance	**3,952,632**	4,270,414	3,933,489
Security, janitorial and professional fees	**1,216,620**	1,407,151	1,228,979
Others	**955,961**	795,745	3,970,349
	₱520,256,979	₱446,391,682	₱670,649,773
General and administrative expenses:			
Management and professional fees	**₱10,938,797**	₱11,569,470	₱13,639,045
Salaries and directors' fees	**7,067,023**	5,697,353	5,911,274
Taxes and licenses	**2,026,418**	2,081,413	1,329,034
Employee benefits	**741,132**	931,174	645,564
Depreciation and amortization	**257,939**	221,308	58,453
Transportation and travel	**161,105**	321,617	174,178
Entertainment, amusement and recreation	**9,544**	7,066	20,078
Others	**6,826,538**	4,409,676	3,137,542
	₱28,028,496	₱25,239,077	₱24,915,168

On January 1, 2013, the Parent Company entered into a Share Purchase Agreement with Holcim for the acquisition of Holcim's 50% stake in TA Power for a total purchase price of ₱475.5 million. The said amount was fully paid on January 3, 2013. The carrying amounts of the assets acquired and liabilities assumed at acquisition date are as follows:

Current assets:	
Cash	**₱263,310,985**
Investment held for trading	**121,421,332**
Accounts receivable	**233,295,833**
Fuel and spare parts	**104,132,883**
Other current assets	**128,335,022**
Total current assets	**850,496,055**
Noncurrent assets	
Property, plant and equipment	**14,299,400**

(Forward)

Investment properties	**₱84,535,254**
Deferred tax asset-net	**859,644**
Pension asset	**1,058,400**
Other noncurrent assets	**8,606,415**
Total noncurrent assets	**109,359,113**
Current liabilities	
Accounts payable	**(273,574,585)**
Due to related parties	**(7,386,838)**
Total current liabilities	**(280,961,423)**
Noncurrent liabilities	
Provisions	**(5,000,000)**
Other post-employment benefits	**(5,351,505)**
	(10,351,505)
Net assets	**₱668,542,240**

The fair values of the assets acquired, liabilities assumed and goodwill have not been disclosed since management is currently finalizing the determination of the said amounts.

SLTEC

The Company's proportionate share in the assets and liabilities of SLTEC as of December 31, 2012 and 2011 before elimination of intercompany transactions and balances are as follows:

	2012	2011
Current assets	**₱287,023,192**	₱231,694,809
Noncurrent assets	**1,676,017,843**	1,253,330,700
Total assets	**1,963,041,035**	1,485,025,509
Current liabilities	**(66,476,590)**	(26,259,504)
Net assets	**₱1,896,564,445**	₱1,458,766,005

The Company's proportionate share in the net loss of SLTEC for the years ended December 31, 2012 and 2011, before elimination of intercompany transactions are as follows:

	2012	2011
General and administrative expenses	**(₱17,539,356)**	(₱23,630,123)
Other income - net	**4,352,921**	1,856,128
Provision for deferred income tax	**(2,712,038)**	–
Net loss	**(₱15,898,473)**	(₱21,773,995)

Details of the Company's share in the current and noncurrent assets and current and noncurrent liabilities of SLTEC as of December 31, 2012 and 2011, after elimination of intercompany balances, are as follows:

	2012	2011
Current assets:		
Cash and cash equivalents	**₱283,535,611**	₱231,540,598
Trade and other receivables	**227,258**	91,859
Prepaid expenses and other current assets	**3,260,323**	62,353
	₱287,023,192	₱231,694,810

(Forward)

	2012	2011
Noncurrent assets:		
Property, plant and equipment - net	**₱1,519,698,337**	₱1,123,003,241
Input taxes	**111,645,981**	82,608,148
Intangible assets	**–**	4,755,935
Other noncurrent assets	**44,378,685**	42,668,535
	₱1,675,723,003	₱1,253,035,859
Current liabilities:		
Trade and other payables	**₱67,535,503**	₱26,157,068
Due to related parties	**257,532**	77,317
	₱67,793,035	₱26,234,385

Details of the Company's share in the general and administrative expenses of SLTEC for the years ended December 31, 2012 and 2011, after elimination of intercompany transactions, are as follows:

	2012	2011
General and administrative expenses:		
Salaries and directors' fees	**₱7,459,696**	₱1,285,787
Management and professional fees	**2,658,815**	489,425
Depreciation and amortization	**716,352**	41,980
Transportation and travel	**628,080**	153,863
Employees benefits	**563,383**	85,580
Entertainment, amusement and recreation	**106,318**	–
Taxes and licenses	**16,386**	4,532,714
Pre-development costs	**–**	5,036,896
Others	**3,427,141**	401,255
	₱15,576,171	₱12,027,500

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 as "Other equity reserve" in the 2011 consolidated statement of changes in equity. In 2012, SLTEC incurred stock issuance costs totaling ₱12.66 million which were recognized by SLTEC as a reduction in 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.

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 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 cover such capacity required by SLTEC to break-even.

ACTA

The Company's proportionate share in the assets of ACTA as of December 31, 2012 before elimination of intercompany transactions and balances are as follows:

Current assets:	
Cash and cash equivalents	₱64,648
Prepaid expenses and other current assets	10,320
	₱74,968

The Company's proportionate share in the net loss of ACTA for the years ended December 31, 2012 before elimination of intercompany transactions are as follows:

General and administrative expenses	(₱425,246)
Other income - net	215
Net loss	(₱425,031)

ACTA has no noncurrent assets and liabilities as of December 31, 2012.

Details of the Company's share in the general and administrative expenses of ACTA for the year ended December 31, 2012, after elimination of intercompany transactions, are as follows:

General and administrative expenses:	
Management and professional fees	₱235,475
Transportation and travel	97,474
Taxes and licenses	6,482
Others	85,815
	₱425,246

The following tables show the reconciliation between the Company's share in the assets and liabilities of the joint ventures and the respective amounts shown in the balance sheets as of December 31, 2012 and 2011:

Assets, liabilities and unrealized fair value gains (losses) on AFS investments

	2012			
	TA Power	**SLTEC**	**ACTA**	**Total**
Current assets	**₱391,614,241**	**₱287,023,192**	**₱74,968**	**₱678,712,401**
Noncurrent assets	**40,278,937**	**1,675,723,003**	**–**	**1,716,001,940**
Total assets	**₱431,893,178**	**₱1,962,746,195**	**₱74,968**	**₱2,394,714,341**
Current liabilities	**₱97,473,318**	**₱67,793,035**	**₱–**	**₱165,266,353**
Noncurrent liabilities	**5,175,753**	**–**	**–**	**5,175,753**
Total liabilities	**₱102,649,071**	**₱67,793,035**	**₱–**	**₱170,442,106**
Unrealized fair value losses on AFS investments	**₱494,888**	**₱–**	**₱–**	**₱494,888**

	2011			
	TA Power	SLTEC	ACTA	Total
Current assets	₱353,440,019	₱231,694,810	₱–	₱585,134,829
Noncurrent assets	104,762,985	1,253,035,859	–	1,357,798,844
Total assets	₱458,203,004	₱1,484,730,669	₱–	₱1,942,933,673
Current liabilities	₱77,851,120	₱26,234,385	₱–	₱104,085,505
Noncurrent liabilities	7,283,968	–	–	7,283,968
Total liabilities	₱85,135,088	₱26,234,385	₱–	₱111,369,473
Unrealized fair value gains on AFS investments	₱449,889	₱–	₱–	₱449,889

The following tables show the reconciliation between the Company share in the assets and liabilities of the joint ventures and the respective amounts shown in the statements of income for the years ended December 31, 2012, 2011 and 2010:

Revenue, costs, expenses and share in income tax

	2012			
	TA Power	**SLTEC**	**ACTA**	**Total**
Generation revenue	**₱700,608,835**	**₱–**	**₱–**	**₱700,608,835**
Other income	**4,786,860**	**4,352,921**	**215**	**9,139,996**
Total revenue	**₱705,395,695**	**₱4,352,921**	**₱215**	**₱709,748,831**
Cost of power generation	**₱520,256,979**	**₱–**	**₱–**	**₱520,256,979**
General and administrative expenses	**₱28,028,496**	**₱15,576,171**	**₱425,246**	**₱44,029,913**
Share in provision for (benefit from) income tax of a joint venture	**(₱1,346,744)**	**₱2,712,038**	**₱–**	**₱1,365,294**

	2011			
	TA Power	SLTEC	ACTA	Total
Generation revenue	₱665,515,380	₱–	₱–	₱665,515,380
Other income	5,516,665	1,856,128	–	7,372,793
Total revenue	₱671,032,045	₱1,856,128	₱–	₱672,888,173
Cost of power generation	₱446,391,682	₱–	₱–	₱446,391,682
General and administrative expenses	₱25,239,077	₱12,027,500	₱–	₱37,266,577
Share in provision for income tax of a joint venture	₱4,368,395	₱–	₱–	₱4,368,395

	2010			
	TA Power	SLTEC	ACTA	Total
Generation revenue	₱754,259,237	₱–	₱–	₱754,259,237
Other income	381,337	–	–	381,337
Total revenue	₱754,640,574	₱–	₱–	₱754,640,574
Cost of power generation	₱670,649,773	₱–	₱–	₱670,649,773
General and administrative expenses	₱24,915,168	₱–	₱–	₱24,915,168
Share in benefit from income tax of a joint venture	₱4,848,218	₱–	₱–	₱4,848,218

Company's share in net cash flows provided (used) joint ventures

	2012			
	TA Power	**SLTEC**	**ACTA**	**Total**
Operating activities	**₱24,501,840**	**₱27,425,015**	**(₱435,352)**	**₱51,491,503**
Investing activities	**(3,945,138)**	**(427,520,996)**	**–**	**(431,466,134)**
Financing activities	**–**	**(6,328,088)**	**–**	**(6,328,088)**

	2011			
	TA Power	SLTEC	ACTA	Total
Operating activities	₱73,994,332	(₱77,122,987)	₱–	(₱3,128,655)
Investing activities	(457,645)	(1,170,469,689)	–	(1,170,927,334)
Financing activities	–	30,540,000	–	30,540,000

	2010			
	TA Power	SLTEC	ACTA	Total
Operating activities	₱76,839,394	₱–	₱–	₱76,839,394
Investing activities	2,456,000	–	–	2,456,000

15. Deferred Exploration Costs

	Oil Exploration Costs	Mineral Exploration Costs	Total Deferred Exploration Costs
Cost			
At January 1, 2011	**₱86,695,115**	**₱11,473,481**	**₱98,168,596**
Additions	8,481,126	–	8,481,126
Disposals	(7,964,031)	–	(7,964,031)
At December 31, 2011	**87,212,210**	**11,473,481**	**98,685,691**
Additions	18,928,348	–	18,928,348
Reimbursement	(21,047,287)	–	(21,047,287)
Disposals		(11,473,481)	(11,473,481)
At December 31, 2012	**85,093,271**	**–**	**85,093,271**
Allowance for impairment loss and amortization			
At January 1, 2011	**–**	**11,473,481**	**11,473,481**
Reversal of impairment	–	(11,473,481)	(11,473,481)
At December 31, 2011	–	–	–
Additions	12,874,373	–	12,874,373
At December 31, 2012	**12,874,373**	–	**12,874,373**
Net book value			
At January 1, 2011	**₱86,695,115**	**₱–**	**₱86,695,115**
At December 31, 2011	**87,212,210**	**11,473,481**	**98,685,691**
At December 31, 2012	**72,218,898**	–	**72,218,898**

Deferred Oil and Mineral Exploration Costs

The balance of deferred oil exploration costs consists of expenditures incurred in the following production-sharing petroleum projects:

	2012	2011
SC No. 51(Cebu Strait/Northwest Leyte)	**₱32,665,864**	₱32,665,864
SC No. 69 (Camotes)	**14,667,555**	29,450,023
SC No. 6 (Northwest Palawan)	**19,172,269**	19,383,113
SC No. 55 (Offshore West Palawan)	**5,713,210**	5,713,210
SC No. 52 (Cagayan Province)	**12,874,373**	
	₱85,093,271	₱87,212,210

The foregoing deferred oil exploration costs represent the Company's share in the expenditures incurred under Petroleum SCs with the Philippine Department of Energy (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 a service contract.

The following summarizes the status of the Company's projects:

a. SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Pic., the Operator, completed a geophysical review of the block.

Partners approved the conduct of a new 500 sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry the Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two (2) wells, in exchange for the assigned 70% participating interest.

Block B

Approval of the assignment of 70% of the farming out parties' ("Farmors" which includes TA Oil) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farminees") remains pending with the DOE.

Under the Farm-in Agreement dated February 4, 2011, the Farminees shall shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil.

The Company holds 2.334% and 4.219% participating interests in Block A and Block B, respectively.

Cadlao Production Area

On September 21, 2010, TA Oil entered into a Sale and Purchase Agreement and a Deed of Assignment covering the assignment of its entire royalty interest in the Cadlao Production

Area, Northwest Palawan under Service Contract No. 6 to Peak Royalties Limited (BVI). On December 22, 2010, DOE approved the Deed of Assignment and recognized the assignment by TA Oil of the 1.65% royalty interest in favor of Peak Royalties, Inc. The proceeds amounting to US$1.325 million (₱58.57 million) were recognized in the 2010 consolidated statements of income as “Other income” (see Note 25).

b. SC 14 (Offshore Northwest Palawan)

Block B - 1 North Matinloc

The North Matinloc field produced 10.517 barrels and 16,109 barrels of oil in 2012 and 2011, respectivley. The Company has 6.103% participating interest in the block.

c. SC 51 (Cebu Strait/Northwest Leyte)

In April 2012, the Operator, Otto Energy Investments Ltd. (Otto) [formerly “NorAsian Energy Ltd”] commenced a 100-km 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, whose reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.
In mid-May 2012, the seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the DOE granted the consortium’s request for a six-month extension of the current Sub Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by year-end.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in northwest Leyte as work commitment.

Swan Oil and Gas Ltd (Swan) withdrew from SC 51 in September 2012 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto, and as between Otto and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier) over the South Block on October 23, 2012. Under the said Agreement, Frontier has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2014 to July 8, 2015). Frontier may exercise its option not later than January 31, 2013.

The Company owns 6.67% participating interest in SC 51.

d. SC 55 (Offshore West Palawan)

The DOE approved a 12-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation, the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well.

The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

The Company's 6.82% participating interest will be carried on the drilling cost of Cico-1 under its Participating Agreement dated March 15, 2005 with the predecessors-in-interest of Otto.

e. SC 69 (Camotes Sea)

Interpretation of the 229 sq. km. 3D seismic data acquired in June 2011 generated three (3) drillable prospects.

The DOE granted the consortium's request for a 9-month extension of the current Sub-Phase-2 to May 7, 2013 to allow completion of technical studies.

f. SC 52 (Cagayan Province)

TA Oil and Frontier executed on January 12, 2012 a Farm-in Option Agreement which granted TA Oil the option to acquire 10% participating interest from Frontier, which may be executed after completion of re-entry and testing of the Nassiping-2 well.

The Nassiping-2 well was drilled by Petro-Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

TA Oil and Frontier signed an Amendment Agreement extending the former's option to 90 days after completion of programmed re-testing operations on the Nassiping-2 well.

The DOE approved the consortium's entry into Sub-Phase 4 (July 8, 2012 to July 6, 2013) with the Nassiping-2 Stimulation and Testing Program as work commitment.

Frontier suspended the Stimulation and Testing Program in December 2012 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Preparations are underway for the testing of the well in the second quarter of 2013.

g. MPSA 252-2007-V (Camarines Norte)

The Office of the President denied the Company's Appeal for reversal of the decision of the DENR excising portions of the MPSA covered by alleged mineral patents of a third party.

Subsequently, the Company elevated the case to the Court of Appeals.

The Company signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc., subject to certain conditions for a total consideration of US$4.0 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$500,000 (₱21.93 million) was recognized in the 2011 consolidated statement of income. The receipt of the second and third nonrefundable tranches amounting to US$1,000,000 (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was presented as Other income in the 2012 consolidated statement of income (see Note 25).

16. **Accounts Payable and Other Current Liabilities**

	2012	2011
Trade and nontrade accounts payable	**₱331,436,513**	₱336,995,500
Output tax - net	**88,799,049**	47,336,507
Accrued directors' and annual incentives (Note 28)	**23,287,808**	26,012,094
Due to related parties (Note 28)	**59,111,700**	63,740,910
Accrued expenses	**16,034,006**	385,657
Derivative liabilities (Note 32)	**812,579**	3,741,300
Deferred rent income	**209,672**	199,688
Others	**2,778,821**	757,175
	₱522,470,148	₱479,168,831

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on 30 to 60-day terms. Accrued expenses as of December 31, 2012 include variable incentives of ₱10.00 million and estimated plug and abandonment cost for SC 14 Tara of ₱5.13 million.

17. **Equity**

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

	Number of Shares		
	2012	2011	2010
Authorized capital stock - ₱1 par value	**8,400,000,000**	4,200,000,000	2,000,000,000
Issued and outstanding:			
Balance at beginning of year	**2,829,863,527**	1,664,625,604	1,662,603,069
Issuance during the year (Note 18)	**2,027,395,343**	1,165,237,923	2,022,535
Balance at end of year	**4,857,258,870**	2,829,863,527	1,664,625,604

The issued and outstanding shares as of December 31, 2012, 2011 and 2010 are held by 3,269, 3,313 and 3,360 equity holders, respectively.

On June 20, 2007, the SEC approved the stock rights offering of 552.5 million shares of the Parent Company at the rate of one share for every two shares held as of record date of November 23, 2007, at a price of ₱1.10 per share. The offer period commenced on November 28, 2007 and ended on December 11, 2007. Total proceeds raised from the stock rights offering (SRO), net of direct costs incurred, amounted to ₱599.0 million. The proceeds were used to fund petroleum and mineral explorations and for general corporate purposes. On November 16, 2009, the shareholders approved the reallocation of the proceeds from the stock rights offering to renewable energy (RE) projects due to uncertainty in mining projects brought about by the decline in prices of metals and minerals in the world market and due to the sale of CIPP's distribution system rendering the expansion of the power plant unnecessary.

On November 16, 2009, in a special stockholders' meeting, the Company's stockholders approved the increase in the 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 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 of 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 Company's stockholders approved the increase in the authorized capital sock 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 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 1.415 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as of 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 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 will be used to finance its equity investments in a 54MW wind energy project in San Lorenzo, Guimaras and the second 135MW clean coal-fired power plant in Calaca, Batangas, and other power project opportunities.

The Company's retained earnings balance amounted to ₱1.94 billion and ₱1.59 billion as of December 31, 2012 and 2011, respectively, while paid-up capital is ₱4.88 billion and ₱2.87 billion as of December 31, 2012 and 2011, respectively. Undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱110.84 million and ₱151.9 million as of December 31, 2012 and 2011, respectively, are not currently available for dividend distribution.

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

Dividends declared and paid in 2012, 2011 and 2010 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
March 24, 2010	Cash	₱0.04 per share	₱66,585,025	May 3, 2010
March 21, 2011	Cash	0.04 per share	66,585,025	April 11, 2011
February 16, 2012	Cash	0.04 per share	113,194,540	March 1, 2012

18. **Employee Stock Options and Executive Stock Grants**

The Company had a stock option plan (the Old Plan) that covered up to 25 million shares. The Old Plan entitled qualified employees, officers and directors to purchase shares of stock during the offering years at a price of ₱1 a share.

On June 7, 2004, the Company's BOD approved the reallocation of stock options for a total of 12,518,650 shares out of the original 25 million shares, which expired in April 2003 and May 2004. Such stock options were allocated among directors and employees of the Company and the exercise of such options was subject to the following terms and conditions:

Subscription Price	At par value of ₱1 per share
Period of Exercise	Up to 100% of the allocated shares within three years from June 8, 2004
Payment of Shares	Cash payment upon exercise of option
Right to Exercise Option	Continuous employment required

On April 2, 2007, the Company's BOD and stockholders approved a total of 100 million shares to be taken from the unsubscribed portion of the Company's 2 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Company; and, (b) stock options for directors, officers and employees of TA Oil and its subsidiaries and affiliates (referred to herein as the "New Plan") under the terms and conditions as determined by the Executive Committee of the BOD.

The exercise of such grants and options are subject to the following terms and conditions:

<u>Stock Grants</u>
The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

<u>Stock Options</u>
Following are the specific terms of the Company's New Plan:

Coverage	Directors, permanent officers and employees of TA Oil and its subsidiaries and affiliates
Exercise price	At weighted average closing price for 20 trading days prior to grant date but should not be lower than par value of ₱1.00 per share

Vesting period	• Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.
Right to Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implemented only the Company's Stock Grant for its executives which resulted in the issuance of 0.14 million shares in 2012 and 2.02 million shares in 2010. No stock grants have been granted and awarded to any of the executives of the Company in 2011.

As of December 31, 2012 and 2011, no stock options have been granted and awarded to any of the directors, officers and employees of the Company.

19. Trading Revenue (Loss)

	2012	2011	2010
Trading revenue	**₱3,082,458,904**	₱2,416,787,171	₱521,352,554
Cost of power purchased	**2,335,410,140**	1,892,472,478	581,649,646
	₱747,048,764	₱524,314,693	(₱60,297,092)

20. Cost of Power Generation

	2012	2011	2010
Fuel	**₱36,550,934**	₱28,071,085	₱27,136,142
Depreciation and amortization (Note 24)	**5,863,910**	5,802,988	5,604,809
Repairs and maintenance	**5,628,386**	4,628,596	3,015,529
Labor (Note 23)	**5,936,168**	4,561,086	4,266,655
Station used	**3,247,545**	1,580,383	–
Taxes and licenses	**1,372,189**	1,430,022	1,487,972
Employee benefits (Note 23)	**1,193,761**	1,185,412	1,126,504
Insurance	**635,507**	683,757	699,845
Rental	**564,136**	549,474	562,105
Others	**918,435**	895,115	572,828
	₱61,910,971	₱49,387,918	₱44,472,389

21. **Cost of Power Plant on Standby**

	2012	2011	2010
Depreciation and amortization (Note 24)	**₱19,674,522**	₱22,117,173	₱20,726,244
Fuel	**8,432,292**		
Building maintenance and repairs	**8,390,007**	4,756,197	2,323,789
Insurance	**1,640,528**	3,332,088	1,353,163
Labor (Note 23)	**5,710,873**	916,773	3,650,382
Concession and other fees	**312,200**	312,200	312,200
Taxes and licenses	**630,865**	166,657	267,312
Employee benefits (Note 23)	**981,186**	116,796	488,279
Rental	**246,442**		
Dismantling costs	**–**	26,102,675	–
Others	**3,087,509**	657,948	394,802
	₱49,106,424	₱58,478,507	₱29,516,171

22. **General and Administrative Expenses**

	2012	2011	2010
Management and professional fees (Note 28)	**₱97,122,354**	₱123,062,065	₱32,550,169
Salaries and directors' fees (Notes 23 and 28)	**82,814,446**	69,554,568	54,332,396
Depreciation and amortization (Note 24)	**18,887,652**	27,626,288	26,879,474
Building maintenance and repairs	**11,251,583**	11,948,577	10,945,442
Taxes and licenses	**28,800,229**	10,347,512	5,861,652
Pension (Notes 23 and 27)	**6,640,860**	5,772,163	2,860,639
Insurance, dues and subscriptions	**8,866,687**	5,364,752	7,390,535
Employee benefits (Note 23)	**4,949,431**	4,923,591	5,232,213
Transportation and travel	**4,432,350**	3,700,894	4,071,035
Office supplies	**1,978,424**	1,973,928	1,849,618
Rent	**510,616**	486,424	2,196,677
Donation and contribution	**6,120,769**	380,994	2,687,672
Entertainment, amusement and recreation	**403,711**	354,734	316,523
Plug and abandonment	**5,127,443**	–	–
Others	**12,024,344**	12,919,996	8,320,965
	₱289,930,899	₱278,416,486	₱165,495,010

23. **Personnel Expenses**

	2012	2011	2010
Salaries and directors' fees included under:			
Cost of power generation	**₱5,936,168**	₱4,561,086	₱4,266,655
Cost of power plant on standby	**5,710,873**	916,773	3,650,382
General and administrative expenses	**82,814,446**	69,554,568	54,332,396
Pension included under general and administrative expenses	**6,640,860**	5,772,163	2,860,639
Employee benefits included under:			
Cost of power generation	**1,193,761**	1,185,412	1,126,504
Cost of power plant on standby	**981,186**	116,796	488,279
General and administrative expenses	**4,949,431**	4,923,591	5,232,213
	₱108,226,725	₱87,030,389	₱71,957,068

24. Depreciation and Amortization

	2012	2011	2010
Depreciation expense of property, plant and equipment and investment properties included under (Notes 10 and 13):			
Cost of power generation	**₱5,863,910**	₱5,802,988	₱5,604,809
Cost of power plant on standby	**19,674,522**	22,117,173	20,726,244
General and administrative expenses	**18,887,652**	27,626,288	26,879,474
	₱44,426,084	₱55,546,449	₱53,210,527

