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S.E.C. Registration Number

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

(Company's Full Name)

L E V E L 1 1 P H I N M A P L A Z A 3 9 P L A Z A
D R I V E R O C K W E L L C E N T E R M A K A T I

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

ATTY. JUAN J. DIAZ	8 7 0 - 0 1 0 0
Contact Person	Company Telephone Number

1 2	3 1	1 7 - A	0 3	2 4
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3, 2 7 6		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document I. D.

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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 2013
(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, 2013
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	**4,863,862,757** shares
Amount of debt outstanding	**₱3,858,908,648**

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	100%	Holcim Philippines, Inc. WESM
La Union	CIP II Power Corporation	21MW	BFO	100%	TA-Oil
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 2013, the total energy sales reached 1,508 GWh. Our primary customers, Holcim Philippines in Bulacan and La Union, Philippine Economic Zone Authority (PEZA) for its Cavite Economic Zone, Quezon II Electric Cooperative Inc. (QUEZELCO II), Lafarge Republic, Inc. and DirectPower Services, Inc. consumed the bulk of the total energy sold while the balance was sold to WESM.

Aside from the WESM, the Company sourced electricity from the contracted capacities in SEM Calaca Power Corporation, One Subic Power Generation Corporation, Vivant Sta Clara Northern Renewables Corporation and KEPCO SPC Power Corporation. The Company also won and was awarded 40 MW of the Unified Leyte geothermal power plants capacity in a bidding conducted by Power Sector Assets and Liabilities Management Corp. However, since the facilities are undergoing restoration in the wake of Typhoon Yolanda, actual turn-over may take place in the fourth quarter of 2014.

TA Power

On January 1, 2013, TA purchased Holcim Philippines, Inc's 50% interest in Trans-Asia Power Generation Corporation (TAPGC or TA Power), making TA Power a wholly owned subsidiary of Trans-Asia. TAPGC supplied the electricity requirement of Holcim's Norzagaray, Bulacan cement plant via the former's 52MW Bunker C-Fired power plant.

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.
Out of the total energy sales of 259 GWh, 71% or 184.5 GWh were delivered to Holcim while the remaining 29% or 74.5 GWh were exported to WESM.

In 2013, TAPGC registered a net income of ₱279 Million.

CIPP

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

In December 2010, CIPP's Board of Directors approved the transfer of its 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. Actual ground-breaking began last April 2011 and completion of the transfer of all major equipment and structures finished three months after. The plant was commissioned on Dec. 21, 2012 and commenced commercial operations on January 2013.

The new location of the plant not only allows it to serve the requirements of the adjacent Holcim cement plant but also sell power to the WESM and the Parent Company. The total energy sales of CIPP reached 10GWh for the period January to June 2013. Thereafter, CIPP and TA entered into a Power Administration and Management Agreement, where TA pays CIPP a fixed fee for its entire capacity.

In 2013, CIPP registered a net income of ₱52.2 Million.

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 by the Company 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.

In 2013, a total of 4.32GWh of electricity were sold both to Guimelco (85%) and WESM (15%) resulting in total revenues of ₱75.90 Million and net income from operations is ₱17.84 Million.

SLTEC

SLTEC is currently constructing a clean coal-fired power plant in Calaca, Batangas. The plant is expected to start operations by the end of 2014. SLTEC is also developing a second 135MW clean coal-fired 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. Both units are being funded through a project finance loan with lenders Banco de Oro Unibank, Inc., Security Bank Corp., and Rizal Commercial Banking Corp.

MGI

MGI, a joint venture between PetroGreen Energy Corporation (65%), PNOC Renewables Corporation (10%), and the Company (25%), was incorporated and registered with the SEC on August 11, 2010. It is currently operating a 20MW geothermal plant in the Maibarara geothermal field in Santo Tomas, Batangas, which is targeted to commence commercial operations early February 2014. The field was discovered by Philippine Geothermal, Inc. in the 1980s.

An independent validation of resource assessment conducted by a New Zealand consulting firm concluded that there is a 90% probability that proven field reserves to date 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.

TAREC

TAREC, a wholly owned subsidiary of the Company, was incorporated and registered with the Philippine Securities and Exchange Commission (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 in 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. The relinquished site were not 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, supervised 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. The wind farm in San Lorenzo, Province of Guimaras will comprise of 27 wind turbines, with an installed capacity of 2MW each. This brings the wind farm‘s total capacity to 54MW.

On May 17, 2013 TAREC received DOE’s Declaration of Commerciality for the San Lorenzo Project. The DOC means that the Project will be eligible to avail of the Feed-in Tariff, but only upon successful completion and commissioning of the Project. The Project will compete with at least three (3) other wind power projects for the 200 MW allocated by the DOE to wind projects.

On December 18, 2013, TAREC signed an Omnibus Loan and Security Agreement with lenders Security Bank Corp., and Development Bank of the Philippines for the construction of the 54MW Wind Farm in San Lorenzo Guimaras. Construction of the Wind Farm is underway and is expected to be completed within the year. TAREC tapped Kanematsu Corporation as contractor for the wind farm and the submarine cable connecting Guimaras to Iloilo.

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 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 customer 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 32 months. After completion of both units, SLTEC will have a total capacity of 270 MW.

Located at the Phoenix Petroterminal and Industrial Park Phase II at km 118, Sitio Cababalo, Barangay Puting Bato West, Calaca, Batangas, Philippines, 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 constructing a 54MW wind energy project in San Lorenzo, Guimaras. 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.

Total project cost is estimated at P6.3 billion inclusive of P600 million in contingency and FX fluctuation reserves. Approximately 70% of project cost, or P4.3 billion is expected to be financed by debt, and the balance of P2 billion is expected to be financed by equity.