25. Other Income (Expenses)

	2012	2011	2010
Gain on derivatives - net (Note 32)	**₱9,364,316**	₱9,625,976	₱45,755,928
Foreign exchange loss - net	**(27,198,788)**	(5,957,951)	(31,016,162)
Property and equipment written-off (Note 10)	**(6,024,977)**	(14,246,800)	–
Gain (loss) on sale of:			
Interest in service contract	**–**	4,048,828	–
Asset held for sale	**11,016,834**	–	–
Royalty interest (Note 15)	**–**	–	58,571,625
Available-for-sale investments	**75,499**	(1,893,238)	60,400
Property and equipment (Note 10)	**175,773**	(162,397)	(34,314)
Investment in an associate (Note 11)	**–**	–	–
Inventories	–	–	8,779,875
Reversal of (provisions for):			
Impairment loss on deferred exploration costs (Note 15)	**(12,874,373)**	11,473,481	–
Impairment loss on available-for-sale investments (Note 12)	**–**	–	(22,590,410)
Impairment loss on property, plant and equipment (Note 10)	**–**	–	20,320,409
Doubtful accounts (Note 9)	**(2,091,860)**	–	(6,741,772)
Reimbursement of expenses	**–**	11,251,032	–
Option fee (Note 15)	**30,729,019**	21,935,000	11,535,000
Equity in net losses of associates (Note 11)	**(6,656,925)**	(7,231,752)	(3,377,806)
Surety bond related charges	**–**	–	(8,317,757)
Receipt of tax credits	**–**	–	36,908,181
Others	**2,389,211**	8,062,871	3,479,118
	(₱1,096,271)	₱36,905,050	₱113,332,315

26. Income Tax

a. Current income tax pertains to the following:

	2012	2011	2010
RCIT	**₱180,071,004**	₱148,551,273	₱–
MCIT	–	848	2,703,072
Gross income tax	–	–	331,740
	₱180,071,004	₱148,552,121	₱3,034,812

b. The components of the Company's net deferred income tax assets (liabilities) as of December 31 are as follows:

	2012	2011
Deferred income tax assets:		
Unrealized foreign exchange losses	**₱4,972,264**	₱20,655,109
NOLCO	**12,142,920**	12,142,920
Accrued expenses	**5,838,037**	3,957,023
Allowance for probable losses	**3,862,312**	–
Allowance for impairment loss	**2,013,835**	2,013,835
Asset retirement obligation	**1,722,317**	1,610,455
Allowance for doubtful accounts	**627,558**	–
Derivative liabilities	**243,773**	1,122,390
Unamortized past service cost	**341,473**	600,358
Deferred rent income	**62,902**	59,906
	31,827,391	42,161,996
Deferred income tax liabilities:		
Excess of fair value over cost of CIPP power plant	**(13,571,402)**	(21,742,271)
Unrealized fair value gains on investment held for trading and derivatives	**(5,172,314)**	(5,133,148)
Unrealized fair value gains on available-for-sale investments	**(4,211,610)**	(2,853,610)
Asset retirement obligation	**(532,800)**	(576,000)
Derivative asset	**(356,175)**	(567,019)
Unrealized foreign exchange gain	–	(108)
	(23,844,301)	(30,872,156)
Deferred income tax assets - net	**₱7,983,090**	₱11,289,840

The details of the Company's share in net deferred income tax assets (liabilities) of joint ventures as of December 31 follow:

	2012	2011
Deferred income tax assets on:		
Past service costs and accrued retirement	**₱405,048**	₱310,060
Accrued expenses	**144,108**	–
Allowance for doubtful accounts	**105,153**	–
Unrealized foreign exchange losses	**15,214**	63,386
Derivative liabilities	**1,692**	–
	671,215	373,446
Deferred income tax liabilities on:		
Pension asset	**(158,760)**	(129,960)
Unrealized MTM gains on derivatives	**(83,533)**	(33,583)
Capitalized unrealized foreign exchange gains	–	(2,720,366)
Derivative asset	–	(78,114)
	(242,293)	(2,962,023)
Deferred income tax assets (liabilities) - net	**₱428,922**	(₱2,588,577)

The Company's deductible temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

	2012	2011
NOLCO	**₱101,178,020**	₱78,732,411
Allowance for impairment loss on property and equipment	**105,008,532**	111,724,332
Allowance for probable losses on mineral exploration	**3,096,746**	8,271,931
Allowance for doubtful accounts	**6,718,483**	6,718,483
Unrealized fair value loss on investment held for trading	–	893,326
Unrealized foreign exchange losses	**4,342**	38,203
Derivative liability	**812,579**	–
MCIT	**41,003**	35,028

Deferred income tax assets have not been recognized on these temporary differences that relate to the subsidiaries as management believes it is not probable that sufficient future taxable profit will be available against which the related deferred income tax assets can be used.

As of December 31, 2012, NOLCO totaling ₱141.65 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱0.04 million can be credited against future RCIT due as follows:

Expiry Date	MCIT	NOLCO
December 31, 2013	₱40,155	₱17,974,467
December 31, 2014	848	83,375,060
December 31, 2015	–	40,304,895
	₱41,003	₱141,654,422

NOLCO amounting to ₱5.26 million and ₱25.47 million were applied against taxable income in 2012 and 2011, respectively. MCIT amounting to ₱0.04 million and ₱2.63 million were applied against RCIT in 2012 and 2010, respectively. NOLCO amounting to ₱12.71 million, ₱11.82 million and ₱7.20 million expired in 2012, 2011 and 2010, respectively.

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2012	2011	2010
Applicable statutory income tax rates	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Dividend income exempt from tax	**(0.38)**	(0.90)	(17.32)
Equity in net losses of associates	**0.31**	0.41	8.25
Application of NOLCO, MCIT and others	**(1.91)**	(7.12)	(40.99)
Effective income tax rates	**28.02%**	22.39%	(20.06%)

27. **Pension and Other Post-employment Benefits**

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees.

Pension and other post-employment benefits consist of:

	2012	2011
Pension liability	**₱1,045,700**	₱550,300
Vacation and sick leave accrual	**13,288,304**	12,639,776
	₱14,334,004	₱13,190,076

Employee benefits included under costs of power generation and general and administrative expenses consist of:

	2012	2011	2010
Pension expense	**₱6,640,860**	₱5,772,163	₱2,860,639
Vacation and sick leave accrual	**648,529**	3,027,397	5,515,981
	₱7,289,389	₱8,799,560	₱8,376,620

The fund is managed by a trustee under the Phinma Jumbo Retirement Plan. The carrying value and fair value of the retirement fund of the Parent Company amounts to ₱29.88 million and ₱32.32 million as of December 31, 2012 and 2011, respectively.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
Equities	**78.31%**	78.20%
Mutual Funds and UITFs	**5.37%**	1.10%
Others	**16.32%**	20.70%

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the Philippine Stock Exchange, account for less than 1% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Parent Company with fair value of ₱0.03 million and ₱0.02 million as of December 31, 2012 and 2011, respectively. The shares were acquired at a cost of ₱0.02 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2012 and 2011. 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.

The tables below summarize the components of pension expense included in the consolidated statements of income and pension liability included under "Pension and other post-employment benefits" account in the consolidated balance sheets, which are based on the latest actuarial valuation reports.

	2012	2011	2010
Components of pension expense:			
Current service cost	**₱4,967,800**	₱4,149,100	₱2,842,300
Interest cost	**2,402,500**	2,539,300	2,506,600
Expected return on plan assets	**(1,908,800)**	(1,908,900)	(2,218,700)
Recognized actuarial loss	**281,700**	30,200	–
	5,743,200	4,809,700	3,130,200
Adjustment for cross-assigned employees	**897,660**	962,463	(269,561)
Pension expense	**₱6,640,860**	₱5,772,163	₱2,860,639

The pension liability recognized in the consolidated balance sheets as of December 31, 2012 and 2011 are as follows:

	2012	2011
Present value of benefit obligation (PVBO)	**₱43,759,000**	₱41,123,100
Fair value of plan assets	**(29,875,300)**	(32,324,700)
Unfunded status	**13,883,700**	8,798,400
Unrecognized net actuarial losses	**(12,838,000)**	(8,248,100)
Pension liability	**₱1,045,700**	₱550,300

The movements in the PVBO are as follows:

	2012	2011
Balance at beginning of year	**₱41,123,100**	₱31,948,100
Current service cost	**4,967,800**	4,149,100
Interest cost	**2,402,500**	2,539,300
Actual benefits paid	**(8,322,600)**	(1,393,200)
Actuarial losses	**3,588,200**	3,879,800
Balance at end of year	**₱43,759,000**	₱41,123,100

The changes in the fair value of plan assets are as follows:

	2012	2011
Balance at beginning of year	**₱32,324,700**	₱27,322,200
Expected return on plan assets	**1,908,800**	1,908,900
Actual contribution	**5,247,800**	5,247,800
Actual benefits paid	**(8,322,600)**	(1,393,200)
Actuarial losses	**(1,283,400)**	(761,000)
Balance at end of year	**₱29,875,300**	₱32,324,700
Actual return on plan assets	**₱625,400**	₱1,147,900

As of January 1, the assumptions used to determine PVBO and fair value of plan assets are as follows:

	2012	2011
Discount rate	**6.50%**	8.06%
Expected rate of return on plan assets	**6.20%**	6.44%
Rate of increase in compensation	**8.00%**	8.00%

As of December 31, 2012, the discount rate, expected rate of return on plan assets and rate of increase in compensation are 5.50%, 5.50% and 8.00%, respectively.

The overall expected rate of return on plan assets is determined based on the prevailing return on government securities applicable to the period over which the obligation is to be settled.

The Company is expected to contribute ₱4.88 million to its defined benefit pension plan in 2013.

The amounts for the current and previous four annual periods of the PVO, fair value of plan assets, deficit and any experience adjustments are as follows:

	Retirement Benefits				
	2012	2011	2010	2009	2008
Present value of benefit obligation	**₱43,759,000**	₱41,123,100	₱31,948,100	₱23,702,100	₱11,169,200
Fair value of plan assets	**29,875,300**	32,324,700	27,322,200	24,963,300	20,658,800
Surplus (deficit)	**(13,883,700)**	(8,798,400)	(4,625,900)	1,261,200	9,489,600
Experience adjustments – gain (loss)					
Plan liabilities	**(773,000)**	(728,000)	(8,255,900)	1,707,600	(519,600)
Plan assets	**(1,283,400)**	(761,000)	(1,941,200)	(1,374,600)	(1,120,200)

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the Philippine Stock Exchange, account for less than 1% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Parent Company with fair value of ₱0.03 million and ₱0.02 million as of December 31, 2012 and 2011, respectively. The shares were acquired at a cost of ₱0.02 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2012 and 2011. 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.

28. 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 year-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 years ended December 31, 2012 and 2011, 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 for the years 2012 and 2011 with related parties are as follows (in thousands):

2012

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱730	Rent and share in expenses	₱115	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	36,149	Management fees and share in expenses	22,329	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	413,212	Electricity sold, rent and share in expenses	42,762	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	256,788	Electricity purchases	31,984	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	1,963	Rent and share in expenses	684	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	295	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	254	On demand	Unsecured
Other Related Parties					
PPHC					
Revenue	2,172	Dividend income	–		
Payable	–	Advances	171	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,256	Dividend income	–		
Costs and expenses	1,469	Share in expenses	73	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	1,520	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	1,319	Dividend income	–		
Fuld & Company					
Costs and expenses	4,977	Professional fees	3,950	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and expenses	3,077	Insurance expense	56	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,588	Annual incentives	23,288	On demand	Unsecured
Stockholders					
Payable	–	Unclaimed cash dividend	9,034	On demand	Secured, no impairment

2011

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱740	Rent and share in expenses	₱87	30-day, non-interest bearing	Unsecured, no impairment
Cost and Expenses	47,061	Professional and management fees and share in expenses	20,996	30-day, non-interest bearing	Unsecured

(Forward)

2011

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Joint Ventures					
TA Power					
Revenues	₱425,588	Electricity sold, rent and share in expenses	₱86,592	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	224,379	Electricity purchases	34,567	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	11,603	Rent and share in expenses	25	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	295	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	254	On demand	Unsecured
Other Related Parties					
PPHC					
Revenues	41	Return of Construction fund			
Payable	–	Advances	171	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,256				
Cost and expenses	724	Share in expenses	23	30-day, non-interest bearing	Unsecured
Payable	10,800	Purchase of land	7,395	180-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	3,801	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	8,700	Dividend income	–		
AB Capital and Investment Corp.					
Revenue	2,081	Rent and share in expenses	–		
Cost and expenses	70	Professional fees			
T-O Insurance, Inc.					
Costs and expenses	2,533	Insurance expense	99	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,012	Annual incentives	26,012	On demand	Unsecured
Advances	–		1,100	Offset against annual incentives	Unsecured, no impairment
Stockholders					
Payable	–	Unclaimed cash dividend	7,932	On demand	Secured, no impairment

2010

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱851	Rent and share in expenses	₱69	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	13,544	Professional and management fees	1,404	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	186,047	Electricity sold and rent	71,442	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	144,538	Electricity purchases	10,588	30-day, non-interest bearing	Unsecured

(Forward)

2010					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
SLTEC					
Revenues	₱–	Rent and share in expenses	₱–	30-day, non-interest bearing	Unsecured, no impairment
Associate					
Asia Coal					
Payable	–	Advances	254	On demand	Unsecured
Other Related Parties					
PPHC					
Revenues	2,041	Return of construction fund	–		
Payable	–	Advances	171	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,218				
Costs and expenses	893	Share in expenses	112	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	1,298	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	452				
Payable	–	Deposit	7,532		Unsecured
AB Capital and Investment Corp.					
Revenues	3, 410	Rent and share in expenses	–		
Fuld & Company					
Costs and expenses	–	Professional fees	–	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and expenses	2,983	Insurance expense	88	30-day, non-interest bearing	Unsecured
Directors					
Expenses	468	Annual Incentives	468	On demand	Unsecured
Stockholders					
Payable	–	Unclaimed cash dividend	7,959	On demand	Secured, no impairment

PHINMA

The Company has a management contract with Philippine Investment-Management (PHINMA), Inc. up to August 31, 2013, renewable thereafter upon mutual agreement. Under this contract, PHINMA 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 pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

TA Power

TA Power leases and occupies part of the office space owned by the Parent Company. Also, the Parent Company sold electricity to TA Power in 2012 and 2011. On November 3, 2011, TA Power granted the Parent Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to a customer. Sales of electricity are based on WESM prices.

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. SLTEC reimbursed TA Oil for the cost of the coal power plant under construction and other costs incurred in relation to the coal project in 2011.

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 Corp.

PHINMA Property Holdings Corporation (PPHC)/Union Galvasteel Corporation (UGC) [formerly Atlas Holding Corporation (AHC)]/Asian Plaza, Inc.
PPHC, UGC and Asian Plaza, Inc. are entities under common control. The Company receives cash dividend from these corporations.

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.

AB Capital & Investment Corporation (AB Capital)
AB Capital was an entity under common control. AB Capital leased and occupied part of the office space owned by the Parent Company. The lease agreement was terminated in August 2011. AB Capital rendered professional services to the Parent Company until January 31, 2011.

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
Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the Philippine Stock Exchange, account for less than 1% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Parent Company with fair value of ₱0.3 million and ₱0.2 million as of December 31, 2012 and 2011, respectively. The shares were acquired at a cost of ₱0.2 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2012 and 2011. 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.

29. EPS Computation

	2012	2011	2010
(a) Net income	**₱471,169,955**	₱408,217,109	₱14,744,926
Common shares outstanding at beginning of year (Note 17)	**2,829,863,527**	1,664,625,604	1,662,603,069
Weighted average number of shares issued during the year	**181,878,126**	616,139,504	1,678,981
(b) Weighted average common shares outstanding	**3,011,741,653**	2,280,765,108	1,664,282,050
Basic/Diluted EPS (a/b)	**₱0.16**	₱0.18	₱0.01

The Company's stock option has no dilutive effect in 2012, 2011 and 2010. Also, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

30. **Significant Laws, Commitments and Contracts**

Electric Power Industry Reform Act (EPIRA)
Republic Act (R.A.) No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
(2) Creation of a WESM; and
(3) Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within five years from the effectivity of the EPIRA. It provides cross-ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Electricity Supply Agreement with Guimelco
On November 12, 2003 and July 26, 2004, TA Oil signed an ESA and amendment to the ESA, respectively, with Guimelco, a nonstock, nonprofit cooperative (see Note 1). Under the ESA, TA Oil agreed to construct, operate and maintain a 3.4 MW bunker C-fired diesel generator power station and to supply Guimelco with electricity based on the terms and conditions set forth in the ESA. Following are the significant provisions of the ESA, among others:

Cooperation Period	Ten years, and may be extended pursuant to the ESA.
Electricity Fees	Electricity fees is based on a formula as set forth in the ESA and shall be payable monthly during the Cooperation Period.
Electricity Delivery Procedures	Guimelco must give priority to electricity generated by the Company's power station up to 1.8 MW, over any other power source.

The power plant commenced commercial operations on June 26, 2005.

Electricity Supply Agreements with Holcim
TA Oil, TA Power and Holcim entered into a memorandum of agreement (as amended on January 12, 2010 and December 20, 2010) with the following provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant of Holcim at rates equal to the agreed "Time of Use" rates schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC.

- TA Oil, acting as a retail electricity supplier, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. TA Oil shall charge Holcim at rates equal to the agreed "Time of Use" schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC. Transmission charges shall be settled separately by Holcim with the National Transmission Corporation under Holcim's Transmission Services Agreement.

- TA Oil and TA Power guarantee to cover all of Holcim's electricity requirements for both the La Union and Bulacan plants until 2013.

In August 2011, TA Oil, TA Power and Holcim signed an ESA for Holcim's electricity requirements for its La Union and Bulacan plants, valid for 15 years commencing on December 26, 2013.

Power Administration and Management Agreement (PAMA) with One Subic Power
On November 18, 2010, TA Oil and One Subic Power Generation Corporation (One Subic Power, a third party) entered into a Power Administration and Management Agreement (PAMA). Under the terms of the PAMA, TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. TA Oil will be selling or trading the entire capacity of the power plant, while operations will be under One Subic Power for a period of five years commencing on the commercial operation date (the date when the power plant is capable of supplying power to the Grid). TA Oil will pay One Subic Power for all electricity actually delivered by the power plant based on a formula (actual fuel consumption and electricity generated) as set forth in the PAMA and shall be payable monthly. The PAMA became effective on February 17, 2011.

ESA with Batangas II Electric Cooperative, Inc. (BATELEC II)
TA Oil entered into an ESA with BATELEC II on May 4, 2011. Under the said agreement, TA Oil shall meet the electricity requirements of BATELEC II in excess of its existing contracts and bill BATELEC II monthly in accordance with the terms set forth in the agreement. The agreement shall be for a period of six months, with an option to renew for another six months subject to mutual agreement by both parties. The contract with BATELEC II ended in December 2011 and was not renewed.

Contracts of Sale of Electricity with Sorsogon I Electric Cooperative, Inc. (SORECO I) and Quezon I Electric Cooperative, Inc. (QUEZELCO)
On November 11, 2011 and December 8, 2011, TA Oil entered into Contracts of Sale of Electricity with SORECO I and QUEZELCO II, for a period of 12 months and five years, respectively, from December 26, 2011. The contract with QUEZELCO II provides an option to renew the contract for a period mutually agreed by both parties. The contract with SORECO I provides an option to renew for another 12 months subject to mutual agreement by both parties. In accordance with the contract, TA Oil shall supply 90% of QUEZELCO II's and all of SORECO I's electricity requirements on an hourly basis using the market trading node of TA Oil's designated generator. The contract with SORECO I ended on December 25, 2012 and was not renewed.

Contract of Sale of Electricity with Lafarge Republic, Inc,
On July 9, 2012, TA Oil entered into Contract for the Sale of Electricity with Lafarge Republic, Inc. for a period of 5 years from December 26, 2012 to December 25, 2017. Under the said agreement, TA Oil shall supply all the electricity requirement of Lafarge Cement Plants (located in Bigte and Minuyan, Norzagaray, Bulacan and Mapulo, Taysan, Batangas) in excess of the Base-Load Supply.

Contract of Sale of Electricity with Philippine Economic Zone Authority (PEZA)
PEZA-Lot 1 Base Load
TA Oil entered into Contract for the Sale of Electricity Lot 1 Base Load with PEZA on December 20, 2012 for a period of 5 years. Under the said agreement, TA Oil shall supply the Base Load electricity requirement of PEZA for its Cavite Economic Zone (CEZ). Delivery of electricity commenced on January 26, 2013.

PEZA-Lot 2 Shoulder and Peak Load
TA Oil entered into Contract for the Sale of Electricity Lot 2 Shoulder and Peak Load with PEZA for a period of 5 years. Under this agreement, TA Oil shall supply all of the electricity requirement of PEZA for its CEZ in excess of the base load supply. Delivery of electricity commenced on January 26, 2013.

Tripartite Agreement with PEZA and Meralco
On January 24, 2013 TA Oil entered into a Tripartite Agreement with PEZA and Meralco to facilitate the implementation of the Contract for the Sale of Electricity with PEZA before Retail Competition and Open Access. The agreement is effective from January 24,2013 to June 25, 2013.

Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation
On March 26, 2011 the Company entered into a Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation (Sem-Calaca) for a period of 3 years. Under the Contract, the Company agrees to purchase the 15 MW output of Sem-Calaca Power Plant.

Maibarara Geothermal, Inc. (MGI)
As Project Sponsor of the 20 MW Maibarara power plant project, TA Oil has provided a pledge on its shares in Maibarara Geothermal Inc, a guarantee to provide additional equity or advances to the Project in case of cost overruns and an assignment to the lenders of the Electricity Supply Agreement with MGI.

Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to:

(1) Accelerate the exploration and development of Renewable Energy (RE) resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
(2) Increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
(3) Encourage the development and utilization of RE resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
(4) Establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent value-added tax (VAT) rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Company expects that the Act may have significant effect on the operating results of TAREC, an RE developer. Impact on the operating results is expected to arise from the effective reduction in taxes.

Renewable Energy Service Contracts
In October 2009, TAREC was awarded 10 wind energy service contracts by the DOE, representing a total potential wind capacity of 227 MW.

In February 2010, another 10 service contracts representing an additional 123MW of potential wind capacity were again awarded to TAREC by the DOE thus bringing its total potential wind capacity to 350MW as of December 31, 2010.

In 2011, 8 wind energy service contracts which represent 89 MW were applied for relinquishment pending the approval to the DOE due to poor wind resource and complexity of site topography as examined during site survey.

In 2012, TAREC continued the development activities on the 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project which is ready for implementation pending receipt of a notification from the DOE for the project's inclusion in the 200 MW installation target for wind.

Operating Lease Commitment
The Parent Company has entered into a lease contract with Guimelco for a parcel of land used only as a site for electric generating plant and facilities. The term of the lease is 10 years with a renewal option included in the contract. The Parent Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of ₱20,000 for the duration of the lease term. Starting July 2009, the fixed monthly rate was increased to ₱40,000. Future minimum operating lease payables under this lease agreement as of December 31 are as follows:

	2012	2011
Within one year	**₱480,000**	₱480,000
After one year but not more than five years	**640,000**	1,120,000
	₱1,120,000	₱1,600,000

31. **Financial Risk Management Objectives and Policies**

Objectives and Investment Policies
The PHINMA Group Treasury manages the funds of the Company and invests in short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, listed shares of stocks, and mutual and trust funds denominated in Philippine peso, U.S. dollar and Euro. It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.

PHINMA Group Treasury focuses on the following major risks that may affect its transactions:

- Foreign currency risk
- Credit or counterparty risk
- Liquidity risk
- Market risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Company. An Investment Committee, which comprises some of the Company's BOD, reviews and approves policies, controls and strategies for investments and risk management.

Basic investment policies as approved by the Investment Committee are:

- Safety of principal
- Duration of investment must be consistent with the respective company's investment horizon based on needs as approved by the Investment Committee
- Exposure limits
    - For banks or fund managers: maximum 20% of total fund of each company per bank or fund
    - For Philippine peso investments: minimal corporate exposure except for registered bonds for non-affiliates
    - Limits on third currencies outside U.S. dollar, equities and offshore investments are set regularly and reviewed at least once a year by the Investment Committee
    - For total foreign currencies: maximum 50% of total portfolio
    - For investments in equities whether directly managed or managed by professional fund managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review

Risk Management Process

Foreign Currency Risk

The PHINMA Group Treasury manages holdings of cash and securities not only in Philippine peso but also in U.S. dollar and other foreign currencies. Any depreciation of the U.S. dollar and other currencies against the Philippine peso posts material foreign exchange losses that will diminish the market values of these investments.

Foreign currency risk is managed through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange.
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts.
- Trading either by spot conversions and forward transactions on a deliverable or non-deliverable basis to protect values.
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.
- Returns being calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The Company's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2012 and 2011 are as follows:

	2012			2011	
	US Dollar (US$)	**AU Dollar (AU$)**	**Euro (€)**	US Dollar (US$)	Euro (€)
		(In Thousands)			
Financial assets:					
Cash and cash equivalents	**294**	**523**	–	7,794	–
Investments in bonds and FXTNs	**2,112**	–	–	2,635	237
Investments in UITFs and mutual funds	**1,550**	–	–	3,233	
Other receivables	**33**	–	–	56	11
	3,989	**523**	–	13,718	248
Financial liabilities - Accounts payable and other current liabilities	**(357)**	–	**(9)**	(286)	–
Net foreign currency-denominated assets	**3,632**	**523**	**(9)**	13,432	248
Peso equivalent	**₱149,067**	**₱22,339**	**(₱514)**	₱588,890	₱14,127

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rate used were ₱41.05 to US$1.00, ₱42.67 to AUS$1.00 and ₱54.53 to Euro€1.00 as of December 31, 2012 and ₱43.84 to US$1.00 and ₱56.84 to Euro€1.00 as of December 31, 2011.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets and liabilities) for the years ended December 31, 2012 and 2011. There is no impact on the Company's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives (see Note 32).

	Increase (Decrease) in	**Effect on Profit Before Tax**		
Year	**Foreign Exchange Rate**	**US$**	**EURO**	**AU$**
			(In Millions)	
2012	**(₱0.25)**	**₱0.29**	**₱0.002**	**(₱0.13)**
	(0.50)	**0.58**	**0.005**	**(0.26)**
	0.25	**(0.29)**	**(0.002)**	**0.13**
	0.50	**(0.58)**	**(0.005)**	**0.26**
2011	(0.25)	(0.56)	(0.06)	–
	(0.50)	(1.12)	(0.12)	–
	0.25	0.56	0.06	–
	0.50	1.12	0.12	–

Credit or Counterparty Risk

Credit or counterparty risk is the risk due to uncertainty in counterparty's ability to meet its obligations.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks and mutual funds up to a maximum of 20% of the Company's investible funds. For

UITF and mutual funds, fund placements cannot exceed 10% of the UITF's or mutual funds' total funds. Individual limits are further established for one bank or mutual fund on the basis of their valuation, financial soundness, business performance and reputation or expertise. Banks', UITF's and mutual funds' performance as well as their fund level, investment mix and duration are reviewed at least once a month or as often as required.

- Investments in nonrated securities are subject to a comprehensive credit and business review in coordination with sponsoring dealers or underwriters. For rated corporate bonds and sovereign bonds, credit ratings studies and updates from the major rating agencies are used as references (S & P, Moody's) in addition to a comprehensive credit and business review.
- For temporary investments in related parties, transactions are done on an arms-length basis taking into account the related parties' financial standing and ability to pay. Interest rates are based on a formula that considers the average of the borrowing and lending rates of the parties and maturity dates are strictly complied with.
- Discussions are done on every major investment by Treasury en banc before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and a senior Treasury Officer supervises major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.
- Product manuals on new products are studied and reviewed to ensure that risks are identified and addressed prior to the endorsement of the new product for Investment Committee approval.

With respect to credit risk arising from the receivables of the Company, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2012					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	
	Class A	**Class B**	**Class C**			**Total**
			(In Thousands)			
Trade and other receivables						
Trade receivables	**₱498,739**	**₱–**	**₱–**	**₱8,581**	**₱8,810**	**₱516,130**
Due from related parties	**43,561**	**–**	**–**	**–**	**–**	**43,561**
Others	**5,111**	**–**	**–**	**451**	**3,294**	**8,856**
	₱547,411	**₱–**	**₱–**	**₱9,032**	**₱12,104**	**₱568,547**

	2011					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	
	Class A	Class B	Class C			Total
			(In Thousands)			
Trade and other receivables						
Trade receivables	₱227,562	₱–	₱–	₱95,738	₱6,718	₱330,018
Due from related parties	85,567	–	–	1,137	–	86,704
Others	7,169	–	–	427	3,294	10,890
	₱320,298	₱–	₱–	₱97,302	₱10,012	₱427,612

The Company uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, AFS investments, investments held for trading and derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments, derivative assets and investments held for trading were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted AFS investments were assessed as high grade since these are investments in instruments that have a recognized foreign or local third party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Company.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:
- Restricting investments principally to publicly traded securities with a good track record of marketability and dealing only with large reputable domestic and international institutions.
- Continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Company's plans. Average duration of investments should adhere to the investment parameters approved by the Investment Committee.
- When necessary, placements are pre-terminated or securities are liquidated; but this is largely avoided.

The tables below summarize the maturity profile of the Company's financial liabilities as of December based on contractual undiscounted payments:

	2012				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
			(In thousands)		
Accounts payable and other current liabilities:					
Trade and nontrade accounts payable	**₱7,311**	**₱313,863**	**₱10,262**	**₱–**	**₱331,436**
Accrued expenses	**10,883**	**25**	**5,126**	–	**16,034**
Accrued directors' and annual incentives	**23,288**	–	–	–	**23,288**
Due to related parties	**59,112**	–	–	–	**59,112**
Due to stockholders	**9,034**	–	–	–	**9,034**
	₱109,628	**₱313,888**	**₱15,388**	**₱–**	**₱438,904**

	2011				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
			(In thousands)		
Accounts payable and other current liabilities:					
Trade and nontrade accounts payable	₱7,029	₱318,439	₱10,958	₱–	₱336,426
Accrued expenses	386	–	–	–	386
Accrued directors' and annual incentives	46,822	–	–	–	46,822
Due to related parties	43,019	–	–	–	43,019
Due to stockholders	7,932	–	–	–	7,932
Other noncurrent liabilities	1,762	–	–	–	1,762
	₱106,950	₱318,439	₱10,958	₱–	₱436,347

As of December 31, 2012 and 2011, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2012			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
		(In thousands)		
Cash and cash equivalents	**₱907,595**	**₱–**	**₱**	**₱907,595**
Receivables:				
Trade	**17,391**	**498,740**	–	**516,131**
Due from related parties	**43,561**	–	–	**43,561**
Others	**3,745**	**5,111**	–	**8,856**
Financial assets at FVPL:				
Investments held for trading	**835,009**	–	–	**835,009**
Derivative asset	–	**1,187**	–	**1,187**
	₱1,807,301	**₱505,038**	**₱–**	**₱2,312,339**

	2011			
	On Demand	Less than 3 Months	3 to 12 Months	Total
		(In thousands)		
Cash and cash equivalents	₱874,437	₱–	₱–	₱874,437
Receivables:				
Trade	102,457	227,561	–	330,018
Due from related parties	86,704	–	–	86,704
Others	3,721	7,169	–	10,890
Financial assets at FVPL:				
Investments held for trading	871,184	–	–	871,184
Derivative asset	–	1,890	–	1,890
	₱1,938,503	₱236,620	₱–	₱2,175,123

Market risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts.
- Updates of the portfolio's local and foreign currency bonds' gains and losses are made as

often as necessary.

- "Red Lines" are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the Treasury Group uses as guides whether to buy, hold or sell bonds as approved by the Investment Committee or, in cases of high volatility, by the CFO.
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies.
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

Interest rate risk
The following table sets out the carrying amount, by maturity of the Company's financial assets that are exposed to interest rate risk (in thousands):

	Interest Rates	Within 1 Year	1–2 Years	2–3 Years	3-4 Years	Beyond 4 years	Total
2012 Fixed Rate							
Special savings account (SSA)	**0.625%-3.531%**	**₱729,790**	**₱–**	**₱–**	**₱–**	**₱–**	**₱729,790**
Investments in bonds and FXTNs	**6.125%-10.375%**	**4,066**	**26,396**	**–**	**13,320**	**186,586**	**230,368**
2011 Fixed Rate							
Special savings account (SSA)	0.75-7.0%	837,943	–	–	–	–	837,943
Investments in bonds and FXTNs	6.25-13.0%	17,759	4,027	28,444	–	152,069	202,299

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the preceding table are noninterest-bearing investments and are therefore not subject to interest rate volatility.

The following tables demonstrate the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's profit before tax for the years ended December 31, 2012 and 2011. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2012	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax**
FXTN	**25**	**(₱3,208,383)**
Special deposit account (SDA)	**25**	**1,024,262**
SSA	**25**	**717,053**
FXTN	**(25)**	**3,308,819**
SDA	**(25)**	**(1,024,262)**
SSA	**(25)**	**(717,053)**

	2011	
	Increase (Decrease) in Basis Points	Effect on Profit Before Tax
FXTN	25	(₱1,448,432)
Special deposit account (SDA)	25	711,267
SSA	25	530,366
FXTN	(25)	1,483,209
SDA	(25)	(711,267)
SSA	(25)	(530,366)

Equity price risk
Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Company's exposure to equity price risk relates primarily to its AFS investments.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

Based on the Company's expectation, the Company's assessment of reasonably possible change was determined to be an increase of 8% and 6% in 2012 and 2011, respectively, resulting in an increase in equity of ₱5.14 million and ₱3.82 million as of December 31, 2012 and 2011, respectively.

<u>Monitoring of Risk Management Process</u>
Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Weekly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Monthly portfolio reports are submitted to the CFO that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Quarterly presentations of the investment portfolio are made to the Investment Committee to discuss and secure approvals on strategy changes.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The Company monitors capital using the debt-to-equity ratio, which is total liabilities divided by total equity. The Company monitors its debt-to-equity ratio to keep it at a level acceptable to the Company. Capital includes all the items appearing in the equity section of the consolidated balance sheet. The Company's policy is to keep debt-to-equity ratio below the maximum ratio of 2:1.

	2012	2011
	(In Thousands)	
Total liabilities	**₱747,422**	₱696,575
Total equity	**6,937,818**	4,571,392
Debt-to-equity ratio	**0.11:1**	0.15:1

32. **Financial Assets and Financial Liabilities**

Fair Value

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial assets and financial liabilities that are carried in the Company's financial statements.

	Carrying Value		Fair Value	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱907,595,393**	₱874,437,195	**₱907,595,393**	₱874,437,195
Short-term investments	**1,555,339,849**	–	**1,555,339,849**	–
Receivables:				
Trade	**507,320,737**	323,299,633	**507,320,737**	323,299,633
Due from related companies	**43,561,373**	86,704,136	**43,561,373**	86,704,136
Others*	**5,562,426**	7,596,306	**5,562,426**	7,596,306
	3,019,379,778	1,292,037,270	**3,019,379,778**	1,292,037,270
Financial assets at FVPL:				
Investments held for trading	**835,008,772**	871,184,403	**835,008,772**	871,184,403
Derivative asset*	**1,187,250**	1,890,064	**1,187,250**	1,890,064
	836,196,022	873,074,467	**836,196,022**	873,074,467
AFS investments:				
Quoted	**₱141,316,676**	₱128,345,953	**₱141,316,676**	₱128,345,953
Unquoted	**83,246,573**	77,040,620	**83,246,573**	77,040,620
Government securities and FXTNs	**54,001,939**	–	**54,001,939**	–
	278,565,188	205,386,573	**278,565,188**	205,386,573
	₱4,134,140,988	₱2,370,498,310	**₱4,134,140,988**	₱2,370,498,310
Financial Liabilities				
Financial liability at FVPL -				
Derivative liabilities**	**₱812,579**	₱3,741,300	**₱812,579**	₱3,741,300
Other financial liabilities				
Accounts payable and other current liabilities***	**432,648,848**	427,891,334	**432,648,848**	427,891,334
Due to stockholders	**9,034,206**	7,932,125	**9,034,206**	7,932,125
Other noncurrent liabilities****	–	1,761,810	–	1,671,455
	441,683,054	437,585,269	**441,683,054**	437,494,914
	₱442,495,633	₱441,326,569	**₱442,495,633**	₱441,236,214

** Excludes nonfinancial asset amounting to ₱23.63 million and ₱39.81 million as of December 31, 2012 and 2011, respectively.*
*** Presented as part of other current assets.*
**** Presented as part of accounts payable and other current liabilities.*
***** Excludes nonfinancial items amounting to ₱89.01 million and ₱47.54 million as of December 31, 2012 and 2011, respectively.*
******Excludes nonfinancial items amounting to ₱5.37 million as of December 31, 2011.*

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

Cash and cash equivalents, receivables, accounts payable and other current liabilities and due to stockholders

The carrying amounts of cash and cash equivalents, 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 and AFS investments
Quoted market prices have been used to determine the fair values of investments held for trading and 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.

Other noncurrent liabilities
The fair value of the Company's long-term payable to a third party is based on the discounted value of the expected future cash flow using applicable interest rate for similar type of instrument. Discount rate used was 2.67% in 2011.

Fair Value Hierarchy
As of December 31, the fair value measurement of the Company's financial assets and liabilities carried at fair value is categorized as follows (in thousands):

	2012		
	Level 1	**Level 2**	**Total**
Assets:			
Investments held for trading	**₱588,543**	**₱246,466**	**₱835,009**
AFS investments	**141,317**	–	**141,317**
Derivative asset	–	**1,187**	**1,187**
Liabilities -			
Derivative liabilities	–	**(813)**	**(813)**
Total	**₱729,860**	**₱246,840**	**₱976,700**

	2011		
	Level 1	Level 2	Total
Assets:			
Investments held for trading	₱651,845	₱219,339	₱871,184
AFS investments	128,346	–	128,346
Derivative asset	–	1,890	1,890
Liabilities -			
Derivative liabilities	–	(3,741)	(3,741)
Total	₱780,191	₱217,488	₱997,679

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.

Derivative Assets and Liabilities

Currency forwards

The Company enters into sell US$, buy Philippine peso foreign currency forward contracts to manage the foreign currency risk arising from its US$ denominated assets. These currency forwards are not accounted for as accounting hedges.

The Company has outstanding currency forward contracts with an aggregate notional amount of US$4.8 million and weighted average contracted forward rate of ₱41.241 to US$1.00 as of December 31, 2012 and US$11.20 million and weighted average contracted forward rate of ₱43.511 to US$1.00 as of December 31, 2011. The net fair value of these currency forward contracts amounted to ₱1.19 million gain and ₱3.74 million loss as of December 31, 2012 and 2011, respectively.

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. Embedded derivatives are attributable to TA Oil.

TA Oil's outstanding embedded forwards have an aggregate notional amount of US$1.94 million and US$2.84 million as of December 31, 2012 and 2011, respectively. The weighted average fixing rate amounted to ₱41.10 to US$1.00 and ₱43.33 to US$1.00 as of December 31, 2012 and 2011, respectively. The net fair value of these embedded derivatives amounted to ₱0.81 million loss and ₱1.89 million gain as of December 31, 2012 and 2011, respectively.

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

	2012	2011
Balance at beginning of year	**(₱1,851,236)**	₱3,464,104
Net changes in fair value during the year	**9,364,316**	9,625,976
Fair value of settled contracts	**(7,138,409)**	(14,941,316)
Balance at end of year	**₱374,671**	(₱1,851,236)

The net changes in fair value during the year are included in the "Other income (expenses)" account in the consolidated statements of income.

The fair values of the outstanding derivative assets (liabilities) of the Company as of December 31 are as follows:

	2012	2011
Freestanding	**₱1,187,250**	(₱3,741,300)
Embedded	**(812,579)**	1,890,064
	₱374,671	(₱1,851,236)

The fair value of derivative assets is presented under "Other current assets" account in the consolidated balance sheets. The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.

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

	2012	2011	2010
Interest income on:			
Cash in bank	**₱460,293**	₱4,324,356	₱50,313
Short-term deposits and investments	**15,628,130**	27,124,107	29,214,881
Bond	**6,679,593**	7,157,172	6,917,669
FXTN	**6,583,548**	8,598,669	10,785,313
Others	**6,274,712**	1,103,641	4,120,952
	35,626,276	48,307,945	51,089,128
Net gains (losses) on investments held for trading:			
Amortization of bond premium/discount - net	**(2,901,725)**	(5,686,313)	(8,815,020)
Fair value gains on investments held for trading	**43,138,280**	34,458,417	27,869,405
	40,236,555	28,772,104	19,054,385
	₱75,862,831	₱77,080,049	₱70,143,513

33. Operating Segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum and Mining. 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 consolidated financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	2012			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱1,531,712,439**	**₱540,705**	**₱88,633,316**	**₱1,620,886,460**
Results				
Depreciation and amortization	**28,698,700**	**434,958**	**15,292,426**	**44,426,084**
Provision for doubtful accounts	**2,091,860**	–	–	**2,091,860**
Provision for impairment loss on property and equipment	–	**12,874,373**	–	**12,874,373**
Property, plant and equipment write-off	**6,024,978**	–	–	**6,024,978**
Segment profit	**₱795,256,346**	**₱55,028**	**(₱140,756,371)**	**₱654,555,003**
Operating assets	**₱5,564,538,114**	**₱258,871,591**	**₱1,861,830,340**	**₱7,685,240,045**
Operating liabilities	**₱616,387,164**	**₱17,542,300**	**₱113,492,345**	**₱747,421,809**
Other disclosure				
Capital expenditure	**₱170,409,053**	**₱1,295,156**	**₱2,156,046**	**₱173,860,255**

1. Revenue for each operating segment does not include interest and other financial and rental income amounting to ₱82.08 million and ₱6.55 million, respectively.

2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱228.41 million. Other income not included in the profit for operating segment amounted to ₱0.14 million.

3. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.5 billion, receivables and other current assets totaling ₱7.34 million and other noncurrent assets amounting to ₱353.54 million as these are managed on a group basis.

4. Segment liabilities do not include accounts payable and other current liabilities of ₱104.92 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱8.57 million.

5. Capital expenditure consists of additions to property, plant and equipment.

	2011			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱1,262,007,583	₱21,233	₱96,975,579	₱1,359,004,395
Results				
Depreciation and amortization	38,518,596	343,020	16,684,833	55,546,449
Reversal of impairment loss on property and equipment	–	(11,473,481)	–	(11,473,481)
Property, plant and equipment write-off	14,246,799	–	–	14,246,799
Segment profit	₱536,584,988	₱30,406,679	(₱41,023,392)	₱525,968,275
Operating assets	₱3,110,335,369	₱102,576,319	₱2,055,054,671	₱5,267,966,359
Operating liabilities	₱537,378,921	₱13,494,398	₱145,701,525	₱696,574,844
Other disclosure				
Capital expenditure	₱144,017,496	₱80,385	₱3,668,557	₱147,766,438

1. Revenue for each operating segment does not include interest and other financial and rental income amounting to ₱90.78 million and ₱6.20 million, respectively.

2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱139.90 million. Other income not included in the profit for operating segment amounted to ₱2.35 million.

3. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.70 billion, receivables and other current assets totaling ₱9.77 million and other noncurrent assets amounting to ₱337.33 million as these are managed on a group basis.

4. Segment liabilities do not include accounts payable and other current liabilities of ₱140.81 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱4.89 million.

5. Capital expenditure consists of additions to property, plant and equipment.

	2010			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱810,968,202	₱279,964	₱83,046,698	₱894,294,864
Results				
Depreciation and amortization	33,869,458	587,788	18,753,281	53,210,527
Reversal of impairment loss on property and equipment	(20,320,409)	–	–	(20,320,409)
Provision for doubtful accounts	6,741,772	–	–	6,741,772
Segment profit	(₱32,085,837)	₱63,780,432	(₱19,413,019)	₱12,281,576
Operating assets	₱1,266,189,615	₱148,378,311	₱2,019,347,134	₱3,433,915,060
Operating liabilities	₱351,415,215	₱617,758	₱35,412,126	₱387,445,099
Other disclosure				
Capital expenditure	₱18,464,911	₱868,327	₱8,929,535	₱28,262,773

1. Revenue for each operating segment does not include interest and other financial and rental income amounting to ₱75.30 million and ₱7.75 million, respectively.

2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱102.70 million. Other income not included in the profit for operating segment amounted to ₱3.65 million.

3. Segment assets do not include cash and cash equivalents, short-term investments and investments held for trading amounting to ₱1.65 billion, receivables and other current assets totaling ₱22.42 million and other noncurrent assets amounting to ₱350.39 million as these are managed on a group basis.

4. Segment liabilities do not include accounts payable and other current liabilities of ₱27.04 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱8.37 million.

5. Capital expenditure consists of additions to property, plant and equipment.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Trans-Asia Oil and Energy Development Corporation and Subsidiaries (the Company) as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 and have issued our report thereon dated February 18, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

February 18, 2013

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Supplementary Schedules

- Schedule of Retained Earnings Available for Dividend Declaration
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2012
- Map of Relationships of the Companies within the Group

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2012

Retained earnings, beginning	₱1,413,098,982
Adjustments:	
Deferred income tax asset as of December 31, 2011	(30,019,076)
Unrealized fair value gains on investments held for trading and derivative assets in 2012	(12,630,112)
Retained earnings, as adjusted to amount available for dividend declaration, beginning	1,370,449,794
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	531,756,163
Add (deduct):	
Unrealized fair value gains on investments held for trading and derivative assets in 2011 realized in 2012	12,630,112
Unrealized fair value gains on investments held for trading and derivative assets in 2012	(19,950,130)
Movement of recognized deferred income tax assets	10,334,605
Net income actually realized during the year	534,770,750
Less: Dividends declared during the year	(113,194,541)
Retained earnings available for dividend declaration, end	₱1,792,026,003

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

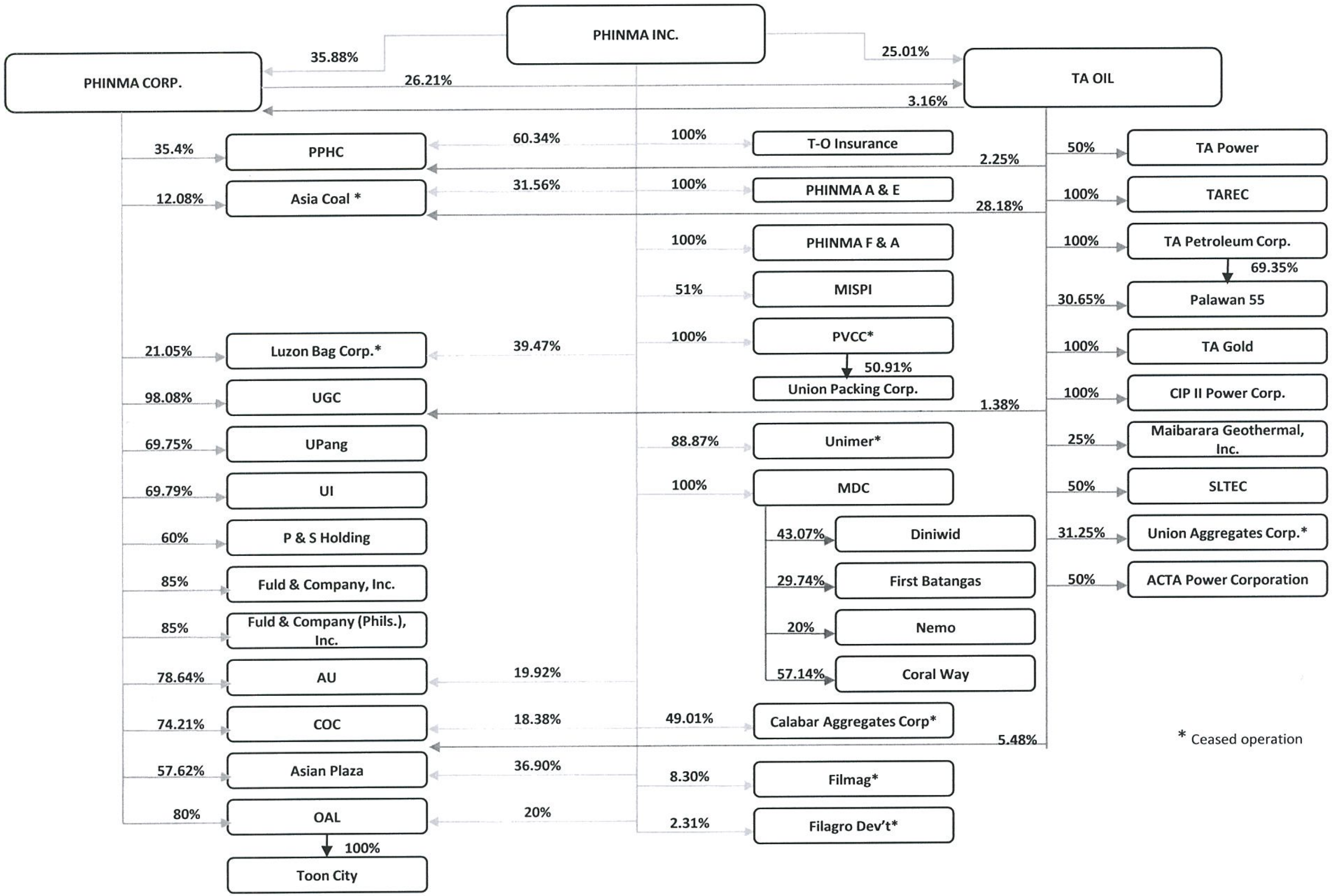
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Adopted		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			Not Applicable
	Amendments to PFRS 1: Government Loans			Not Applicable
PFRS 2	Share-based Payment	Adopted		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Adopted		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Adopted		
PFRS 3 (Revised)	Business Combinations	Adopted		
PFRS 4	Insurance Contracts			Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources	Adopted		
PFRS 7	Financial Instruments: Disclosures	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		Not Early Adopted	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not Early Adopted	
PFRS 8	Operating Segments	Adopted		
PFRS 9*	Financial Instruments		Not Early Adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not Early Adopted	
PFRS 10*	Consolidated Financial Statements		Not Early Adopted	
PFRS 11*	Joint Arrangements		Not Early Adopted	
PFRS 12*	Disclosure of Interests in Other Entities		Not Early Adopted	
PFRS 13*	Fair Value Measurement		Not Early Adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	Adopted		
	Amendment to PAS 1: Capital Disclosures	Adopted		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		Not Early Adopted	
PAS 2	Inventories	Adopted		
PAS 7	Statement of Cash Flows	Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted		
PAS 10	Events after the Reporting Period	Adopted		
PAS 11	Construction Contracts			Not Applicable
PAS 12	Income Taxes	Adopted		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted		
PAS 16	Property, Plant and Equipment	Adopted		
PAS 17	Leases	Adopted		
PAS 18	Revenue	Adopted		
PAS 19	Employee Benefits	Adopted		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)*	Employee Benefits		Not Early Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted		
	Amendment: Net Investment in a Foreign Operation			Not Applicable
PAS 23 (Revised)	Borrowing Costs	Adopted		
PAS 24 (Revised)	Related Party Disclosures	Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			Not Applicable
PAS 27	Consolidated and Separate Financial Statements	Adopted		
PAS 27 (Amended)*	Separate Financial Statements		Not Early Adopted	
PAS 28	Investments in Associates	Adopted		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures		Not Early Adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies			Not Applicable
PAS 31	Interests in Joint Ventures	Adopted		
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted		
	Amendment to PAS 32: Classification of Rights Issues	Adopted		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		Not Early Adopted	
PAS 33	Earnings per Share	Adopted		
PAS 34	Interim Financial Reporting	Adopted		
PAS 36	Impairment of Assets	Adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted		
PAS 38	Intangible Assets	Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	Adopted		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			Not Applicable
	Amendments to PAS 39: The Fair Value Option			Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	Adopted		
	Amendment to PAS 39: Eligible Hedged Items			Not Applicable
PAS 40	Investment Property	Adopted		
PAS 41	Agriculture			Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			Not Applicable
IFRIC 8	Scope of PFRS 2	Adopted		
	Reassessment of Embedded Derivatives	Adopted		
IFRIC 9	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	Adopted		
IFRIC 10	Interim Financial Reporting and Impairment	Adopted		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			Not Applicable
IFRIC 12	Service Concession Arrangements			Not Applicable
IFRIC 13	Customer Loyalty Programmes			Not Applicable
	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted		
IFRIC 14	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted		
IFRIC 18	Transfers of Assets from Customers	Adopted		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		Not Early Adopted	
SIC - 7	Introduction of the Euro			Not Applicable
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			Not Applicable
SIC - 12	Consolidation - Special Purpose Entities			Not Applicable
	Amendment to SIC - 12: Scope of SIC 12			Not Applicable
SIC - 13	Jointly-Controlled Entities – Non-Monetary Contributions by Venturers	Adopted		
SIC - 15	Operating Leases - Incentives	Adopted		
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			Not Applicable
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted		
SIC - 29	Service Concession Arrangements: Disclosures			Not Applicable
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			Not Applicable
SIC - 32	Intangible Assets - Web Site Costs			Not Applicable



Map of relationships of the Companies within the Group
As of December 31, 2012

EXHIBIT B

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

Supplementary Schedules to the Consolidated Financial Statements

SyCip Gorres Velayo & Co.
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November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Trans-Asia Oil and Energy Development Corporation and Subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated February 18, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Partner
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April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

February 18, 2013

A member firm of Ernst & Young Global Limited

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

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* *These schedules, which are required by Section 17.2 of SRC Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.*

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2012

Name of Issuing Entity and Assocaition of each Issue		Number of Shares or Principal Amount of Bonds and Notes		Amount Shown in the Balance Sheet		Value Based on Market Quotations at Balance Sheet Date		Income Received and Accrued
Investment in Fixed Treasury Notes (FXTNs)								
First Metro Investment Corporation	₱	25,000,000	₱	33,327,075	₱	33,327,075	₱	1,493,333
Banco De Oro		4,000,000		4,065,600		4,065,600		230,444
China Banking Corporation		65,000,000		75,371,474		75,371,474		5,033,016
Standard Chartered Bank		40,081,063		47,022,578		47,022,578		376,178
Investment in Bonds in US $								
ING Bank	$	1,675,000		86,679,407		86,679,407		7,949,413
Investment in Unit Investment Trust Fund and Money Market Fund (UITF & MMF)								
Banco De Oro		376,967,250		377,367,021		377,367,021		-
Bank of the Phil. Island		82,399,610		100,122,644		100,122,644		-
Metrobank		47,078,500		47,405,485		47,405,485		-
Investment in Unit Investment Trust Fund and Money Market Fund (UITF & MMF) in US $								
ING Bank	$	1,296,000		63,647,488		63,647,488		-
				835,008,772		835,008,772		15,082,384
Available-for-sale financial assets								
Government securities and FXTNs	₱	53,138,119	₱	54,001,939	₱	54,001,939	₱	108,889
Phinma Corporation		8,139,812		95,235,802		95,235,802		3,255,921
Union Galvasteel Corp./Atlas Holdings Corporation		1,462,999		27,579,355		27,579,355		1,520,384
Phinma Property Holdings Corporation		266,191,807		37,234,059		37,234,059		2,172,084
Asian Plaza, Inc.		37,684		18,433,158		18,433,158		1,318,940
Manila Golf & Country Club		1 share (100 units)		40,000,000		40,000,000		-
Tagaytay Midlands Golf Club, Inc.		2		1,040,000		1,040,000		-
Alabang Country Club, Inc.		1		2,300,000		2,300,000		-
Manila Southwoods Golf & Country Club		1		450,000		450,000		-
Evercrest Golf Club Resorts, Inc.		1		40,000		40,000		-
Puerto Azul Golf & Country Club, Inc.		1		40,000		40,000		-
Capitol Hills Golf & Country Club, Inc.		1		70,000		70,000		-
Metro Club A		2		240,000		240,000		-
Aboitiz Equity Ventures, Inc.		1,000		52,950		52,950		1,873
Ayala Land		97		2,566		2,566		-
Banco de Oro		1,186		86,341		86,341		56
First Philippine Holdings Corporation		2,200		198,003		198,003		1,400
Globe Telecom, Inc.		100		109,200		109,200		6,500
BPI		1,079		102,505		102,505		911
Aboitiz Power Corporation		8,800		325,160		325,160		13,196
Metropolitan Bank and Trust Company		58		5,916		5,916		296
Atlas Consolidated Mining		5,500		102,850		102,850		-
A. Soriano		179		925		925		556
Security Bank		1,473		229,789		229,789		1,473
Philippine Long Distance Telephone Company		-		9,000		9,000		700
DMCI Holdings, Inc.		1,000		53,950		53,950		1,200
Filinvest Land, Inc.		5,000		7,450		7,450		-
First Generation Corp.		8,000		178,400		178,400		-
Metro Pacific Investment Corporation		8,600		38,270		38,270		121
East West Bank		4,000		116,000		116,000		-
D & L Industries, Inc.		64,000		281,600		281,600		-
				278,565,188		278,565,188		8,404,499
			₱	1,113,573,960	₱	1,113,573,960	₱	23,486,884

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2012

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
	P -	P -	P -	P -	P -	P -	P -
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	P -	P -	P -	P -	P -	P -	P -

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2012

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions Amount Collected	Deductions Amount Written-Off	Current	Non Current	Balance at End of Period
CIP II Power Corporation	₱ 145,101,080	₱ 159,495,312	(₱ 1,069,067)	₱ -	₱ 303,527,325	₱ -	₱ 303,527,325
Trans-Asia Power Generation Corporation	85,454,873	519,947,960	(562,635,035)	-	42,767,798	-	42,767,798
Trans-Asia Renewable Energy Corporation	-	1,567,861	(1,589)	-	1,566,272	-	1,566,272
South Luzon Thermal Energy Corporation	25,119	2,200,050	(1,541,614)	-	683,555	-	683,555
Trans-Asia Gold & Minerals Dev. Corporation	1,576,020	2,545	(1,578,365)	-	200	-	200
Trans-Asia Petroleum Corporation	-	70,148,470	(70,148,470)	-	-	-	-
Palawan55 Exploration and Petroleum Corporatio	-	5,759,544	(5,759,544)	-	-	-	-
				-		-	
	₱ 232,157,092	₱ 759,121,742	(₱ 642,733,684)	₱ -	₱ 348,545,150	₱ -	₱ 348,545,150

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2012

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes-Additions (Deductions)	Ending Balance
Oil exploration and development costs:						
Service Contract (SC) No. 6	₱ 19,383,113	₱ 301,236	₱ -	₱ -	(P 512,080)	₱ 19,172,269
SC 51	32,665,864	-	-	-	(-)	32,665,864
SC 55	5,713,210	-	-	-	(-)	5,713,210
SC 69	29,450,023	5,752,740	-	-	(20,535,208)	14,667,555
SC 52	-	12,874,373	-	-	(-)	12,874,373
Mineral exploration costs	11,473,481	-	-	-	(11,473,481)	-
	98,685,691	18,928,349	-	-	(32,520,769)	85,093,271
Allowance for probable losses	-	-	-	-	(12,874,373)	(12,874,373)
	₱ 98,685,691	₱ 18,928,349	₱ -	₱ -	(₱ 45,395,142)	₱ 72,218,898

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule E. Long-Term Debt
December 31, 2012

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet
	₱ -	₱ -	₱ -
	₱ -	₱ -	₱ -

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule F. Indebtedbess to Related Parties (Long-Term Loans from Related Companies)
December 31, 2012

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
	₱ -	₱ -
	₱ -	₱ -

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2012

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
		₱ -	₱ -	
		₱ -	₱ -	

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2012

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By: Affiliates	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
Common stock	8,400,000,000	4,857,258,870	92,817,383	2,619,572,003	46,184,099	2,191,502,768

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2012

Retained earnings, beginning	₱1,413,098,982
Adjustment:	
Deferred income tax asset as of December 31, 2011	(30,019,076)
Unrealized fair value gains on investments held for trading and derivatives assets in 2011	(12,630,112)
Retained earnings, as adjusted to amount available for dividend declaration, beginning	1,370,449,794
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	531,756,163
Add (deduct):	
Unrealized fair value gains on investments held for trading and derivatives assets in 2011 realized in 2012	12,630,112
Unrealized fair value gains on investments held for trading and derivative assets in 2012	(19,950,130)
Movement of recognized deferred income tax assets	10,334,605
Net income actually realized during the year	534,770,750
Less: Dividends declared during the year	(113,194,541)
Retained earnings available for dividend declaration, end	₱1,792,026,003

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

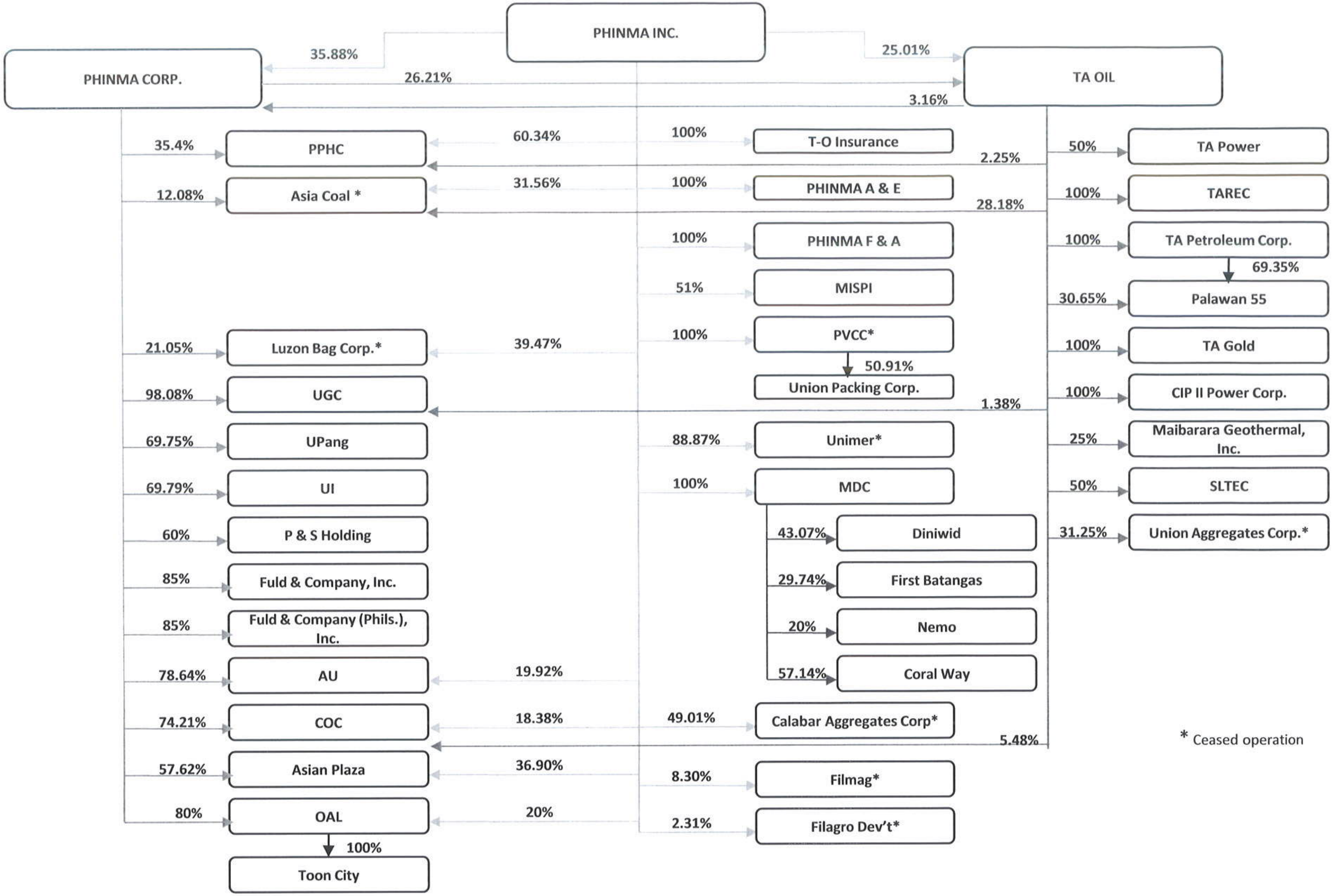
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Adopted		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			Not Applicable
	Amendments to PFRS 1: Government Loans			Not Applicable
PFRS 2	Share-based Payment	Adopted		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Adopted		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Adopted		
PFRS 3 (Revised)	Business Combinations	Adopted		
PFRS 4	Insurance Contracts			Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources	Adopted		
PFRS 7	Financial Instruments: Disclosures	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		Not Early Adopted	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not Early Adopted	
PFRS 8	Operating Segments	Adopted		
PFRS 9*	Financial Instruments		Not Early Adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not Early Adopted	
PFRS 10*	Consolidated Financial Statements		Not Early Adopted	
PFRS 11*	Joint Arrangements		Not Early Adopted	
PFRS 12*	Disclosure of Interests in Other Entities		Not Early Adopted	
PFRS 13*	Fair Value Measurement		Not Early Adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	Adopted		
	Amendment to PAS 1: Capital Disclosures	Adopted		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		Not Early Adopted	
PAS 2	Inventories	Adopted		
PAS 7	Statement of Cash Flows	Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted		
PAS 10	Events after the Reporting Period	Adopted		
PAS 11	Construction Contracts			Not Applicable
PAS 12	Income Taxes	Adopted		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted		
PAS 16	Property, Plant and Equipment	Adopted		
PAS 17	Leases	Adopted		
PAS 18	Revenue	Adopted		
PAS 19	Employee Benefits	Adopted		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)*	Employee Benefits		Not Early Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted		
	Amendment: Net Investment in a Foreign Operation			Not Applicable
PAS 23 (Revised)	Borrowing Costs	Adopted		
PAS 24 (Revised)	Related Party Disclosures	Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			Not Applicable
PAS 27	Consolidated and Separate Financial Statements	Adopted		
PAS 27 (Amended)*	Separate Financial Statements		Not Early Adopted	
PAS 28	Investments in Associates	Adopted		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures		Not Early Adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies			Not Applicable
PAS 31	Interests in Joint Ventures	Adopted		
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted		
	Amendment to PAS 32: Classification of Rights Issues	Adopted		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		Not Early Adopted	
PAS 33	Earnings per Share	Adopted		
PAS 34	Interim Financial Reporting	Adopted		
PAS 36	Impairment of Assets	Adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted		
PAS 38	Intangible Assets	Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	Adopted		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			Not Applicable
	Amendments to PAS 39: The Fair Value Option			Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	Adopted		
	Amendment to PAS 39: Eligible Hedged Items			Not Applicable
PAS 40	Investment Property	Adopted		
PAS 41	Agriculture			Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			Not Applicable
IFRIC 8	Scope of PFRS 2	Adopted		
	Reassessment of Embedded Derivatives	Adopted		
IFRIC 9	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	Adopted		
IFRIC 10	Interim Financial Reporting and Impairment	Adopted		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			Not Applicable
IFRIC 12	Service Concession Arrangements			Not Applicable
IFRIC 13	Customer Loyalty Programmes			Not Applicable
	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted		
IFRIC 14	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted		
IFRIC 18	Transfers of Assets from Customers	Adopted		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		Not Early Adopted	
SIC - 7	Introduction of the Euro			Not Applicable
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			Not Applicable
SIC - 12	Consolidation - Special Purpose Entities			Not Applicable
	Amendment to SIC - 12: Scope of SIC 12			Not Applicable
SIC - 13	Jointly-Controlled Entities – Non-Monetary Contributions by Venturers	Adopted		
SIC - 15	Operating Leases - Incentives	Adopted		
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			Not Applicable
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted		
SIC - 29	Service Concession Arrangements: Disclosures			Not Applicable
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			Not Applicable
SIC - 32	Intangible Assets - Web Site Costs			Not Applicable



Map of relationships of the Companies within the Group
As of December 31, 2012

EXHIBIT C

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Parent Company Financial Statements
December 31, 2012 and 2011
And Years Ended December 31, 2012 and 2011

Trans-Asia Oil
and Energy Development Corporation
A PHINMA Company

HELP EARTH
Harnessing Energy Literacy for Planet EARTH

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Trans-Asia Oil and Energy Development Corporation (the "Company") is responsible for the preparation and fair presentation of the parent company balance sheets as of December 31, 2012 and 2011 and the related parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the parent company financial statements and submits the same to the Stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2012 and 2011, has examined the parent company financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Stockholders or members, has expressed their opinion on the fairness of presentation upon completion of such examination.

OSCAR J. HILADO
Chairman of the Board

FRANCISCO L. VIRAY
President & Chief Executive Officer

PYTHAGORAS L. BRION, JR.
SVP & Chief Financial Officer

Signed this 18th day of February 2013

(Page 2 of Statement of Management's
Responsibility for Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this FEB 27 2013 affiant(s) exhibiting to me their Passport and Driver's License, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Oscar J. Hilado	XX4476833	17 September 2009	Manila
Francisco L. Viray	EB0308400	2 June 2010	Manila
Pythagoras Brion, Jr.	EB6637129	24 October 2012	Manila

MIGUEL ROMUALDO T. SANIDAD
NOTARY PUBLIC
Until December 31, 2013
Appointment No. M-42 (2012-2013)
IBP No. 926662; 01-18-13; Makati Chapter
PTR No. 3691440; 01-18-13; Makati City
Roll No. 33861

Doc. No. 147
Page No. 31
Book No. 96
Series of 2013

COVER SHEET

0 6 9 - 0 3 9 2 7 4

SEC Registration Number

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

(Company's Full Name)

11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

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

Yolanda Añonuevo
(Contact Person)

870-0100
(Company Telephone Number)

1 2 3 1
Month *Day*
(Calendar Year)

A A P F S
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3,269	–	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Trans-Asia Oil and Energy Development Corporation, which comprise the balance sheets as at December 31, 2012 and 2011, the statements of income, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trans-Asia Oil and Energy Development Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Trans-Asia Oil and Energy Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

February 18, 2013

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
BALANCE SHEETS

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 29 and 30)	**₱718,061,218**	₱865,162,858
Short-term investments (Note 7)	**1,555,339,847**	–
Investments held for trading (Notes 8, 29 and 30)	**782,880,456**	831,501,926
Receivables (Notes 9, 26, 28, 29 and 30)	**954,882,285**	648,496,126
Available-for-sale investments (Note 7)	**54,001,940**	–
Fuel and spare parts - at cost	**108,175,008**	62,614,823
Other current assets (Notes 29 and 30)	**2,476,359**	5,134,528
Total Current Assets	**4,175,817,113**	2,412,910,261
Noncurrent Assets		
Property, plant and equipment (Note 10)	**169,449,349**	186,475,775
Investments in subsidiaries and associates and interests in joint ventures (Note 11)	**2,812,894,626**	2,039,423,846
Available-for-sale investments (Notes 12, 29 and 30)	**217,483,893**	198,307,218
Investment properties (Note 13)	**19,139,210**	21,099,821
Deferred exploration costs (Note 14)	**–**	87,212,210
Deferred income tax assets - net (Note 24)	**9,498,695**	20,970,270
Other noncurrent assets	**2,379,346**	331,677
Total Noncurrent Assets	**3,230,845,119**	2,553,820,817
TOTAL ASSETS	**₱7,406,662,232**	₱4,966,731,078
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 15, 26, 29 and 30)	**₱554,614,318**	₱501,516,119
Due to stockholders (Notes 26, 29 and 30)	**9,034,206**	7,932,125
Income and withholding taxes payable	**25,007,457**	77,004,356
Total Current Liabilities	**588,655,981**	586,452,600
Noncurrent Liabilities		
Pension and other post-employment benefits (Note 25)	**14,334,004**	13,190,076
Deposits payable	**–**	1,761,810
Other noncurrent liabilities	**5,741,056**	5,368,183
Total Noncurrent Liabilities	**20,075,060**	20,320,069
Total Liabilities	**608,731,041**	606,772,669
Equity		
Capital stock (Notes 16 and 17)	**4,857,258,870**	2,829,863,527
Additional paid-in capital (Note 16)	**24,026,492**	42,821,420
Unrealized fair value gains on available-for-sale investments (Note 12)	**84,985,225**	74,174,480
Retained earnings (Note 16)	**1,831,660,604**	1,413,098,982
Total Equity	**6,797,931,191**	4,359,958,409
TOTAL LIABILITIES AND EQUITY	**₱7,406,662,232**	₱4,966,731,078

See accompanying Notes to Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2012	2011
REVENUE		
Generation revenue (Note 1)	**₱75,067,928**	₱63,597,441
Trading revenue - net (Notes 1, 18 and 26)	**901,681,776**	712,673,227
Interest and other financial income (Notes 8 and 30)	**73,788,297**	74,981,081
Dividend income (Note 26)	**8,295,610**	38,294,935
Rental income (Notes 13 and 26)	**6,549,409**	6,199,563
	1,065,383,020	895,746,247
COSTS AND EXPENSES		
Cost of power generation (Notes 19, 21 and 22)	**61,910,971**	49,387,918
General and administrative expenses (Notes 20, 21, 22, 25 and 26)	**278,619,347**	263,092,382
	340,530,318	312,480,300
OTHER INCOME (EXPENSES) - NET (Note 23)	**(3,289,525)**	66,084,137
INCOME BEFORE INCOME TAX	**721,563,177**	649,350,084
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	**179,693,439**	148,577,779
Deferred	**10,113,575**	(19,469,568)
	189,807,014	129,108,211
NET INCOME	**₱531,756,163**	₱520,241,873
Weighted Average Number of Shares Outstanding	**3,011,741,653**	2,280,765,108
Basic/Diluted Earnings Per Share (Note 27)	**₱0.18**	₱0.23

See accompanying Notes to Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
NET INCOME FOR THE YEAR	**₱531,756,163**	₱520,241,873
OTHER COMPREHENSIVE INCOME		
Unrealized fair value gains on available-for-sale investments - net of deferred income tax (Note 12)	**10,810,745**	2,340,387
TOTAL COMPREHENSIVE INCOME	**₱542,566,908**	₱522,582,260

See accompanying Notes to Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock (Notes 16 and 17)	Additional Paid-in Capital (Note 16)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 12)	Retained Earnings (Note 16)	Total
BALANCES AT DECEMBER 31, 2010	**₱1,664,625,604**	**₱54,693,308**	**₱71,834,093**	**₱959,442,134**	**₱2,750,595,139**
Net income	–	–	–	520,241,873	520,241,873
Other comprehensive income	–	–	2,340,387	–	2,340,387
Total comprehensive income for the year	**–**	**–**	**2,340,387**	**520,241,873**	**522,582,260**
Cash dividends - ₱0.04 per share	–	–	–	(66,585,025)	(66,585,025)
Issuance of capital stock from stock rights offering, net of direct costs of ₱11.87 million	1,165,237,923	(11,871,888)	–	–	1,153,366,035
BALANCES AT DECEMBER 31, 2011	**2,829,863,527**	**42,821,420**	**74,174,480**	**1,413,098,982**	**4,359,958,409**
Net income	–	–	–	531,756,163	531,756,163
Other comprehensive income	–	–	10,810,745	–	10,810,745
Total comprehensive income for the year	**–**	**–**	**10,810,745**	**531,756,163**	**542,566,908**
Cash dividends - ₱0.04 per share	–	–	–	(113,194,541)	(113,194,541)
Issuance of capital stock from stock rights offering, net of direct costs of ₱18.79 million	2,027,395,343	(18,794,928)	–	–	2,008,600,415
BALANCES AT DECEMBER 31, 2012	**₱4,857,258,870**	**₱24,026,492**	**₱84,985,225**	**₱1,831,660,604**	**₱6,797,931,191**

See accompanying Notes to Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱721,563,177**	₱649,350,084
Adjustments for:		
Interest and other financial income (Note 30)	**(73,788,297)**	(74,981,081)
Dividend income	**(8,295,610)**	(38,294,935)
Gain on option fee (Note 14)	**(24,150,000)**	–
Gain on derivatives - net (Notes 23 and 30)	**(9,364,316)**	(9,625,976)
Depreciation and amortization (Note 22)	**23,319,136**	29,898,384
Unrealized foreign exchange loss - net	**10,800,242**	3,702,561
Provision for (reversal of):		
Impairment loss on deferred exploration costs (Note 14)	**12,874,373**	–
Impairment loss on investment in a subsidiary and associate (Note 11)	**–**	(11,865,299)
Loss (gain) on sale of:		
Available-for-sale investments	**(75,499)**	1,893,238
Property and equipment	**(61,885)**	162,397
Interest in service contract	**–**	(4,048,828)
Operating income before working capital changes	**652,821,321**	546,190,545
Decrease (increase) in:		
Receivables	**(307,131,702)**	(388,810,742)
Fuel and spare parts	**(45,728,672)**	(51,366,823)
Other current assets	**1,955,356**	257,526
Increase (decrease) in:		
Accounts payable and other current liabilities	**56,322,202**	276,858,942
Income and withholding taxes payable	**6,155,484**	1,296,929
Net cash generated from operations	**364,393,989**	384,426,377
Interest received	**35,873,608**	50,008,745
Income taxes paid, including creditable withholding taxes	**(237,845,821)**	(64,734,630)
Net cash flows provided by operating activities	**162,421,776**	369,700,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	**(3,448,719,829)**	(3,544,558,828)
Investment in an associate and subsidiary and interest in a joint venture	**(773,470,780)**	(1,537,072,035)
Available-for-sale investments	**(61,533,215)**	(31,222,148)
Short-term investments	**(1,555,339,847)**	–
Property and equipment (Note 10)	**(5,336,249)**	(22,889,531)
Deferred exploration costs (Note 14)	**(18,928,348)**	(8,481,126)
Cash dividends received	**8,295,610**	38,294,935
Proceeds from:		
Sale/redemption of investments held for trading	**3,525,373,864**	3,552,607,999
Sale of available-for-sale investments	**598,844**	31,487,849
Sale of property and equipment	**1,066,034**	22,396,541
Settlement of currency forward contracts (Note 30)	**7,138,409**	14,941,316
Assignment of interests in service contract (Note 14)	**72,218,897**	–
Receipt of option fee (Note 14)	**24,150,000**	–
Reimbursement of deferred exploration costs (Note 14)	**21,047,288**	–
Sale of interest in service contract (Note 14)	**–**	12,012,859
Decrease in other noncurrent assets	**(2,047,669)**	46,890,000
Net cash flows used in investing activities	**(2,205,486,991)**	(1,425,592,169)

(Forward)

CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock (Note 16)	**₱2,008,600,415**	₱1,153,366,035
Payments of cash dividends	**(112,092,460)**	(66,611,907)
Increase in other noncurrent liabilities	**(617,880)**	2,700,569
Net cash flows provided by financing activities	**1,895,890,075**	1,089,454,697
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**73,500**	(5,969,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(147,101,640)**	27,593,798
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**865,162,858**	837,569,060
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱718,061,218**	₱865,162,858

See accompanying Notes to Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Trans-Asia Oil and Energy Development Corporation (TA Oil or "the Company"), incorporated on September 8, 1969, and its wholly-owned subsidiaries, Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Petroleum Corporation (TA Petroleum) [formerly Trans-Asia (Karang Besar) Petroleum Corporation], CIP II Power Corporation (CIPP), Trans-Asia Gold and Minerals Development Corporation (TA Gold) and Palawan55 Exploration and Petroleum Corporation (Palawan55) are incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. TA Oil is managed by PHINMA under an existing management agreement.

The Company is involved in power generation and trading, and oil and mineral exploration, exploitation and production. The Company has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras using its 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island. The renewal of the Company's certificate of registration as a Wholesale Aggregator was issued on December 19, 2011 renewable every five (5) years, and the renewal of its Retail Electricity Supplier's (RES) license was issued on November 19, 2012, renewable every five years. The license authorizes the Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). As a RES, the Company is allowed to supply electricity to the contestable market, pursuant to EPIRA. The other activities of the Company are investments in various operating companies and financial instruments.

TAREC was incorporated and registered with the SEC on September 2, 1994. TAREC is engaged in the development and utilization of renewable sources of energy (e.g., wind). As of February 18, 2013, TAREC has not started commercial operations.

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 the authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with par value of ₱0.01 per share. It also approved the change in the name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. As of February 18, 2013, TA Petroleum has not started commercial operations.

CIPP is a utilities enterprise, the primary purpose of which is to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone, in Barangay Punta and Tulo, Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP's operations (see Note 11). Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Board of Directors (BOD) and stockholders, respectively, of the Company approved the proposed merger of the 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 La Union. As of December 31, 2012, CIPP has completed the transfer of its power plant (see Note 11). As of February 18, 2013, the Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

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.

Palawan55 was 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 form of petroleum. Palawan55 has not started commercial operations.

The Company also has a 50% interest in Trans-Asia Power Generation Corporation (TA Power), a joint venture with Holcim Philippines, Inc. TA Power is engaged in power generation. 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 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. On January 1, 2013, the Company entered into a Share Purchase Agreement with Holcim Philippines, Inc. (Holcim) for the purchase of Holcim's 50% stake in TA Power (see Note 11).

On June 29, 2011, the 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. SLTEC was incorporated on July 29, 2011. As of February 18, 2013, SLTEC has not yet started operations.

The 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 of February 18, 2013.

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

The financial statements of the Company were authorized for issuance by the BOD on February 18, 2013.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company, which are presented for submission to the SEC and the Bureau of Internal Revenue, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) using the historical cost convention, except for financial assets at fair value through profit or loss (FVPL), derivative assets and liabilities, and available-for-sale (AFS) investments which have been measured at fair value. The financial statements are presented in Philippine Peso (peso), which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise stated.

The accompanying financial statements are the Company's separate financial statements prepared in compliance with Philippine Accounting Standard (PAS) 27, *Consolidated and Separate Financial Statements.*

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS. The consolidated financial statements are filed with and may be obtained at the SEC.

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following amended Philippine Financial Reporting Standards (PFRSs), which were adopted as of January 1, 2012.

Standards that have been adopted by the Company are described below:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments have no impact on the Company's financial position or performance.

- Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Company's financial statements since the Company has no investment properties and property and equipment carried at revalued amounts.

Standards Issued but not yet Effective
Standards issued but effective subsequent to December 31, 2012 are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another

format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  A reassessment of control was performed by the Company on all its subsidiaries in accordance with the provisions of PFRS 10. Following the reassessment, the Company determined that it still controls all of its subsidiaries and that there is no change in the manner of accounting for its associates.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28*, Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments are not expected to have an impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact on the financial statements upon adoption of the standard. The effects are detailed in the next page.

  Balance sheet

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Net defined retirement benefits liability	₱12,838,000	₱8,248,100
Deferred income tax asset	3,851,400	2,474,430
Other comprehensive income	(3,474,800)	–
Retained earnings	(5,511,800)	(5,773,670)*

** Other comprehensive income will be closed to Retained earnings at transition date. Subsequent to January 1, 2013, other comprehensive income shall be separately presented.*

Income statement

	2012
Increase (decrease) in:	
Net retirement benefits cost	(₱374,100)
Income tax expense	112,230
Profit for the year	261,870
Other comprehensive income, net of deferred income tax	(3,474,800)

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company presents separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the Company. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Company.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss,

unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

4. **Summary of Significant Accounting and Financial Reporting Policies**

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Financial Assets and Financial Liabilities
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" gain or loss) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized.

For each transaction, the Company determines the appropriate method of recognizing the "Day 1" gain or loss amount.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets and financial liabilities are classified as either financial asset or liability at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments or other financial liabilities. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at every reporting date.

Financial Assets and Financial Liabilities at FVPL

a. Financial Assets or Financial Liabilities Designated at FVPL on Initial Recognition
   Financial assets or financial liabilities classified in this category include those that are designated by management on initial recognition as at FVPL when any of the following criteria is met:

   - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
   - The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
   - The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities designated at FVPL are recorded in the balance sheet at fair value. Changes in fair value on financial assets and financial liabilities designated at FVPL are recorded in the statement of income. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded according to the terms of the contract, or when the right to receive the payment has been established.

As of December 31, 2012 and 2011, the Company has no financial asset or financial liability designated on initial recognition as at FVPL.

b. Financial assets or financial liabilities held for trading
   These financial instruments are recorded in the balance sheet at fair value. A financial asset or financial liability is classified under this category when any of the following criteria is met:

   - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

- Changes in fair value relating to the held-for-trading positions are recognized in the statement of income as gain on investment held for trading under the "Interest and other financial income" account. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded when the right to receive payment has been established.

As of December 31, 2012 and 2011, the Company's investments in bonds and fixed treasury notes (FXTNs) and unit investment trust funds (UITFs) are classified as financial assets held for trading (see Notes 8 and 30).

Derivatives recorded at FVPL
The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative, if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized immediately in the statement of income. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

As of December 31, 2012 and 2011, the Company's derivative assets and liabilities are classified as financial assets and financial liabilities at FVPL (see Note 30).

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company's cash and cash equivalents, short-term investments and receivables are classified as loans and receivables (see Notes 6, 7, 9 and 30).

HTM Investments
Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. HTM investments are classified as current if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company did not classify any financial asset under HTM investments.

AFS Investments
AFS investments are nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income. Unlisted AFS financial assets, on the other hand, are carried at cost, net of any impairment, until the investment is derecognized.

AFS investments are classified as current if they are expected to be realized within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Company classified its investments in government securities and fixed treasury notes as current AFS investments while the Company's investments in listed and unlisted equity securities and golf club shares are classified as noncurrent AFS investments (see Notes 7, 12 and 30).

Other Financial Liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2012 and 2011, the Company's accounts payable and other current liabilities, due to stockholders and deposits payable are classified as other financial liabilities (see Notes 15 and 30).

Impairment of Financial Assets
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the creditors' capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income, is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Any such accrual is recorded as part of "Interest and other financial income" account in the statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired or have been transferred;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a currently legal right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fuel and Spare Parts

Fuel and spare parts are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost of fuel and spare parts.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depletion, depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties (where applicable), borrowing costs incurred during the construction period and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Under the component depreciation method, plant overhaul costs are segregated into two categories, that is: (a) costs that should be depreciated over the useful life of the plant; and, (b) parts that are replaced at periodic intervals. The cost of the initial overhaul that may be capitalized is depreciated over its estimated useful life, through the next overhaul, at which time the process is repeated. Under this method, repairs and maintenance are also expensed as incurred.

Depletion of wells, platforms and other facilities are provided on a field basis under the unit-of-production method based upon estimates of proven reserves. The depletion base includes the estimated future development cost of the undeveloped reserves.

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

Buildings and improvements	20-25 years
Machinery and equipment	9-20 years
Transportation equipment	3-5 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

The useful lives and depletion, depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investments in Subsidiaries, Associates and Interest in a Joint Venture
The Company's investments in the following subsidiaries, associates and interest in a joint venture are carried at cost less accumulated impairment losses:

	Percentage of Ownership	
	2012	2011
Subsidiaries:		
TAREC	**100.00**	100.00
TA Petroleum	**100.00**	100.00
TA Gold	**100.00**	100.00
CIPP	**100.00**	100.00
Palawan55	**31.00**	–
Joint Ventures:		
TA Power	**50.00**	50.00
SLTEC	**50.00**	50.00
ACTA	**50.00**	–
Associates:		
Union Aggregates Corporation (UAC) [(a)]	**31.25**	31.25
Asia Coal Corporation (Asia Coal) [(b)]	**28.18**	28.18
Maibarara Geothermal, Inc. (MGI)	**25.00**	25.00

(a) Ceased commercial operations
(b) Shortened corporate life to October 31, 2009

A subsidiary is an entity in which the Company has control. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries and associates.

Investment Properties
Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 years.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) area. Under this method, all exploration costs relating to each SC are tentatively deferred to the extent that the capitalized costs do not exceed the value of those reserves, pending determination of whether the contract area contains oil and gas reserves in commercial quantities, net of an allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided for with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Deferred exploration costs are assessed for impairment when:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Impairment of Property, Plant and Equipment, Investment Properties and Deferred Exploration Costs

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depletion, depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Asset Retirement Obligation
The Company is legally required under a lease agreement to dismantle the installations and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the effective interest rate method with the related interest expense recognized in profit or loss.

Capital Stock
Capital stock is the portion of the paid in capital representing the total par value of the shares issued.

Additional Paid-in Capital
Additional paid-in capital represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the statement of income, dividend distribution and other capital adjustments.

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

Trading revenue
Revenue from the sale of electricity is recognized during the period when electricity is purchased from the spot market and sold to the end consumer. Revenue is measured at the fair value of the consideration received or receivable. Trading revenue is presented gross of trading costs where the Company acts as principal and:

- has primary responsibility for providing the goods and services;

- has discretion in establishing prices; and
- bears the credit and inventory risks.

Trading revenue is presented net of trading costs where the Company acts as an agent.

Generation Revenue
Revenue from the sale of electricity is recognized during the period when electricity is generated. Revenue from take-or-pay arrangement is recognized in accordance with the terms of the ESA in relation to the electricity generated.

Dividend
Dividend income is recognized when the Company's right to receive the payment is established.

Interest
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized when incurred.

Pensions and Other Post-Employment Benefits
The Company has a defined benefit pension plan. The costs of providing benefits under the defined benefit plan are determined using the projected unit credit actuarial valuation method. The method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of the past service cost of the current period exceeding any increase in the present value of the economic benefits stated in the foregoing are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Stock Option

The Company had a stock option plan offered to qualified employees, officers and directors of the Company. As allowed under PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*, the Company availed of the exemption from applying PFRS 2, *"Share-based Payment"*, to stock options granted after November 7, 2002 but were fully vested as of January 1, 2005. There were no stock options granted after November 7, 2002 which remained unvested as of January 1, 2005.

Stock option grants subsequent to January 1, 2005 are accounted for in accordance with PFRS 2, that is, the cost of stock option awards are measured by reference to the fair value at the date on which they are granted. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c, or d above, and at the date of renewal or extension period for scenario b.

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income and expense is recognized in the statement of income on a straight-line basis over the lease arrangements.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs including foreign exchange differences arising from foreign currency-denominated borrowings, to the extent they are regarded as an adjustment to interest costs, are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

<u>Foreign Currency-denominated Transactions</u>
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

<u>Income Taxes</u>
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts

for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share (EPS)
Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as of the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. **Significant Accounting Judgments, Estimates and Assumptions**

The financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes. In preparing the financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The Company believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments
Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determination of whether an arrangement contains a lease and proper classification of the lease
Under TA Oil's ESA with Guimelco, TA Oil sells all of its output to Guimelco (see Note 28). The Company has evaluated the arrangement and the terms of the ESA and determined that the agreement do not qualify as leases. Accordingly, fees billed to Guimelco are recognized as operating revenues.

Under the Power Administration and Management Agreement between TA Oil and One Subic Power Generation Corporation (One Subic Power), TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic (see Note 28). The Company has evaluated that it does not have control over the asset and that the arrangements and the terms of the agreement do not contain a lease.

The Company also has various lease agreements for the lease of its investment property. The Company has determined that the risks and rewards of ownership of the underlying properties are retained by the Company. Accordingly, the related assets have been recognized in the books of the Company and the leases are classified as operating leases.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheet. The classification of the Company's financial assets and financial liabilities are presented in Note 30.

Estimates

Fair value of financial assets and financial liabilities

The fair value for financial instruments traded in an active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. Any change in value of these financial assets and financial liabilities (including derivatives) would affect the statement of comprehensive income and statement of changes in equity. The fair values of the Company's financial assets amounted to ₱4.23 billion and ₱2.55 billion as of December 31, 2012 and 2011, respectively, while fair values of Company's financial liabilities amounted to ₱474.64 million and ₱463.58 million as of December 31, 2012 and 2011, respectively (see Note 30).

Estimated allowance for doubtful accounts

The Company maintains allowance for doubtful accounts based on the results of the individual and collective assessment under PAS 39, *Financial Instruments: Recognition and Measurement.* Under the individual assessment, which considers the significant financial difficulties of the customer, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, past-due status and terms) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of receivables amounted to ₱954.88 million and ₱648.50 million as of December 31, 2012 and 2011, respectively (see Note 9).

Realizability of deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2012 and 2011, the Company recognized deferred income tax assets amounting to ₱19.68 million and ₱30.02 million, respectively (see Note 24).

Estimated useful lives of property, plant and equipment and investment properties

The Company estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property, plant and equipment as of December 31, 2012 and 2011 amounted to ₱169.45 million and ₱186.48 million, respectively (see Note 10). The carrying value of investment properties as of December 31, 2012 and 2011 amounted to ₱19.14 million and ₱21.10 million, respectively (see Note 13).

Impairment of deferred exploration costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic.

As of December 31, 2011, the carrying value of deferred exploration costs amounted to ₱87.21 million (see Note 14).

Impairment of property, plant and equipment and investment properties
The Company performs annual impairment testing of assets which are not used in operations and those with indications of impairment. The impairment testing of assets not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The impairment testing of property, plant and equipment with indications of impairment requires an estimation of the value-in-use of the cash-generating units. The carrying value of property, plant and equipment as of December 31, 2012 and 2011 amounted to ₱169.45 million and ₱186.48 million, respectively (see Note 10). The carrying value of investment properties amounted to ₱19.14 million and ₱21.10 million as of December 31, 2012 and 2011, respectively (see Note 13).

Impairment of investments in subsidiaries and associates and interests in joint ventures
The carrying value of these investments is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

In 2011, the Company reversed the provision for impairment loss amounting to ₱11.90 million since management believes that the Company's investment in TA Gold can be recovered. Impairment loss on investment in a subsidiary recognized in 2011 amounted to ₱0.04 million. The carrying value of investments in subsidiaries and associates and interests in joint ventures as of December 31, 2012 and 2011 amounted to ₱2.81 billion and ₱2.04 billion, respectively (see Note 11).

Impairment of AFS investments
The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged", greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. No impairment loss was deemed necessary in 2012 and 2011. The carrying value of AFS investments as of December 31, 2012 and 2011 amounted to ₱217.48 million and ₱198.31 million, respectively (see Note 12).

Pension and other post-employment benefits
The determination of the Company's obligation and cost for pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 25 to the financial statements include among others, discount rates, expected returns on plan assets and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. The carrying value of pension and other post-employment benefits as of December 31, 2012 and 2011 amounted to ₱14.33 million and ₱13.19 million, respectively (see Note 25).

6. Cash and Cash Equivalents

	2012	2011
Cash on hand and in banks	**₱10,715,612**	₱33,810,286
Short-term deposits	**707,345,606**	831,352,572
	₱718,061,218	₱865,162,858

Cash in banks earn interest at the respective bank deposit rates. 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.

7. Investments in Escrow Account

The Company placed in an escrow fund account the net proceeds from its November 2012 stock rights offering. The said escrow account shall only be used for the following:

- 54MW Wind Energy Project in San Lorenzo, Guimaras
- Equity investment in SLTEC to fund the second 135MW clean coal-fired power plant in Calaca, Batangas
- Other potential investments in power project opportunities

Following is the composition of the escrow fund and the classification in the December 31, 2012 balance sheet:

Short-term investments	
Savings account	₱326,967,170
Special deposit account	1,228,372,677
	1,555,339,847
Available-for-sale investments - Current	
AFS investments in bonds and FXTNs	54,001,940
	₱1,609,341,787

The Company expects to utilize these assets within one year.

8. Investments Held for Trading

	2012	2011
Investments in:		
Bonds and FXTNs	**₱246,466,134**	₱219,339,075
UITFs and mutual funds	**536,414,322**	612,162,851
	₱782,880,456	₱831,501,926

The Company's unrealized gain from changes in fair value of investments held for trading (included in fair value gains on investments held for trading under "Interest and other financial income" account in the statements of income) amounted to ₱18.76 million and ₱10.74 million for the year ended December 31, 2012 and 2011, respectively (see Note 30).

9. Receivables

	2012	2011
Trade (Note 26)	**₱509,412,596**	₱323,299,633
Due from related companies (Notes 26 and 27)	**392,111,890**	317,724,099
Loan receivable	**50,000,000**	–
Others	**8,720,024**	10,742,760
	960,244,510	651,766,492
Less allowance for doubtful accounts	**5,362,225**	3,270,366
	₱954,882,285	₱648,496,126

Trade receivables mainly represent receivables from PEMC and the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on a 30-day credit term.

Other receivables include interest receivable amounting to ₱4.53 million and ₱5.27 million as of December 31, 2012 and 2011, respectively. Loan receivable from a third party amounting to ₱50.00 million as of December 31, 2012 will be offset against the monthly energy fees billed by a subsidiary of the said third party. The said loan receivable which will become due in September 2013, has an interest rate of 6.564% per annum with monthly amortization of ₱5.56 million. Interest earned from the loan receivable for the year ended December 31, 2012 amounted to ₱4.20 million.

As of December 31, the aging analysis of past due but not impaired receivables is as follows:

	2012						
		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
				(In Thousands)			
Trade	**₱509,413**	**₱498,740**	**₱3,037**	**₱577**	**₱569**	**₱4,398**	**₱2,092**
Due from related companies	**392,112**	**196,166**	–	–	–	**195,946**	–
Loan receivable	**50,000**	**50,000**	–	–	–	–	–
Others	**8,720**	**5,010**	–	–	–	**440**	**3,270**
	₱960,245	**₱749,916**	**₱3,037**	**₱577**	**₱569**	**₱200,784**	**₱5,362**

	2011						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30–60 Days	61–90 Days	91–120 Days	Past Due and Impaired
				(In Thousands)			
Trade	₱323,300	₱227,562	₱51,608	₱3,453	₱1,334	₱39,343	₱–
Due from related companies	317,724	182,021	18,058	–	8,760	108,885	–
Others	10,742	7,055	–	–	–	417	3,270
	₱651,766	₱416,638	₱69,666	₱3,453	₱10,094	₱148,645	₱3,270

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

	Trade	Others	Total
		(In Thousands)	
Balances at January 1, 2012	**₱–**	**₱3,270**	**₱3,270**
Provision for the year (Note 23)	**2,092**	–	**2,092**
Balances at December 31, 2012	**₱2,092**	**₱3,270**	**₱5,362**

There were no movements in allowance for doubtful accounts in 2011.

10. Property, Plant and Equipment

	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction In Progress	Total
Cost								
At January 1, 2011	₱169,353,829	₱102,596,427	₱20,346,661	₱16,556,961	₱7,886,065	₱27,450,016	₱7,171,424	₱351,361,383
Additions	1,603,919	–	–	5,698,265	414,072	578,705	14,594,570	22,889,531
Disposals	–	–	–	(2,166,473)	(13,719)	(176,342)	(21,765,994)	(24,122,528)
At December 31, 2011	**170,957,748**	**102,596,427**	**20,346,661**	**20,088,753**	**8,286,418**	**27,852,379**	**–**	**350,128,386**
Additions	305,412	–	–	3,136,000	371,643	1,523,194	–	5,336,249
Disposals	–	–	–	(6,319,369)	–	(198,350)	–	(6,517,719)
At December 31, 2012	**171,263,159**	**102,596,427**	**20,346,661**	**16,905,384**	**8,658,061**	**29,177,223**	**–**	**348,946,916**
Accumulated Depreciation, Amortization, Depletion and Impairment								
At January 1, 2011	55,211,446	29,631,424	20,346,661	3,457,161	3,715,619	24,916,116	–	137,278,427
Depreciation (Note 22)	10,913,366	5,101,985	–	8,218,351	1,335,805	2,368,267	–	27,937,774
Disposals	–	–	–	(1,438,848)	(4,278)	(120,464)	–	(1,563,590)
At December 31, 2011	**66,124,812**	**34,733,409**	**20,346,661**	**10,236,664**	**5,047,146**	**27,163,919**	**–**	**163,652,611**
Depreciation (Note 22)	11,457,077	5,101,985	–	2,930,541	1,243,513	625,410	–	21,358,526
Disposals	–	–	–	(5,317,511)	–	(196,059)	–	(5,513,570)
At December 31, 2012	**77,581,889**	**39,835,394**	**20,346,661**	**7,849,694**	**6,290,659**	**27,593,270**	**–**	**179,497,567**
Net Book Value								
At January 1, 2011	₱114,142,383	₱72,965,003	₱–	₱13,099,800	₱4,170,446	₱2,533,900	₱7,171,424	₱214,082,956
At December 31, 2011	104,832,936	67,863,018	–	9,852,089	3,239,272	688,460	–	186,475,775
At December 31, 2012	**93,681,271**	**62,761,033**	**–**	**9,055,690**	**2,367,402**	**1,583,953**	**–**	**169,449,349**

11. Investments in Subsidiaries and Associates and Interests in Joint Ventures

	2012	2011
Subsidiaries:		
CIPP	**₱151,234,203**	₱151,234,202
TA Gold	**30,000,000**	30,000,000
TAREC	**70,250,000**	70,250,000
TA Petroleum	**250,000,000**	3,297,457
Palawan55	**3,064,897**	–
	504,549,100	254,781,659
Associates:		
MGI	**194,828,500**	129,650,160
Asia Coal	**14,515,140**	14,515,140
UAC	**12,219,772**	12,219,773
	221,563,412	156,385,073
Joint ventures:		
TA Power	**225,000,000**	225,000,000
SLTEC	**1,908,025,000**	1,450,000,000
ACTA	**500,000**	–
	2,133,525,000	1,675,000,000
	2,859,637,512	2,086,166,732
Less accumulated impairment losses	**46,742,886**	46,742,886
	₱2,812,894,626	₱2,039,423,846

TA Power
The Company's proportionate share in the assets and liabilities of TA Power as of December 31 and income and expenses for the years then ended are as follows:

	2012	2011
Current assets	**₱423,587,618**	₱388,007,458
Noncurrent assets	**43,207,685**	106,781,621
Total assets	**466,795,303**	494,789,079
Current liabilities	**(140,246,484)**	(164,443,121)
Noncurrent liabilities	**(5,175,753)**	(7,283,968)
Total liabilities	**(145,422,237)**	(171,727,089)
Net assets	**₱321,373,066**	₱323,061,990

	2012	2011
Revenue	**₱956,854,722**	₱889,194,673
Cost of power generation and power purchased	**(931,135,878)**	(858,429,510)
General and administrative expenses	**(30,361,823)**	(27,539,186)
Other income – net	**5,328,966**	6,216,167
Income before income tax	**685,987**	9,442,144
Provision for (benefit from) income tax	**(1,346,870)**	4,220,314
Net income	**₱2,032,857**	₱5,221,830

On January 1, 2013, the Company entered into a Share Purchase Agreement with Holcim for the acquisition of Holcim's 50% stake in TA Power for a total purchase price of ₱475.5 million. The said amount was fully paid on January 3, 2013. The carrying amounts of the assets acquired and liabilities assumed at acquisition date are as follows:

Current assets:	
Cash	**₱263,310,985**
Investment held for trading	**121,421,332**
Accounts receivable	**233,295,833**
Fuel and spare parts	**104,132,883**
Other current assets	**128,335,022**
Total current assets	**850,496,055**
Noncurrent assets	
Property, plant and equipment	**14,299,400**
Investment properties	**84,535,254**
Deferred income tax asset-net	**859,644**
Pension asset	**1,058,400**
Other noncurrent assets	**8,606,415**
Total noncurrent assets	**109,359,113**
Current liabilities	
Accounts payable	**(273,574,585)**
Due to related parties	**(7,386,838)**
Total current liabilities	**(280,961,423)**
Noncurrent liabilities	
Provisions	**(5,000,000)**
Other post-employment benefits	**(5,351,505)**
	(10,351,505)
Net assets	**₱668,542,240**

The fair values of the assets acquired, liabilities assumed and goodwill have not been disclosed since management is currently finalizing the determination of the said amounts.

SLTEC

The Company's proportionate share in the assets and liabilities of SLTEC as of December 31, 2012 and 2011, and income and expenses for the years then ended are as follows:

	2012	2011
Current assets	**₱287,023,192**	₱231,694,809
Noncurrent assets	**1,676,017,843**	1,253,330,700
Total assets	**1,963,041,035**	1,485,025,509
Current liabilities	**(66,476,590)**	(26,259,504)
Net assets	**₱1,896,564,445**	₱1,458,766,005

	2012	2011
General and administrative expenses	**(₱17,539,356)**	(₱23,630,123)
Other income - net	**4,352,921**	1,856,128
Provision for income tax	**(2,712,038)**	–
Net loss	**(₱15,898,473)**	(₱21,773,995)

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Company and AC Energy as Project Sponsors. Under the terms of the Agreement, the 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 until such time that the Company has contracted the required capacity up to one year from the date of commissioning of the SLTEC plant;
- commit to provide advances to SLTEC in proportion to the 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 which guarantee will be called in case the Lenders are unable to consolidate the titles of the land because of the nonissuance of the transfer certificate of title after SLTEC defaults and its properties are foreclosed; 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.

On December 28, 2011, SLTEC filed its application for increase in authorized capital stock with the SEC. The Company's investment in SLTEC as of December 31, 2011 includes deposit for future stock subscriptions amounting to ₱1.35 billion.

ACTA

The Company's proportionate share in the assets of ACTA as of December 31, 2012 and income and expenses for the year then ended are as follows:

Current assets:	
Cash and cash equivalents	₱64,648
Prepaid expenses and other current assets	10,320
	₱74,968

The Company's proportionate share in the net loss of ACTA for the years ended December 31, 2012 before elimination of intercompany transactions are as follows:

General and administrative expenses	(₱425,246)
Other income - net	215
Net loss	(₱425,031)

ACTA has no noncurrent assets and liabilities as of December 31, 2012.

CIPP

In April 2009, the terms of the sale of the distribution assets to Manila Electric Company were finalized resulting in the cessation of CIPP's operations starting April 2009. Also, the separation of substantially all of its employees effective January 2010 was announced. On February 22, 2010 and March 24, 2010, the BOD and stockholders, respectively, of the Company approved the proposed merger of the 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 La Union. As of December 31, 2012, the Company has completed the transfer of CIPP's power plant. As of February 18, 2013, the Company and CIPP have not filed their application for merger with the SEC and have deferred the plan for merger.

TA Gold

On February 16, 2009, the BOD approved the suspension of exploration activities of TA Gold effective March 31, 2009. In 2010, additional impairment loss amounting to ₱0.17 million was recognized on the Company's investment in TA Gold. However, with the recent developments on the Camarines Norte MPSA (see Note 14), the Company believes that its investment in TA Gold will be recoverable and accordingly, reversed the recorded provision for impairment loss amounting to ₱11.90 million. In May 2012, the Company terminated its Operating Agreement on the MPSA with TA Gold.

TAREC

TAREC was incorporated to engage in the development of renewable energy resources. TAREC has not yet started commercial operations as of February 18, 2013 but its wind projects are already in different phases of the feasibility and development stages. The Company's deposit for future stock subscription on TAREC shares amounting to ₱56.25 million in 2010 was applied to the additional subscription of the capital stock of TAREC in 2011 (see Note 26).

TA Petroleum

TA Petroleum was incorporated to engage in oil and mineral exploration, exploitation and production. On November 28, 2012, the SEC approved the increase in the authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with par value of ₱0.01 per share. It also approved the change in the name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. The Company has not yet started commercial operations as of February 18, 2013.

Palawan55

Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. As of February 18, 2013, Palawan55 has not started commercial operations.

MGI

The 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.

The details of the net assets of MGI as of December 31 are shown below:

	2012	2011
Current assets	**₱634,614,694**	₱385,540,999
Noncurrent assets	**1,847,572,461**	716,369,458
Total assets	**2,482,187,155**	1,101,910,457
Current liabilities	**(173,355,806)**	(25,793,138)
Noncurrent liabilities	**(1,598,628,371)**	(600,000,000)
Total liabilities	**(1,771,984,177)**	(625,793,138)
Net Assets	**₱710,202,978**	₱476,117,319

The results of operations of MGI for the years ended December 31 are shown below:

	2012	2011
Interest income	**₱10,368,175**	₱4,809,581
General and administrative expenses	**(36,995,876)**	(33,736,588)
Net loss	**(₱26,627,701)**	(₱28,927,007)

On September 16, 2011, the Company entered into an ESA with MGI under which the 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.

As of December 31, 2011, third party validation of resource assessment was completed by a New Zealand consulting company. The study indicated that there is a 90% probability that the proven field reserves could support a power plant with 28 MW or higher capacity for 25 years.

As of December 31, 2012, MGI completed the balance of well requirements (1 additional production well and 1 reinjection well for power plant condensates) for the proposed 20 MW power plant. Overall progress of steamfield (fluid collection and reinjection system) construction, which is managed by MGI directly, is around 60% as of yearend. The Engineering, Procurement and Construction contract for the construction and delivery of 20 MW geothermal power plant and related site facilities has achieved 57% overall accomplishment as of yearend.

The Company is also a Project Sponsor for MGI's ₱2.4 billion Term Loan Facility for the Maibarara Geothermal Power Plant. In the event of 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 Company;
- assign its rights and/or interests in the Joint Venture Agreement; and
- provide Project Sponsor's support for the completion of the project under such terms and conditions that may be agreed upon by the Company and the lenders.

Asia Coal
On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of Asia Coal to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As of February 16, 2012, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC its application for dissolution.

The net assets of Asia Coal as of October 31, 2009 are as follows:

Current assets	₱2,358,801
Noncurrent asset	14,700
Total Assets	2,373,501
Current liability	133,701
Net Assets	₱2,239,800

The results of operations of Asia Coal for the year ended October 31, 2009 are as follows:

Interest income	₱194,393
General and administrative expenses	(152,475)
Other expenses	(83,377)
Benefit from income tax	4,197
Net loss	(₱37,262)

Other than the approval of the directors and stockholders of Asia Coal of the shortening of its corporate life, there were no significant transactions or events that need to be adjusted in Asia Coal's financial statements.

12. Available-for-Sale Investments

	2012	2011
Shares of stock:		
Listed	**₱97,136,676**	₱97,965,953
Unlisted	**76,167,217**	69,961,265
Quoted golf club shares	**44,180,000**	30,380,000
	₱217,483,893	₱198,307,218

AFS investments are stated at fair value as of December 31, 2012 and 2011, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Gain from change in fair value recognized as other comprehensive income amounted to ₱10.81 million and ₱2.34 million, net of deferred income tax of ₱1.36 million in 2012 and ₱0.08 million in 2011.

13. Investment Properties

	2012	2011
Cost	**₱28,133,288**	₱28,133,288
Less accumulated depreciation		
Balance at beginning of the year	**7,033,468**	5,072,857
Depreciation (Note 22)	**1,960,610**	1,960,610
Balance at end of year	**8,994,078**	7,033,467
	₱19,139,210	₱21,099,821

Investment properties are stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment properties based on the latest valuation by an independent firm of appraisers amounted to ₱35.8 million as of December 31, 2012 and 2011. The valuation undertaken considered the sales of similar or substitute properties and related market data and established estimated value by processes involving comparison.

Rental income in 2012 and 2011 amounted to ₱2.51 million and ₱2.39 million, respectively, while related direct costs and expenses incurred in 2012 and 2011 amounted to ₱2.35 million and ₱2.47 million, respectively, included as part of "General and administrative expenses" (see Note 20).

14. Deferred Exploration Costs

	2012	2011
Cost		
Balance at beginning of the year	**₱87,212,210**	₱86,695,115
Additions	**18,928,348**	8,481,126
Disposals	**–**	(7,964,031)
Transfer to TA Petroleum & Palawan55	**(72,218,897)**	–
Reimbursement	**(21,047,288)**	–
Balance at end of year	**12,874,373**	87,212,210
Allowance for impairment loss		
Balance at beginning of year	**₱–**	₱–
Provision for the year	**12,874,373**	–
Balance at end of year	**12,874,373**	–
Net book value	**₱–**	₱87,212,210

The balance of the deferred oil exploration costs consists of expenditures incurred in the following production-sharing petroleum projects:

	2012	2011
SC No. 51/GSEC No. 93 (East Visayas)	**₱–**	₱32,665,864
SC No. 69 (Camotes)	–	29,450,023
SC No. 6 (Northwest Palawan)	–	19,383,113
SC No. 55 (Offshore West Palawan)	–	5,713,210
SC No. 52 (Cagayan Province)	**12,874,373**	–
	₱12,874,373	₱87,212,210

On December 21, 2012, the Company signed a Memorandum of Agreement with TA Petroleum assigning to TA Petroleum its SC Participating Interests in SC 51, SC 69 and SC 6 and reimbursing TA Oil of the deferred exploration costs in the SCs in the aggregate amount of ₱66.51 million.

The Company and Palawan55 executed a Memorandum of Agreement on December 21, 2012 assigning to Palawan55 its participating interest in SC 55 and reimbursing TA Oil of the deferred exploration costs amounting to ₱5.71 million.

The foregoing deferred oil exploration costs represent the Company's share in the expenditures incurred under Petroleum SCs with the Philippine Department of Energy (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 a service contract.

The following summarizes the status of the Company's projects:

a. SC 52 (Cagayan Province)

TA Oil and Frontier executed on January 12, 2012 a Farm-in Option Agreement which granted TA Oil the option to acquire 10% participating interest from Frontier, which may be executed after completion of re-entry and testing of the Nassiping-2 well.

The Nassiping-2 well was drilled by Petro-Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

TA Oil and Frontier signed an Amendment Agreement extending the former's option to 90 days after completion of programmed re-testing operations on the Nassiping-2 well.

The DOE approved the consortium's entry into Sub-Phase 4 (July 8, 2012 to July 6, 2013) with the Nassiping-2 Stimulation and Testing Program as work commitment.

Frontier suspended the Stimulation and Testing Program in December 2012 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Provision for impairment loss of ₱12.87 million on SC-52 was set-up in 2012 since based on latest test results, management has assessed that the carrying value of the deferred exploration costs may not be recoverable.

Preparations are underway for the testing of the well in the second quarter of 2013.

b. MPSA 252-2007-V (Camarines Norte)

The Office of the President denied the Company's Appeal for reversal of the decision of the DENR excising portions of the MPSA covered by alleged mineral patents of a third party.

Subsequently, the Company elevated the case to the Court of Appeals.

The Company signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc., subject to certain conditions for a total consideration of US$4.0 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$500,000 (₱21.93 million) was recognized in the 2011 statement of income. The receipt of the second and third nonrefundable tranches amounting to US$1,000,000 (₱ 42.20 million), net of the related termination fee of the Operating Agreement on the MPSA with TA Gold of ₱18.05 million was presented as Other income in the 2012 statement of income (see Note 23).

15. Accounts Payable and Other Current Liabilities

	2012	2011
Trade and nontrade accounts payable	**₱323,206,779**	₱331,247,726
Due to related parties (Note 26)	**99,982,834**	70,250,507
Output tax - net	**88,799,049**	47,336,507
Accrued directors' and management fees, and annual incentives (Note 26)	**23,287,808**	46,821,769
Accrued expenses	**15,536,776**	385,657
Derivative liability (Note 29)	**812,579**	3,741,300
Deferred rent income	**209,672**	199,688
Others	**2,778,821**	1,532,965
	₱554,614,318	₱501,516,119

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on 30 to 60-day terms. Accrued expenses as of December 31, 2012 include variable incentives of 10.00 million and estimated plug and abandonment cost for SC 14 Tara of ₱5.13 million.

Equity

	Number of Shares	
	2012	2011
Authorized capital stock - ₱1 par value	**8,400,000,000**	4,200,000,000
Issued:		
Balance at beginning of year	**2,829,863,527**	1,664,625,604
Issuance during the year	**2,027,395,343**	1,165,237,923
Balance at end of year	**4,857,258,870**	2,829,863,527

The issued and outstanding shares as of December 31, 2012 and 2011 are held by 3,269 and 3,313 equity holders, respectively.

On June 20, 2007, the SEC approved the stock rights offering (SRO) of 552.5 million shares of the Company at the rate of one share for every two shares held as of record date of November 23, 2007, at a price of ₱1.10 per share. The offer period commenced on November 28, 2007 and ended on December 11, 2007. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱599.0 million. The proceeds were used to fund petroleum and mineral explorations and for general corporate purposes. On November 16, 2009, the shareholders approved the reallocation of the proceeds from the SRO to renewable energy (RE) projects due to uncertainty in mining projects brought about by the decline in prices of metals and minerals in the world market and due to the sale of CIPP's distribution system rendering the expansion of the power plant unnecessary.

On November 16, 2009, in a special stockholders' meeting, the Company's stockholders approved the increase in the 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 by SRO. On March 30, 2011, the SEC approved the stock rights offering of 1.165 billion shares of the Company at the rate of seven shares for every 10 shares held as of 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 its equity investment in SLTEC and MGI.

On March 20, 2012, the 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 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 under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.415 billion shares of the Company at the rate of one (1) share for every two (2) shares held as of 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 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 will be used to finance its equity investments in a 54MW wind energy project in San Lorenzo, Guimaras and the second 135MW clean coal-fired power plant in Calaca, Batangas, and 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

Dividends declared and paid in 2012 and 2011 are as follows:

	Dividend			
Date of Declaration	Type	Rate	A mount	Record Date
March 21, 2011	Cash	0.04 per share	66,585,025	April 11, 2011
February 16, 2012	Cash	0.04 per share	113,194,540	March 1, 2012

16. **Employee Stock Options and Executive Stock Grants**

The Company had a stock option plan (the Old Plan) that covered up to 25 million shares. The Old Plan entitled qualified employees, officers and directors to purchase shares of stock during the offering years at a price of ₱1 a share.

On June 7, 2004, the Company's BOD approved the reallocation of stock options for a total of 12,518,650 million shares out of the original 25 million shares, which expired in April 2003 and May 2004. Such stock options were allocated among directors and employees of the Company and the exercise of such options was subject to the following terms and conditions:

Subscription Price	At par value of ₱1 per share
Period of Exercise	Up to 100% of the allocated shares within three years from June 8, 2004
Payment of Shares	Cash payment upon exercise of option
Right to Exercise Option	Continuous employment required

On April 2, 2007, the Company's BOD and stockholders approved a total of 100 million shares to be taken from the unsubscribed portion of the Company's 2 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Company; and, (b) stock options for directors, officers and employees of the Company and its subsidiaries and affiliates (referred to herein as the "New Plan") under the terms and conditions as determined by the Executive Committee of the BOD.

The exercise of such grants and options are subject to the following terms and conditions:

Stock Grants
The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

Stock Options
Following are the specific terms of the Company's New Plan:

Coverage	Directors, permanent officers and employees of TA Oil and its subsidiaries/affiliates
Exercise price	At weighted average closing price for 20 trading days prior to grant date but should not be lower than par value of ₱1.00 per share

Vesting period	• Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.
Right to Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implement only the Company's Stock Grant for its executives which resulted in the issuance of 0.14 million shares in 2012. No stock grants have been granted and awarded to any of the executives of the Company in 2011.

As of December 31, 2012 and 2011, the stock options have not been granted and awarded to any of the directors, officers and employees of the Company.

17. **Trading Revenue - net**

	2012	2011
Trading revenue	**₱3,493,337,802**	₱2,828,824,998
Cost of power purchased	**(2,591,656,026)**	(2,116,151,771)
	₱901,681,776	₱712,673,227

18. **Cost of Power Generation**

	2012	2011
Fuel	**₱36,550,934**	₱28,071,085
Salaries (Note 21)	**5,936,168**	4,561,086
Depreciation and amortization (Note 22)	**5,863,910**	5,802,988
Repairs and maintenance	**5,628,385**	4,628,596
Station used	**3,247,545**	1,580,383
Taxes and licenses	**1,372,189**	1,430,022
Employee benefits (Note 21)	**1,193,761**	1,185,412
Insurance	**635,507**	683,757
Rental	**564,136**	549,474
Others	**918,436**	895,115
	₱61,910,971	₱49,387,918

19. General and Administrative Expenses

	2012	2011
Management and professional fees (Note 26)	**₱96,403,520**	₱120,161,074
Salaries and directors' fees (Note 21)	**80,540,550**	69,354,067
Taxes and licenses	**26,935,148**	9,181,224
Depreciation and amortization (Note 22)	**17,455,226**	24,095,396
Building maintenance and repairs	**11,071,992**	11,356,012
Retirement benefits (Notes 21 and 25)	**6,640,860**	5,772,163
Insurance, dues and subscriptions	**6,203,500**	4,443,178
Donation and contribution	**6,120,768**	380,994
Plug and abandonment	**5,127,443**	–
Employee benefits (Note 21)	**4,886,532**	4,874,013
Transportation and travel	**3,851,135**	2,961,391
Office supplies	**1,755,268**	1,729,837
Entertainment, amusement and recreation	**377,084**	318,403
Rent	**333,976**	258,862
Others	**10,916,345**	8,205,768
	₱278,619,347	₱263,092,382

20. Personnel Expenses

	2012	2011
Salaries and directors' fees included under:		
Cost of power generation	**₱5,936,168**	₱4,561,086
General and administrative expenses	**80,540,550**	69,354,067
Retirement benefits (Note 25)	**6,640,860**	5,772,163
Employee benefits included under:		
Cost of power generation	**1,193,761**	1,185,412
General and administrative expenses	**4,886,532**	4,874,013
	₱99,197,871	₱85,746,741

21. Depreciation and Amortization

	2012	2011
Property, plant and equipment included under:		
Cost of power generation	**₱5,863,910**	₱5,802,988
General and administrative expenses	**15,494,616**	22,134,786
Investment properties included under		
General and administrative expenses (Note 13)	**1,960,610**	1,960,610
	₱23,319,136	₱29,898,384

22. Other Income (Expenses)

	2012	2011
Gain on derivatives - net (Note 30)	**₱9,364,316**	₱9,625,976
Foreign exchange loss - net	**(27,251,270)**	(5,923,601)
Gain (loss) on sale of:		
Available-for-sale investments	**75,499**	(1,893,238)
Property and equipment	**61,885**	(162,397)
Interest in service contract	–	4,048,828
Reversal of (provisions for):		
Impairment loss on deferred exploration costs (Note 14)	**(12,874,373)**	–
Doubtful accounts (Note 9)	**(2,091,860)**	–
Impairment loss on investment in subsidiaries (Note 11)	–	11,865,299
Gain on option fee (Note 14)	**24,150,000**	21,935,000
Reimbursement of expenses (Note 14)	–	22,502,065
Others	**5,276,278**	4,086,205
	(₱3,289,525)	₱66,084,137

23. Income Tax

a. Current income tax pertains to RCIT in 2012 and 2011.

b. The components of the Company's net deferred income tax assets as of December 31 are as follows:

	2012	2011
Deferred income tax assets on:		
Unrealized foreign exchange losses	**₱4,972,264**	₱20,655,109
Pension and other post-employment benefits	**4,300,200**	3,957,023
Allowance for probable losses	**3,862,312**	–
Allowance for impairment losses	**2,013,835**	2,013,835
Asset retirement obligation	**1,722,317**	1,610,455
Accrued expenses	**1,537,836**	–
Allowance for doubtful accounts	**627,558**	–
Unamortized past service cost	**341,473**	600,358
Derivative liability	**243,774**	1,122,390
Deferred rent income	**62,902**	59,906
	19,684,471	30,019,076
Deferred income tax liabilities on:		
Unrealized gain on freestanding derivatives	**(356,175)**	(5,347,231)
Unrealized fair value gains on AFS investments	**(4,211,610)**	(2,853,610)
Other noncurrent liabilities	**(532,800)**	(576,000)
Unrealized gain on change in fair value of investments held for trading	**(5,085,191)**	–
Unrealized gain on embedded derivatives	–	(271,965)
	(10,185,776)	(9,048,806)
Deferred income tax assets - net	**₱9,498,695**	₱20,970,270

c. The Company did not recognize deferred income tax asset on its unrealized loss on change in fair value of investments held for trading since the Company believes that it is not probable that sufficient future taxable income will be available against which the related deferred income tax asset can be used.

d. In 2011, NOLCO amounting to ₱25.06 million and excess MCIT amounting to ₱2.63 million were applied against taxable income and RCIT due, respectively.

e. The reconciliation between the effective income tax rates and the statutory income tax rate follows:

	2012	2011
Applicable statutory income tax rate	**30.00%**	30.00%
Decrease in tax rate resulting from:		
Changes in unrecognized deferred income tax assets	**(0.01)**	(4.16)
Interest income subjected to final tax	**(1.03)**	(1.83)
Dividend income exempt from tax	**(0.34)**	(1.77)
Others	**(2.32)**	(2.36)
Effective income tax rates	**26.30%**	19.88%

24. Pension and Other Post-employment Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees.

Pension and other post-employment benefits consist of:

	2012	2011
Pension liability	**₱1,045,700**	₱550,300
Vacation and sick leave accrual	**13,288,304**	12,639,776
	₱14,334,004	₱13,190,076

Employee benefits included under cost of power generation and general and administrative expenses consist of:

	2012	2011
Net pension benefit expense	**₱5,372,200**	₱4,809,700
Contributions to PHINMA and TA Power retirement funds for common employees	**1,268,660**	962,463
Vacation and sick leave accrual	**648,529**	3,027,397
	₱7,289,389	₱8,799,560

The fund is managed by a trustee under the Phinma Jumbo Retirement Plan. The carrying value and fair value of the retirement fund of the Company amounts to ₱29.88 million and ₱32.32 million as of December 31, 2012 and 2011, respectively.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
Equities	**78.3%**	78.2%
Mutual funds and UITFs	**5.4%**	1.1%
Others	**16.3%**	20.7%

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the Philippine Stock Exchange, account for less than 1% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Company with fair value of ₱0.03 million and 0.02 million as of December 31, 2012 and 2011, respectively. The shares were acquired at a cost of ₱0.02 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2012 and 2011. 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 Company.

The following tables summarize the components of pension expense included in the statements of income and pension liability included under "Pension and other post-employment benefits" account in the balance sheets, which are based on the latest actuarial valuation reports:

	2012	2011
Current service cost	**₱4,967,800**	₱4,149,100
Interest cost	**2,402,500**	2,539,300
Expected return on plan assets	**(1,908,800)**	(1,908,900)
Recognized actuarial gain	**281,700**	30,200
	5,743,200	4,809,700
Adjustment for cross-assigned employees	**897,660**	962,463
Pension expense	**₱6,640,860**	₱5,772,163

The pension liability that was recognized in the balance sheets as of December 31 are as follows:

	2012	2011
Present value of benefit obligation (PVBO)	**₱43,759,000**	₱41,123,100
Fair value of plan assets	**(29,875,300)**	(32,324,700)
Unfunded status	**13,883,700**	8,798,400
Unrecognized net actuarial losses	**(12,838,000)**	(8,248,100)
Pension liability	**₱1,045,700**	₱550,300

The movements in the PVBO are as follows:

	2012	2011
Balance at beginning of year	**₱41,123,100**	₱31,948,100
Current service cost	**4,967,800**	4,149,100
Interest cost	**2,402,500**	2,539,300
Actual benefits paid	**(8,322,600)**	(1,393,200)
Actuarial losses	**3,588,200**	3,879,800
Balance at end of year	**₱43,759,000**	₱41,123,100

The changes in the fair value of plan assets are as follows:

	2012	2011
Balance at beginning of year	**₱32,324,700**	₱27,322,200
Expected return on plan assets	**1,908,800**	1,908,900
Actual contribution	**5,247,800**	5,247,800
Actual benefits paid	**(8,322,600)**	(1,393,200)
Actuarial loss	**(1,283,400)**	(761,000)
Balance at end of year	**₱29,875,300**	₱32,324,700
Actual return on plan assets	**₱625,400**	₱1,147,900

As of January 1, the assumptions used to determine PVBO and fair value of plan assets are as follows:

	2012	2011
Discount rate	**6.50%**	8.06%
Expected rate of return on plan assets	**6.20%**	6.44%
Rate of increase in compensation	**8.00%**	8.00%

As of December 31, 2012, the discount rate, expected rate of return on plan assets and rate of increase in compensation are 5.50%, 5.50% and 8.00%, respectively.

The overall expected rate of return on plan assets is determined based on the prevailing return on government securities applicable to the period over which the obligation is to be settled.

The Company expects to contribute ₱4.88 million to its defined benefit pension plan in 2013.

The amounts for the current and previous four annual periods of the PVBO, fair value of plan assets, deficit and any experience adjustments are as follows:

	2012	2011	2010	2009	2008
PVBO	**₱43,759,000**	₱41,123,100	₱31,948,100	₱23,702,100	₱10,790,500
Fair value of plan assets	**29,875,300**	32,324,700	27,322,200	24,963,300	20,658,800
Surplus (deficit)	**(13,883,700)**	(8,798,400)	(4,625,900)	1,261,200	9,868,300
Experience adjustments -gain (loss)					
Plan liabilities	**(1,908,800)**	(728,000)	(8,255,900)	1,707,600	(519,600)
Plan assets	**(1,283,400)**	(761,000)	(1,941,200)	(1,374,600)	(1,120,200)

26. 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. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Outstanding balances at year-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 years ended December 31, 2012 and 2011, 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 for the years 2012 and 2011 with related parties are as follows (in thousands):

2012					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Ultimate Parent					
Phinma, Inc.					
Revenues	₱730	Rent and share in expenses	₱115	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	36,149	Management fees and share in expenses	(22,317)	30-day, non-interest bearing	Unsecured
Subsidiaries					
CIPP					
Revenues	835	Share in expenses	–	–	–
		Advances	303,527	30-day, non-interest bearing	Unsecured, no impairment
TA Gold					
Cost and expenses	18,053	Termination fee	–	–	–
TAREC					
Deposits	1,566	Deposits	1,566	30-day, non-interest bearing	Unsecured, no impairment
TA Petroleum					
Revenues	66,506	Assignment of participating interests in service contracts	–	–	–
Advances	7,981	Advances	(7,981)	30-day, non-interest bearing	Unsecured
Palawan55					
Revenues	5,713	Assignment of participating interests in service contracts			
Advances	686	Advances	(686)	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	826,424	Electricity sold, rent and share in expenses	85,536	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	513,576	Electricity purchases	(63,947)	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	3,926	Rent and share in expenses	1,367	30-day, non-interest bearing	Unsecured, no impairment
	–	Rental deposit	(590)	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(254)	On demand	Unsecured
Other Related Parties					
PPHC					
Revenue	2,172	Dividend income	–		
	–	Advances	(171)	On demand	Unsecured

(Forward)

2012

Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Phinma Corp.					
Cash dividend	₱3,256	Dividend income	₱–		
Costs and expenses	1,469	Share in expenses	(73)	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash dividend	1,520	Dividend income	–	–	
Asian Plaza Inc.					
Cash dividend	1,319	Dividend income	–	–	–
Fuld & Company					
Costs and expenses	4,977	Professional fees	(3,950)	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and expenses	3,077	Insurance expense	14	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,588	Annual incentives	(23,288)	On demand	Unsecured
Stockholders					
Cash dividend	–	Unclaimed cash dividend	(9,034)	On demand	Unsecured, no impairment

2011

Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱740	Rent and share in expenses	₱87	30-day, non-interest bearing	Unsecured, no impairment
Cost and Expenses	47,061	Professional and management fees and share in expenses	(20,996)	30-day, non-interest bearing	Unsecured
Subsidiaries					
CIPP					
Revenues	25	Share in expenses	–		
Receivable		Advances	145,101	30-day, non-interest bearing	Unsecured, no impairment
TA Gold					
Receivable	–	Return of capital	1,550	30-day, non-interest bearing	Unsecured, no impairment
Receivable	–	Advances	26	30-day, non-interest bearing	Unsecured, no impairment
Joint Ventures					
TA Power					
Revenues	₱851,176	Electricity sold, rent and share in expenses	₱170,910	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	448,758	Electricity purchases	69,135	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	23,205	Rent and share in expenses	50	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	590	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	254	On demand	Unsecured
Other Related Parties					
PPHC					
Revenues	41	Return of Construction fund	–	–	–
Payable	–	Advances	171	On demand	Unsecured

(Forward)

			2011		
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Phinma Corp.					
Cash dividend	₱3,256	Dividend income	₱–	–	–
Cost and expenses	724	Share in expenses	23	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash dividend	3,801	Dividend income	–	–	–
Asian Plaza Inc.					
Cash dividend	8,700	Dividend income	–	–	–
AB Capital and Investment Corp.					
Revenue	2,081	Rent and share in expenses	–	–	–
Cost and expenses	70	Professional fees	–	–	–
T-O Insurance, Inc.					
Costs and expenses	2,533	Insurance expense	99	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,012	Annual incentives	(26,012)	On demand	Unsecured
Payable	–	Advances	(1,100)	Offset against annual incentives	Unsecured, no impairment
Stockholders					
Cash dividends	–	Unclaimed cash dividend	(7,932)	On demand	Unsecured, no impairment

PHINMA
The Company has a management contract with Philippine Investment-Management (PHINMA), Inc. up to August 31, 2013, renewable thereafter upon mutual agreement. Under this contract, PHINMA 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 Company pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income.

CIPP
The Company granted advances to CIPP for its operating and working capital requirements.

TA Gold
The Company granted advances to TA Gold for its working capital requirements. In May 2012, the Company terminated its Operating Agreement on the MPSA with TA Gold (see Note 14).

TAREC
The Company granted advances to TAREC for its operating and working capital requirements.

TA Petroleum
The Company and TA Petroleum executed Deed of Assignment on December 21, 2012 transferring the Company's participating interests in SC 51, SC 69 and SC 6 to TA Petroleum (see Note 14).

Palawan55
The Company and Palawan55 executed a Deed of Assignment on December 21, 2012 transferring the Company's participating interests in SC 55 to Palawan55 (see Note 14).

TA Power
TA Power leases and occupies part of the office space owned by the Company. Also, the Company sold electricity to TA Power in 2012 and 2011. On November 3, 2011, TA Power granted the Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to a customer. Sales of electricity are based on WESM prices.

SLTEC
SLTEC leases and occupies part of the office space owned by the 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. SLTEC reimbursed TA Oil for the cost of the coal power plant under construction and other costs incurred in relation to the coal project in 2011.

PHINMA Corporation
PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses. The Company also receives cash dividend from PHINMA Corp.

PHINMA Property Holdings Corporation (PPHC)/Union Galvasteel Corporation (UGC)/Asian Plaza, Inc.
PPHC, UGC and Asian Plaza, Inc. are entities under common control. The Company receives cash dividends from these corporations.

Fuld and Company
Fuld and Company is likewise controlled by PHINMA, Inc. through a management agreement. Fuld and Company rendered professional services to the Company in 2012.

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.

AB Capital & Investment Corporation (AB Capital)
AB Capital was an entity under common control. AB Capital leased and occupied part of the office space owned by the Company. The lease agreement was terminated in August 2011. AB Capital rendered professional services to the Company until January 31, 2011.

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 carrying value and fair value of the retirement fund of the Company amounts to ₱29.88 million and ₱32.32 million as of December 31, 2012 and 2011, respectively.

Investments of the fund in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the Philippine Stock Exchange, account for less than 1% of plan assets; all other equity securities are transacted over the counter.

Except for the Company’s contributions to the fund and benefit to employees, there were no transactions with the fund for 2011 and 2012.

The plan assets include shares of stock of the Company with fair value of ₱0.3 million and ₱0.2 million as of December 31, 2012 and 2011, respectively. The shares were acquired at a cost of ₱0.2 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2012 and 2011. 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 Company.

Compensation of key management personnel of the Company are as follows:

	2012	2011
Short-term employee benefits	**₱42,996,657**	₱38,491,833
Post-employment benefits	**3,866,674**	4,132,305
	₱46,863,331	₱42,624,138

Stockholders
Amounts due to stockholders for unclaimed dividends totaled ₱9.03 million and ₱7.93 million as of December 31, 2012 and 2011, respectively.

27. **EPS Computation**

	2012	2011
(a) Net income	**₱531,756,163**	₱520,241,873
Common shares outstanding at beginning of year (Note 16)	**2,829,863,527**	1,664,625,604
Weighted average number of shares issued during the year	**181,878,126**	616,139,504
(b)Weighted average common shares outstanding	**3,011,741,653**	2,280,765,108
Basic/Diluted EPS (a/b)	**₱0.18**	₱0.23

The Company's stock option has no dilutive effect in 2012 and 2011. Also, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

28. **Significant Laws, Contracts and Commitments**

Electric Power Industry Reform Act (EPIRA)
Republic Act (R.A.) No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
(2) Creation of a WESM; and
(3) Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within five years from the effectivity of the EPIRA. It provides cross-ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.
The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Electricity Supply Agreement with Guimelco
On November 12, 2003 and July 26, 2004, TA Oil signed an ESA and amendment to the ESA, respectively, with Guimelco, a nonstock, nonprofit cooperative (see Note 1). Under the ESA, TA Oil agreed to construct, operate and maintain a 3.4 MW bunker C-fired diesel generator power station and to supply Guimelco with electricity based on the terms and conditions set forth in the ESA.

Following are the significant provisions of the ESA, among others:

Cooperation Period	Ten years, and may be extended pursuant to the ESA.
Electricity Fees	Electricity fees is based on a formula as set forth in the ESA and shall be payable monthly during the Cooperation Period.
Electricity Delivery Procedures	Guimelco must give priority to electricity generated by the Company's power station up to 1.8 MW, over any other power source.

The power plant commenced commercial operations on June 26, 2005.

Electricity Supply Agreements with Holcim
TA Oil, TA Power and Holcim entered into a memorandum of agreement (as amended on January 12, 2010 and December 20, 2010) with the following provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant of Holcim at rates equal to the agreed "Time of Use" rates schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC.

- TA Oil, acting as a retail electricity supplier, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. TA Oil shall charge Holcim at rates equal to the agreed "Time of Use" schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC. Transmission charges shall be settled separately by Holcim with the National Transmission Corporation under Holcim's Transmission Services Agreement.

- TA Oil and TA Power guarantee to cover all of Holcim's electricity requirements for both the La Union and Bulacan plants until 2013.

In August 2011, TA Oil, TA Power and Holcim signed an ESA for Holcim's electricity requirements for its La Union and Bulacan plants, valid for 15 years commencing on December 26, 2013.

Power Administration and Management Agreement (PAMA) with One Subic Power

On November 18, 2010, TA Oil and One Subic Power Generation Corporation (One Subic Power, a third party) entered into a Power Administration and Management Agreement (PAMA). Under the terms of the PAMA, TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. TA Oil will be selling or trading the entire capacity of the power plant, while operations will be under One Subic Power for a period of five years commencing on the commercial operation date (the date when the power plant is capable of supplying power to the Grid). TA Oil will pay One Subic Power for all electricity actually delivered by the power plant based on a formula (actual fuel consumption and electricity generated) as set forth in the PAMA and shall be payable monthly. The PAMA became effective on February 17, 2011.

ESA with Batangas II Electric Cooperative, Inc. (BATELEC II)

TA Oil entered into an ESA with BATELEC II on May 4, 2011. Under the said agreement, TA Oil shall meet the electricity requirements of BATELEC II in excess of its existing contracts and bill BATELEC II monthly in accordance with the terms set forth in the agreement. The agreement shall be for a period of six months, with an option to renew for another six months subject to mutual agreement by both parties. The contract with BATELEC II ended in December 2011 and was not renewed.

Contracts of Sale of Electricity with Sorsogon I Electric Cooperative, Inc. (SORECO I) and Quezon I Electric Cooperative, Inc. (QUEZELCO)

On November 11, 2011 and December 8, 2011, TA Oil entered into Contracts of Sale of Electricity with SORECO I and QUEZELCO II, for a period of 12 months and five years, respectively, from December 26, 2011. The contract with QUEZELCO II provides an option to renew the contract for a period mutually agreed by both parties. The contract with SORECO I provides an option to renew for another 12 months subject to mutual agreement by both parties. In accordance with the contract, TA Oil shall supply 90% of QUEZELCO II's and all of SORECO I's electricity requirements on an hourly basis using the market trading node of TA Oil's designated generator. The contract with SORECO I ended on December 25, 2012 and was not renewed.

Contract of Sale of Electricity with Lafarge Republic, Inc,

On July 9, 2012, TA Oil entered into Contract for the Sale of Electricity with Lafarge Republic, Inc. for a period of 5 years from December 26, 2012 to December 25, 2017. Under the said agreement, TA Oil shall supply all the electricity requirement of Lafarge Cement Plants (located in Bigte and Minuyan, Norzagaray, Bulacan and Mapulo, Taysan, Batangas) in excess of the Base-Load Supply.

Contract of Sale of Electricity with Philippine Economic Zone Authority (PEZA)

PEZA-Lot 1 Base Load

TA Oil entered into Contract for the Sale of Electricity Lot 1 Base Load with PEZA on December 20, 2012 for a period of 5 years. Under the said agreement, TA Oil shall supply the Base Load electricity requirement of PEZA for its Cavite Economic Zone (CEZ). Delivery of electricity commenced on January 26, 2013.

PEZA-Lot 2 Shoulder and Peak Load

TA Oil entered into Contract for the Sale of Electricity Lot 2 Shoulder and Peak Load with PEZA for a period of 5 years. Under this agreement, TA Oil shall supply all of the electricity requirement of PEZA for its CEZ in excess of the base load supply. Delivery of electricity commenced on January 26, 2013.

Tripartite Agreement with PEZA and Meralco
On January 24, 2013 TA Oil entered into a Tripartite Agreement with PEZA and Meralco to facilitate the implementation of the Contract for the Sale of Electricity with PEZA before Retail Competition and Open Access. The agreement is effective from January 24, 2013 to June 25, 2013.

Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation
On March 26, 2011 the Company entered into a Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation (Sem-Calaca) for a period of 3 years. Under the Contract, the Company agrees to purchase the 15 MW output of Sem-Calaca Power Plant.

Maibarara Geothermal, Inc. (MGI)
As Project Sponsor of the 20 MW Maibarara power plant project, TA Oil has provided a pledge on its shares in Maibarara Geothermal Inc., a guarantee to provide additional equity or advances to the Project in case of cost overruns and an assignment to the lenders of the Electricity Supply Agreement with MGI.

Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the “Renewable Energy Act of 2008” (the Act), became effective. The Act aims to:

(1) Accelerate the exploration and development of Renewable Energy (RE) resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
(2) Increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
(3) Encourage the development and utilization of RE resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
(4) Establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent value-added tax (VAT) rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Company expects that the Act may have significant effect on the operating results of TAREC, an RE developer. Impact on the operating results is expected to arise from the effective reduction in taxes.

Renewable Energy Service Contracts
In October 2009, TAREC was awarded 10 wind energy service contracts by the DOE, representing a total potential wind capacity of 227MW.

In February 2010, another 10 service contracts representing an additional 123MW of potential wind capacity were again awarded to TAREC by the DOE thus bringing its total potential wind capacity to 350MW as of December 31, 2010.

In 2011, 8 wind energy service contracts which represent 89MW were applied for relinquishment pending the approval to the DOE due to poor wind resource and complexity of site topography as examined during site survey.

In 2012, TAREC continued the development activities on the 12 wind service contract areas with an aggregate capacity estimated at 400MW. This includes the 54MW San Lorenzo Wind Project which is ready for implementation pending receipt of a notification from the DOE for the project's inclusion in the 200 MW installation target for wind.

Operating Lease Commitment

The Company has entered into a lease contract with Guimelco for a parcel of land used only as a site for electric generating plant and facilities. The term of the lease is 10 years with a renewal option included in the contract. The Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of ₱20,000 for the duration of the lease term. Starting July 2009, the fixed monthly rate was increased to ₱40,000. Future minimum operating lease payables under this lease agreement as of December 31 are as follows:

	2012	2011
Within one year	**₱480,000**	₱480,000
After one year but not more than five years	**640,000**	1,120,000
	₱1,120,000	₱1,600,000

29. **Financial Risk Management Objectives and Policies**

Objectives and Investment Policies

The PHINMA Group Treasury manages the funds of the Company and invests in short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, listed shares of stocks, and mutual and trust funds denominated in Philippine peso, U.S. dollar and Euro. It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.

PHINMA Group Treasury focuses on the following major risks that may affect its transactions:
- Foreign currency risk
- Credit or counterparty risk
- Liquidity risk
- Market risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Company. An Investment Committee, comprised of some of the Company's BOD, reviews and approves policies, controls and strategies for investments and risk management.

Basic investment policies as approved by the Investment Committee are:

- Safety of principal
- Duration of investment must be consistent with the respective company's investment horizon based on needs as approved by the Investment Committee

- Exposure limits:
  - For banks or fund managers: maximum 20% of total fund of each company per bank or fund
  - For peso investments: minimal corporate exposure except for registered bonds for non-affiliates
  - Limits on third currencies outside U.S. dollar, equities and offshore investments are set regularly and reviewed at least once a year by the Investment Committee
  - For total foreign currencies: maximum 50% of total portfolio
  - For investments in equities whether directly managed or managed by professional fund managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review

<u>Risk Management Process</u>

Foreign currency risk

The PHINMA Group Treasury manages holdings of cash and securities not only in Philippine peso but also in U.S. dollar and other foreign currencies. Any depreciation of the U.S. dollar and other currencies against the Philippine peso posts material foreign exchange losses that will diminish the market values of these investments.

Foreign currency risk is managed through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange.
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts.
- Trading either by spot conversions and forward transactions on a deliverable or non-deliverable basis to protect values.
- Constant monitoring of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.
- Returns being calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The Company's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2012 and 2011 are as follows:

	2012			2011	
	US Dollar (US$)	**Euro (€)**	**AU Dollar (AUS)**	US Dollar (US$)	Euro (€)
		(In Thousands)			
Financial assets:					
Cash and cash equivalents	**292**	–	**523**	7,794	–
Investments in bonds and FXTNs	**2,112**	–	–	2,635	237
Investments in UITFs and mutual funds	**1,550**	–	–	3,233	
Other receivables	**33**	–	–	56	11
	3,987	–	**523**	13,718	248
Financial liabilities - Accounts payable and other current liabilities	**(357)**	**(2)**	–	(286)	–
Net foreign currency-denominated assets	**3,630**	**(2)**	**523**	13,432	248
Peso equivalent	**₱148,976**	**(₱135)**	**₱22,339**	₱588,890	₱14,127

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rate used were ₱41.05 to US$1.00, ₱42.67 to AUS$1.00 and ₱54.53 to Euro€1.00 as of December 31, 2012 and ₱43.84 to US$1.00 and ₱56.84 to Euro€1.00 as of December 31, 2011.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets and liabilities) for the years ended December 31, 2012 and 2011. There is no impact on the Company's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives (see Note 30).

	Increase (Decrease) in	Effect on Profit Before Tax		
Year	**Foreign Exchange Rate**	**US$**	**EURO**	**AU$**
			(In Millions)	
2012	**(₱0.25)**	**₱0.29**	**₱0.002**	**(₱0.13)**
	(0.50)	**0.58**	**0.005**	**(0.26)**
	0.25	**(0.29)**	**(0.002)**	**0.13**
	0.50	**(0.58)**	**(0.005)**	**0.26**
2011	(0.25)	(0.56)	(0.06)	–
	(0.50)	(1.12)	(0.12)	–
	0.25	0.56	0.06	–
	0.50	1.12	0.12	–

Credit or Counterparty Risk
Credit or counterparty risk is the risk due to uncertainty in counterparty's ability to meet its obligations.

Credit or counterparty risk is managed through the following:

- Investments are coursed thru or transacted with duly accredited domestic and foreign banks and mutual funds up to a maximum of 20% of the Company's investible funds. For UITF and mutual funds, fund placements cannot exceed 10% of the UITF's or mutual funds' total funds. Individual limits are further established for one bank or mutual fund on the basis of their valuation, financial soundness, business performance and reputation or expertise. Banks', UITF's and mutual funds' performance as well as their fund level, investment mix and duration are reviewed at least once a month or as often as required.
- Investments in nonrated securities are subject to a comprehensive credit and business review in coordination with sponsoring dealers or underwriters. For rated corporate bonds and sovereign bonds, credit ratings studies and updates from the major rating agencies are used as references (S & P, Moody's) in addition to a comprehensive credit and business review.
- For temporary investments in related parties, transactions are done on an arms-length basis taking into account the related parties' financial standing and ability to pay. Interest rates are based on a formula that considers the average of the borrowing and lending rates of the parties and maturity dates are strictly complied with.
- Discussions are done on every major investment by Treasury en banc before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and a senior Treasury Officer supervises major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.

- A custodian bank for peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.
- Product manuals on new products are studied and reviewed to ensure that risks are identified and addressed prior to the endorsement of the new product for Investment Committee approval.

With respect to credit risk arising from the receivables, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2012					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	**Class B**	**Class C**	**Impaired**	**Impaired**	**Total**
			(In Thousands)			
Trade and other receivables						
Trade receivables	**₱498,740**	**₱–**	**₱–**	**₱8,581**	**₱2,092**	**₱509,413**
Due from related companies	**196,166**	–	–	**195,946**	–	**392,112**
Loan receivable	**50,000**	–	–	–	–	**50,000**
Others	**5,010**	–	–	**440**	**3,270**	**8,720**
	₱749,916	**₱–**	**₱–**	**₱204,967**	**₱5,362**	**₱960,245**

	2011					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
			(In Thousands)			
Trade and other receivables						
Trade receivables	₱227,562	₱–	₱–	₱95,738	₱–	₱323,300
Due from related companies	182,021	–	–	135,703	–	317,724
Others	7,055	–	–	417	3,270	10,742
	₱416,638	₱–	₱–	₱231,858	₱3,270	₱651,766

The Company uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, AFS investments, investments held for trading and derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments, derivative assets and investments held for trading were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted AFS investments were assessed as high grade since these are investments in instruments that have a recognized foreign or local third party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Company.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:
- Restricting investments principally to publicly traded securities with a good track record of marketability and dealing only with large reputable domestic and international institutions.
- Continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Company's plans. Average duration of investments should adhere to the investment parameters approved by the Investment Committee.
- When necessary, placements are pre-terminated or securities are liquidated; but this is largely avoided.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31 based on contractual undiscounted payments:

	2012					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousands)			
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	**₱7,092**	**₱305,853**	**₱10,262**	**₱–**	**₱–**	**₱323,207**
Due to related parties	**99,983**	–	–	–	–	**99,983**
Accrued directors' and annual incentives	**23,288**	–	–	–	–	**23,288**
Accrued expenses	**10,386**	**25**	**5,126**	–	–	**15,537**
Derivative liability	**813**	–	–	–	–	**813**
Others	**2,779**	–	–	–	–	**2,779**
Due to stockholders	**9,034**	–	–	–	–	**9,034**
	₱153,375	**₱305,878**	**₱15,388**	**₱–**	**₱–**	**₱474,641**

	2011					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
			(In Thousands)			
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱6,988	₱313,302	₱10,958	₱–	₱–	₱331,248
Due to related parties	70,251	–	–	–	–	70,251
Accrued directors' and annual incentives	46,822	–	–	–	–	46,822
Derivative liability	–	3,741	–	–	–	3,741
Others	386	–	–	–	–	386
Due to stockholders	7,932	–	–	–	–	7,932
Deposits payable	–	–	–	1,762	–	1,762
	₱132,379	₱317,043	₱10,958	₱1,762	₱–	₱462,142

As of December 31, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2012				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
			(In Thousands)		
Cash and cash equivalents	**₱718,061**	**₱–**	**₱–**	**₱–**	**₱718,061**
Short-term investments	–	–	**1,555,340**	–	**1,555,340**
Receivables:					
Trade	**10,673**	**498,740**	–	–	**509,413**
Due from related companies	**392,112**	–	–	–	**392,112**
Others	**3,272**	**55,448**	–	–	**58,720**
Financial assets at FVPL:					
Investments held for trading	**782,880**	–	–	–	**782,880**
Derivative asset	–	**1,187**	–	–	**1,187**
	₱1,906,998	**₱555,375**	**₱1,555,340**	**₱–**	**₱4,017,713**

	2011				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
			(In Thousands)		
Cash and cash equivalents	₱865,163	₱–	₱–	₱–	₱865,163
Receivables:					
Trade	95,738	227,562	–	–	323,300
Due from related companies	317,724	–	–	–	317,724
Others	3,270	7,472	–	–	10,742
Financial assets at FVPL:					
Investments held for trading	831,502	–	–	–	831,502
Derivative asset	–	1,890	–	–	1,890
	₱2,113,397	₱236,924	₱–	₱–	₱2,350,321

Market risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers to get multiple perspectives on interest rate trends or forecasts.
- Updates of the portfolio's local and foreign currency bonds' gains and losses as often as necessary.
- "Red Lines" being established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the Treasury Group uses as guides whether to buy, hold or sell bonds as approved by the Investment Committee or, in cases of high volatility, by the CFO.
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies.
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

Interest rate risk
The following table sets out the carrying amount, by maturity of the Company's financial assets that are exposed to interest rate risk:

	Interest Rates	Within 1 Year	1–2 Years	2–3 Years	3-4 Years	Beyond 4 years	Total
2012 Fixed Rate							
Special savings account (SSA)	**0.63%-3.53%**	**₱707,346**	**₱–**	**₱–**	**₱–**	**₱–**	**₱707,346**
Investments in bonds and FXTNs	**6.13%-10.38%**	**4,066**	**26,396**	**–**	**13,320**	**186,586**	**230,368**
2011 Fixed Rate							
Special savings account (SSA)	0.75%-7.0%	831,353	–	–	–	–	831,353
Investments in bonds and FXTNs	6.147%-13.0%	17,759	4,027	28,444	–	152,069	202,299

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above table are noninterest-bearing investments and are therefore not subject to interest rate volatility.
The following tables demonstrate the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's profit before tax as of December 31. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2012	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax**
FXTN	**25**	**(₱3,208,383)**
Special deposit account (SDA)	**25**	**1,024,262**
SSA	**25**	**660,943**
FXTN	**(25)**	**3,308,819**
SDA	**(25)**	**(1,024,262)**
SSA	**(25)**	**(660,943)**

	2011	
	Increase (Decrease) in Basis Points	Effect on Profit Before Tax
FXTN	25	(₱1,158,745)
Special deposit account (SDA)	25	711,267
SSA	25	513,889
FXTN	(25)	1,186,567
SDA	(25)	(711,267)
SSA	(25)	(513,889)

Equity price risk
Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Company's exposure to equity price risk relates primarily to its AFS investments.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine the impact on its financial position.

Based on the Company's expectation, the Company's assessment of reasonably possible change was determined to be an increase of 8% and 6% in 2012 and 2011, respectively, resulting to a possible effect in the equity of ₱5.14 million and ₱3.82 million as of December 31, 2012 and 2011, respectively.

Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Weekly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Monthly portfolio reports are submitted to the CFO that include an updated summary of global and domestic events of the past month and the balance of the year.
- Quarterly presentations of the investment portfolio to the Investment Committee are held to discuss and secure approvals on strategy changes.
- Annual team-building sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit to ensure active risk oversight.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The Company monitors capital using the debt-to-equity ratio, which is total current and noncurrent liabilities divided by total equity. The Company monitors its debt-to-equity ratio to keep it at a level acceptable to the Company. Capital includes all the items appearing in the equity section of the balance sheet. The Company's policy is to keep debt-to-equity ratio below the maximum ratio of 2:1.

	2012	2011
	(In Thousands)	
Total liabilities	**₱608,731**	₱606,773
Total equity	**6,797,931**	4,359,958
Debt-to-equity ratio	**0.09:1**	0.14:1

30. **Financial Assets and Financial Liabilities**

Fair Value

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial assets and financial liabilities that are carried in the financial statements.

	Carrying Value		Fair Value	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱718,061,218**	₱865,162,858	**₱718,061,218**	₱865,162,858
Short-term investments	**1,555,339,847**	–	**1,555,339,847**	–
Receivables:				
Trade	**507,320,737**	323,299,633	**507,320,737**	323,299,633
Due from related companies	**392,111,890**	317,724,099	**392,111,890**	317,724,099
Others	**5,449,658**	7,472,394	**5,449,658**	7,472,394
	3,178,283,350	1,513,658,984	**3,178,283,350**	1,513,658,984
Financial assets at FVPL:				
Investments held for trading	**782,880,456**	831,501,926	**782,880,456**	831,501,926
Derivative asset*	**1,187,250**	1,890,064	**1,187,250**	1,890,064
	784,067,706	833,391,990	**784,067,706**	833,391,990
AFS investments:				
Quoted	**141,316,676**	128,345,953	**141,316,676**	128,345,953
Unquoted	**76,167,217**	69,961,265	**76,167,217**	69,961,265
Government securities and FXTN	**54,001,940**	–	**54,001,940**	–
	271,485,833	198,307,218	**271,485,833**	198,307,218
Total financial assets	**₱4,233,836,889**	₱2,545,358,192	**₱4,233,836,889**	₱2,545,358,192
Financial Liabilities				
Financial liability at FVPL - Derivative liability**	**₱812,579**	₱3,741,300	**₱812,579**	₱3,741,300
Other financial liabilities				
Accounts payable and other current liabilities***	**464,793,018**	450,238,624	**464,793,018**	450,238,624
Due to stockholders	**9,034,206**	7,932,125	**9,034,206**	7,932,125
Deposits payable	–	1,761,810	–	1,671,455
	473,827,224	459,932,559	**473,827,224**	459,842,204
Total financial liabilities	**₱474,639,803**	₱463,673,859	**₱474,639,803**	₱463,583,504

* *Presented as part of other current assets.*

** *Presented as part of accounts payable and other current liabilities.*

*** *Excludes nonfinancial items amounting to ₱89.01 million and ₱47.54 million as of December 31, 2012and 2011, respectively.*

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

Cash and cash equivalents, receivables, accounts payable and other current liabilities and due to stockholders

The carrying amounts of cash and cash equivalents, 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 and AFS investments

Quoted market prices have been used to determine the fair values of investments held for trading and 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.

Deposits payable
The fair value of the Company's long-term payable to a third party is based on the discounted value of the expected future cash flow using the applicable interest rate for similar type of instrument. Discount rate used was 2.67% in 2011.

Fair Value Hierarchy
As of December 31, the fair value measurement of the Company's financial assets and financial liabilities carried at fair value is categorized as follows (in thousands):

		2012	
	Level 1	**Level 2**	**Total**
Financial assets			
Investments held for trading	**₱536,414**	**₱246,466**	**₱782,880**
AFS investments	**141,317**	**–**	**141,317**
Derivative asset	**–**	**1,187**	**1,187**
Financial liability -			
Derivative liability	**–**	**(813)**	**(813)**
Total	**₱677,731**	**₱246,840**	**₱924,571**

		2011	
	Level 1	Level 2	Total
Financial assets			
Investments held for trading	₱612,163	₱219,339	₱831,502
AFS investments	128,346	–	128,346
Derivative asset	–	1,890	1,890
Financial liability -			
Derivative liability	–	(3,741)	(3,741)
Total	₱740,509	₱217,488	₱957,997

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

Level 1: quoted 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 as of December 31, 2012 and 2011.

Derivative Assets and Liabilities

Currency forwards

The Company enters into sell US$, buy Philippine peso foreign currency forward contracts to manage the foreign currency risk arising from its US$ denominated assets. These currency forwards are not accounted for as accounting hedges.

The Company has outstanding currency forward contracts with an aggregate notional amount of US$4.8 million and weighted average contracted forward rate of ₱41.241 to US$1.00 as of December 31, 2012 and US$11.20 million and weighted average contracted forward rate of 43.511 to US$1.00 as of December 31, 2011. The net fair value of these currency forward contracts amounted to ₱1.19 million gain and ₱3.74 million loss as of December 31, 2012 and 2011, respectively.

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.

TA Oil's outstanding embedded forwards have an aggregate notional amount of US$1.94 million and US$2.84 million as of December 31, 2012 and 2011, respectively. The weighted average fixing rate amounted to ₱41.10 to US$1.00 and ₱43.33 to US$1.00 as of December 31, 2012 and 2011, respectively. The net fair value of these embedded derivatives amounted to ₱0.81 million loss and ₱1.89 million gain as of December 31, 2012 and 2011, respectively.

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

	2012	2011
Balance at beginning of year	**(₱1,851,236)**	₱3,464,104
Net changes in fair value during the year	**9,364,316**	9,625,976
Fair value of settled contracts	**(7,138,409)**	(14,941,316)
Balance at end of year	**₱374,671**	(₱1,851,236)

The net changes in fair value during the year are included in the "Other income (expenses)" account in the statements of income.

The fair values of the outstanding derivative assets (liabilities) of the Company as of December 31 are as follows:

	2012	2011
Freestanding	**₱1,187,250**	(₱3,741,300)
Embedded	**(812,579)**	1,890,064
	₱374,671	(₱1,851,236)

The fair value of derivative assets is presented under "Other current assets" account in the balance sheets. The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the balance sheets.

Interest and Other Financial Income

The details of interest and other financial income are as follows:

	2012	2011
Interest income on:		
Cash in banks	**₱196,882**	₱4,324,323
Short-term deposits and investments	**15,378,959**	26,662,954
Bonds	**6,679,593**	7,157,172
FXTN	**6,583,547**	8,598,669
Others	**6,274,712**	1,103,641
Net gains on investments held for trading:		
Amortization of bond premium/discount - net	**(2,901,725)**	(5,686,313)
Fair value gains on investments held for trading	**41,576,329**	32,820,635
	₱73,788,297	₱74,981,081

31. **Operating Segments**

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum and Mining. 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 financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	2012			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱976,749,704**	**₱–**	₱88,633,316	**₱1,065,383,020**
Results				
Depreciation & amortization	₱7,592,639	₱434,070	₱15,292,427	₱23,319,136
Provision for doubtful accounts	2,091,860	–	–	2,091,860
Segment profit	₱859,372,407	(₱3,709,784)	(₱134,099,446)	₱721,563,177
Operating assets	₱5,286,303,052	₱264,103,677	₱1,856,255,503	₱7,406,662,232
Operating liabilities	₱469,077,065	₱26,161,633	₱113,492,343	₱608,731,041
Other disclosure				
Capital expenditure	₱1,885,046	₱1,295,156	₱2,156,046	₱5,336,248

1. Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱73.79 million, ₱8.30 million and ₱6.55 million, respectively.

2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱229.25 million. Other income not included in the profit for operating segment amounted to ₱5.68 million.

3. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.5 billion, receivables and other current assets totaling ₱7.34 million and other noncurrent assets amounting to ₱347.97 million as these are managed on a group basis.

4. Segment liabilities do not include accounts payable and other current liabilities of ₱104.92 million and pension and other post-employment benefits totaling ₱8.57 million.

5. Capital expenditure consists of additions to property, plant and equipment.

	2011			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱776,270,668	₱–	₱119,475,579	₱895,746,247
Results				
Depreciation & amortization	₱12,892,822	₱320,727	₱16,684,835	₱29,898,384
Reversal of impairment loss on investment in subsidiary	–	(11,865,299)	–	(11,865,299)
Segment profit	₱637,477,290	₱30,406,679	(₱18,533,885)	₱649,350,084
Operating assets	₱2,806,510,098	₱102,576,319	₱2,057,644,661	₱4,966,731,078
Operating liabilities	₱447,576,746	₱13,494,398	₱145,701,525	₱606,772,669
Other disclosure				
Capital expenditure	₱19,140,588	₱80,386	3,668,557	₱22,889,531

1. Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱74.98 million, ₱38.29 million and ₱6.20 million, respectively.

2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱140.36 million. Other income not included in the profit for operating segment amounted to ₱2.35 million.

3. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.70 billion, receivables and other current assets totaling ₱9.77 million and other noncurrent assets amounting to ₱330.24 million as these are managed on a group basis.

4. Segment liabilities do not include accounts payable and other current liabilities of ₱140.81 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱4.89 million.

5. Capital expenditure consists of additions to property, plant and equipment.

32. Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Revenue Regulations (RR) 19-2011
In compliance with Bureau of Internal Revenue (BIR) RR No. 19-2011 issued on December 9, 2011, presented are the sales, revenue, cost of sales, deductions and other tax information for the current taxable year:

Sales, Revenue, Receipts and Fees. The Company's sales, revenue, receipts & fees in 2012 are as follows:

Sales of services	₱3,568,405,730
Lease of properties	6,559,393
	₱3,574,965,123

Cost of Sales. The Company's cost of sales and services in 2012 are as follows:

Outside services	₱1,604,622,141
Materials, supplies and facilities	1,035,695,120
Depreciation	9,756,480
Salaries, wages & benefits	7,864,945
Rental	480,000
Others	1,002,400
	₱2,659,421,086

Non-operating and Taxable Other Income. The Company's taxable other income in 2012 are as follows:

Gain on option fee	₱24,150,000
Interest and other financial income	12,954,306
Realized mark-to-market gain on derivatives	10,879,709
Realized foreign exchange gain	9,727,919
Gain on sale of property & equipment	61,885
Miscellaneous income	6,619,414
	₱64,393,233

Itemized Deductions. The Company's itemized deductions in 2012 are as follows:

Losses	₱91,080,577
Salaries and allowances	79,914,364
Professional fees	44,136,614
Taxes and licenses	36,443,603
Management and consultancy fees	27,670,247
Directors' fees	21,820,374
Filing and registration fees	13,590,469
Depreciation	13,418,656
Amortization of past service cost and pension trust contribution	7,008,410
Charitable contributions	6,120,768
Other services	5,373,356

(Forward)

Communication, light and water	₱4,629,258
Amortization of bond premium/discount	2,901,725
Transportation and travel	2,396,661
Fringe benefits	2,359,233
Insurance	2,222,192
Advertising	2,138,420
Office supplies	1,971,389
Janitorial and messengerial services	1,377,829
Fuel and oil	1,065,754
Trainings & seminars	1,028,520
Repairs and maintenance - labor	889,260
SSS, Philhealth, HDMF and other contributions	741,420
Meetings and conferences	690,324
Repairs and maintenance - materials	558,157
Security services	497,089
Rental	418,112
Representation and entertainment	365,157
Miscellaneous	8,131,202
	₱380,959,140

RR No. 15-2010

In compliance with this RR 15-2010, following are the information on the taxes that the Company reported and/or paid for the year:

a. VAT

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

Output VAT

Net sales/receipts and output VAT declared in the Company's VAT returns filed for the period follows:

	Net Sales/Receipts	Output VAT
Taxable sales:		
Sale of services	₱3,316,246,425	₱397,949,571
Sale of goods	3,380,193	405,623
Rental income	3,832,235	459,868
	3,323,458,853	398,815,062
Zero-rated sales	3,071,152	–
Exempt sales	67,496,275	–
	₱3,394,026,280	₱398,815,062

Zero-rated sales consist of sale of power generated from renewable sources of energy under R.A. No. 9513 and rental income from a company engaged in international air transport operations under R.A. No. 9337.

Exempt sales represent collections allocated to franchise and benefits to host communities and sales under Presidential Decree No. 87 which are not subject to VAT.

The Company's sale of services and rental income which are subjected to VAT are based on actual collections received, hence, may not be the same as amounts accrued in the statement of income.

i. Input VAT

Balance at January 1, 2012 per VAT return	
Carried over from previous period	₱28,368,121
Deferred on capital goods exceeding ₱1 million from previous period	5,100,110
Services lodged under trading cost	216,297,216
Current year's domestic purchases/payments for:	
Goods lodged under trading cost	133,589,659
Services lodged under others	8,021,517
Goods lodged under cost of power generation	5,247,333
Goods other than for resale or manufacture	367,073
Services lodged under cost of power generation	325,923
Capital goods not subject to amortization	203,469
Current year importations other than capital goods	1,017,514
Total available input tax	398,537,935
Less:	
Deferred on capital goods exceeding ₱1 million for the succeeding period	2,774,972
Claims during the year	329,464,164
VAT paid	34,675,449
Allocable to exempt sales	236,680
Balance at December 31, 2012	₱31,386,670

Landed Cost of Importation

Total landed cost of importations amounted to ₱8,479,306 in 2012, ₱194,080 of which pertains to customs duties, tariff and other fees. These are all paid as of December 31, 2012.

Other Taxes and Licenses

This includes all other taxes, local and national, including real property taxes, licenses and permit fees lodged under the "Taxes and Licenses" account under the Expenses section in the statement of income. Details of other taxes and license fees are as follows:

Business permits	₱21,907,574
Documentary stamp taxes	11,473,750
Real property taxes	3,005,984
Other licenses	55,795
Registration fee	500
	₱36,443,603

Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Balance as of December 31, 2012
Withholding taxes on compensation and benefits	₱18,524,240	₱2,728,592
Expanded withholding taxes	37,189,977	8,411,066
Final withholding taxes	4,556,373	–
Fringe benefit	671,954	177,878
	₱60,942,544	₱11,317,536

The Company has an assessment from the local government of Makati City amounting to ₱2,436,220 for deficiency taxes, fees and charges for the calendar years 2004 to 2007. The Company filed a complaint for the cancellation of the assessment on December 17, 2009. The parties have submitted formal offer of evidence on August 28, 2012.

EXHIBIT D

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Annual Report of Use of Proceeds from Stock Rights Offering

Trans-Asia Oil
and Energy Development Corporation
A PHINMA Company

HELP EARTH
Harnessing Energy Literacy for Planet EARTH

January 30, 2013

Securities and Exchange Commission
SEC Building
Epifanio de los Santos Avenue
Mandaluyong City

Attention: **Atty. Justina Callangan**
Director, Corporate Finance Department

Gentlemen:

In compliance with the disclosure requirements of the Philippine Stock Exchange (PSE) on the use of proceeds from Stock Rights Offerings (SROs), please be advised that as of December 31, 2012, Trans-Asia Oil and Energy Development Corporation (TA):

- has used P227.1 Million from the P607.8 Million gross proceeds of the 2007 SRO.
- has used P1.162 Billion from the P1.165 Billion gross proceeds of the 2011 SRO.
- has used P0.012 Billion from the P1.627 Billion gross proceeds of the 2012 SRO.

Attached is the schedule of disbursements of proceeds from SROs.

Very truly yours,

Mariejo P. Bautista
VP – Controller

11th Floor Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1200 Philippines
Tel. No.: (632) 870-0100 Fax No.: (632) 870-0433

Trans-Asia Oil & Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2007 Stock Rights Offering
As of December 31, 2012
(Amounts in Millions)

	Estimate			Actual disbursement for the period Nov. 28, 2007 to Dec. 31, 2012			Balance of Gross Proceeds As of Dec. 31, 2012		
Original Gross Proceeds - 2007 SRO			**607.8**			**607.8**			**607.8**
pplication of Gross Proceeds									
Renewable Energy Projects									
Previously earmarked for CIPP Plant Expansion	378.5			30.8			30.8		
Previously earmarked for Mineral Projects	34.6	413.1		-	30.8		-	30.8	
General Corporate Purposes									
Repay Loan to Unionbank	32.7			32.7			32.7		
Repay Loan to Equitable PCI bank	150.0	182.7		150.0	182.7		150.0	182.7	
Fund Petroleum and Mineral Exploration Projects									
Area 8	5.3			4.8			4.8		
SC 51	0.7			-			-		
SC 55	0.7			-			-		
Camarines Norte	2.8			-			-		
Kalinga	13.5			-			-		
Other Areas	16.4			-			-		
Reallocated to Renewable Energy Projects	(34.6)	4.8		-	4.8			4.8	
Pay Expenses in Relation to the Stock Rights Offer									
Documentary Stamp Tax	2.8			2.8			2.8		
Professional Fees	1.9			4.1			4.1		
PSE and SEC listing and Processing Fees	1.2			1.2			1.2		
Stock Transfer Agent Fee	0.5			0.2			0.2		
Administrative (printing of notices, subscription agreements, stock certificates, mailing costs and miscellaneous expenses)	0.8	7.2	607.8	0.4	8.8	227.1	0.4	8.8	227.1
Balance			-			**380.7**			**380.7**

Prepared by:

Shelibeth T. Rodriguez
Sr. Accountant

Noted by:

Mariejo P. Bautista
VP - Controller

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2013
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITOR'S REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We are pleased to submit our report on the agreed-upon procedures performed with respect to the disbursements from the gross proceeds of the 2011 stock rights offering of Trans-Asia Oil and Energy Development Corporation (the Company) as of December 31, 2012 and for the period from May 30, 2011 to December 31, 2012. Our engagement was undertaken in accordance with Philippine Standards on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed to assist the Company in connection with its reporting requirements with the Philippine Securities and Exchange Commission (SEC).

Shown below are the procedures we performed and our findings:

1. We obtained the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering as of December 31, 2012 and for the period from May 30, 2011 to December 31, 2012 (the "Schedule") and checked its mathematical accuracy. We noted no exceptions.

2 We traced the estimated and gross net proceeds and actual disbursements as of December 31, 2012 and for the period from May 30, 2011 to December 31, 2012 per Schedule to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering for the period from October 1, 2012 to December 31, 2012 filed with the SEC. We did not note any exceptions.

The above procedures do not constitute either an audit or a review made in accordance with the Philippine Standards on Auditing or Philippine Standards on Review Engagements, thus we do not express any assurance on the financial statements of the Company taken as a whole.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Philippine Standards on Auditing or Philippine Standards on review Engagements, other matters might have come to our attention that would have been reported to you.

A member firm of Ernst & Young Global Limited

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information. It is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and do not extend to the financial statements of the Company, taken as whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-1 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

January 29, 2013

Trans-Asia Oil & Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering
For the period May 30, 2011 to December 31, 2012
(Amounts in Millions)

	Estimate			Actual disbursement for the period May 30, 2011 to Dec. 31, 2012			Balance of the Gross Proceeds As of Dec. 31, 2012		
Original Gross Proceeds - 2011 SRO			**1,165.2**			**1,165.2**			**1,165.2**
Application of Gross Proceeds									
Equity Investment in Coal Power Projects		1,044.1			1,044.1			1,044.1	
Equity Investment in Maibarara Geothermal Inc.		105.0			105.0			105.0	
Pay Expenses in Relation to the Stock Rights Offer									
Documentary Stamp Tax	5.8			5.8			5.8		
Professional Fees	4.0			-			-		
SEC Fees for increase in authorized capital stock and notice of excemption	3.5			5.6			5.6		
PSE listing and Processing Fees	1.3			1.2			1.2		
Other expenses	1.5	16.1	1,165.2	0.4	13.0	1,162.1	0.4	13.0	1,162.1
Balance			**-**			**3.1**			**3.1**

Prepared by:

Shelibeth T. Rodriguez
Sr. Accountant

Noted by:

Mariejo P. Bautista
VP - Controller

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2013
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITOR'S REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We are pleased to submit our report on the agreed-upon procedures performed with respect to the disbursements from the gross proceeds of the 2012 stock rights offering of Trans-Asia Oil and Energy Development Corporation (the Company) for the period November 14, 2012 to December 31, 2012. Our engagement was undertaken in accordance with the Philippine Standards on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed to assist the Company in connection with its reporting requirements with the Philippine Securities and Exchange Commission (SEC).

Shown below are the procedures we performed and our findings:

1. We obtained the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period November 14, 2012 to December 31, 2012 (the "Schedule") and checked its mathematical accuracy. We noted no exceptions.
2. We traced the estimated gross proceeds and application of gross proceeds per Schedule to the estimated amounts indicated in the prospectus. We noted that the application of gross proceeds per schedule agrees with the amount indicated in the prospectus.
3. We obtained the schedule of proceeds of the 2012 stock rights offering and checked its mathematical accuracy. We did not note any exceptions.
4. We agreed amount of proceeds indicated in the Schedule to the total proceeds in the schedule obtained in No.3. We noted no exceptions.
5. We traced the proceeds to bank validated deposit slips, bank statements and details of payment provided by the Company. We did not note any exceptions.
6. We obtained the details of disbursements related to the 2012 stock rights offering and checked its mathematical accuracy. We did not note any exceptions.
7. We agreed the amount of disbursements in the Schedule to the details of disbursements obtained in No. 6. We noted no exceptions.
8. We vouched disbursements to supporting documents such as check vouchers, invoices, billing statements, and official receipts. We did not note any exceptions.

The sufficiency of the procedures is solely the responsibility of the Company's management. Consequently, we make no representation regarding the sufficiency of the procedures described in the foregoing either for the purpose of which this report has been requested or for any other purpose.

The above procedures do not constitute either an audit or a review made in accordance with the Philippine Standards on Auditing or Philippine Standards on Review Engagements, thus we do not express any assurance on the financial statements of the Company taken as a whole.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Philippine Standards on Auditing or Philippine Standards on review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information. It is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and do not extend to the financial statements of the Company, taken as whole.

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April 11, 2012, valid until April 10, 2015
PTR No. 3669691, January 2, 2013, Makati City

January 14, 2013

Trans-Asia Oil & Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering
For the period November 14, 2012 to December 31, 2012
(Amounts in Millions)

	Estimate			Actual disbursement for the period Nov. 14, 2012 to Dec. 31, 2012			Balance of the Gross Proceeds As of December 31, 2012		
Original Gross Proceeds - 2012 SRO			**1,627.0**			**-**			**1,627.0**
Application of Gross Proceeds									
Equity Investment in 54MW wind energy project in San Lorenzo, Guimaras		1,000.0			-			-	
Equity Investment in second 135MW unit of the clean coal-fired power plant in Calaca, Batangas, *and/or other Power project Opportunities and Possible* investments in privatization of NPC and PSALM		612.0			-			-	
Pay Expenses in Relation to the Stock Rights Offer									
SEC Fees for increase confirmation and exemption	1.6			1.6			1.6		
PSE listing and Processing Fees	2.4			1.6			1.6		
Documentary Stamp Tax	8.1			8.1			8.1		
Professional Fees	1.2			-			-		
Other expenses	1.7	15.0	1,627.0	0.6	11.9	11.9	0.6	11.9	11.9
Balance			**-**			**(11.9)**			**1,615.1**

Prepared by:

Shelibeth T. Rodriguez
Sr. Accountant

Noted by:

Mariejo P. Bautista
VP - Controller