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 to baseload plants such as coal, geothermal and natural gas facilities of its competitors.

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. For these projects, the Company has maintained healthy liquidity and credit ratios.

Dependence on Suppliers

The Company purchases Bunker-C fuel from Petron which is the biggest oil supplier in the country, for its power generation business. Disruptions to the supply of fuel could result in substantial reduction in production or increased power plant operating cost that may have an adverse effect 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. With new long-term customers La Farge, DPSI and PEZA, TA is not dependent on any single customer for the viability of the electricity business.

Related Party Transactions

Trans-Asia's electricity business is not significantly dependent on related parties. The Parent Company and its subsidiaries TA Power, CIPP, TAREC and TA Petroleum have management contracts with Philippine Investment-Management (PHINMA), Inc. up to 2018 except for TA Power whose contract with PHINMA is up to 2016, renewable thereafter upon mutual agreement.

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:

Wholesale Aggregator (WA) Certificate of Registration and 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.

Retail Electricity Supplier (RES) 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.

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.

Ancillary Service Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP)

On February 25, 2013, Trans-Asia Oil and Trans-Asia Power had been granted provisional authority by the ERC in the application for approval of the Ancillary Services Procurement Agreement (ASPA) with NGCP. By virtue of a subsequent orders, ERC CASE No. 2012-136 RC for Trans-Asia Oil and ERC CASE No. 2012-135 RC for Trans-Asia Power issued by the ERC, the said provisional authority is extended until revoked or made permanent by the ERC. The 120 MW Trans-Asia Oil Subic Plant and 52 MW Trans-Asia Power Bulacan Plant have been certified by the NGCP to be capable of providing Contingency and Dispatchable Reserves.

ASPA with Trans-Asia Oil provides that NGCP will be procuring specified capacity of the Ancillary Services capacity (firm or non-firm) from the 120 MW Trans-Asia Oil Sublic Plant.

Respectively, ASPSA with Trans-Asia Power provides that NGCP will be procuring specified capacity of the Ancillary Services capacity (firm or non-firm) from the 52 MW Trans-Asia Power Bulacan Plant.

The proposed applicable maximum hourly rate for the capacity covered by the ASPA is 1.25/kW for the Dispatachable Reserve.

Under the EPIRA (Electric Power Industry Reform Act), Ancillary Services are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system accordance with good utility practice and the Philippine Grid Code.

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.

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.

Agreements Relating to Maibarara Geothermal Inc. (MGI)

(a) 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.

(b) On September 16, 2011, Trans-Asia and MGI signed an Electricity Supply Agreement where TA agreed to purchase the entire output of MGI for a period of 20 years commencing upon commercial operations of MGI.

(c) The Maibarara Geothermal Inc., 20 MW geothermal power plant commenced commercial operations in Sto. Tomas, Batangas on February 8, 2014. The Maibarara facility is the first geothermal project to go on-stream under the Renewable Energy Act of 2008.

Agreements Relating to South Luzon Thermal Energy Corporation (SLTEC)

(a) On June 29, 2011 Trans-Asia entered into a joint venture with AC Energy Holdings Inc. (ACEHI) to undertake the construction of a 135-MW clean coal power plant in Calaca, Batangas. The project will be owned by SLTEC, to be owned 50-50 by Trans-Asia and ACEHI. The plant will be constructed by D.M. Consunji, Inc. with the equipment to be supplied form 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 second half of 2014.

(b) On October 28, 2011, Trans-Asia signed a Power Purchase Agreement with SLTEC where Trans-Asia will purchase all the power generated by the power plant for fifteen (15) years.

(c) On October 28, 2011, SLTEC signed the Omnibus Loan and Security Agreement with BDO, RCBC and Security Bank for a P9.0B project loan facility, with a 36-month availability period from date of agreement. Trans-Asia and ACEHI are the project sponsors. As a project sponsor, Trans-Asia is committed, among others, to enter into supply agreements sufficient for SLTEC to break even, to fund the equity portion of the project cost, pledge its shares in SLTEC as security and guarantee to redeem the loan in the event of default.

(d) On April 17, 2013 TA Oil and South Luzon Thermal Energy Corp. (SLTEC), the joint venture company established by TA Oil and AC Energy Holdings, Inc., signed a Power Purchase Agreement for the purchase of the generated output of the SLTEC's second 135 MW power plant unit, valid for thirteen (13) years.

Administration Agreement as Independent Power Producer Administrator for the Forty (40) MW Strips of Energy of the Unified Leyte Geothermal Power Plant (UL GPP)

Upon an auction conducted by the Power Sector Assets and Liabilities Management (PSALM) on November 07, 2013, Trans-Asia was declared as one of winning bidders for the forty (40) MW Strips of Energy of the Unified Leyte Geothermal Power Plant. The ULGPP complex is composed of the 125 MW Upper Mahiao plant; 232.5 MW Malitbog plant; 180MW Mahanagdong plant; and 51 MW optimization plants.

After meeting all of the post qualification requirements, Trans-Asia has formally received the notice of award as one of the independent administrators (IPPAs) of the UL GPP's contracted capacities on February 06, 2014. Effectivity of the contract will depend upon issuance of PSALM of the Certificate of Effectivity. The agreement shall expire on 25 July 2021.

Electricity Supply Agreements / Contracts

The following are the contracts / agreements pertaining to the supply of electricity entered into by Trans-Asia as the Supplier:

1. ***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: the	GUIMELCO must give priority to electricity generated by
	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.

2. ***Contracts of Sale of Electricity with Quezon II Electric Cooperative, Inc. (QUEZELCO II)***

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.

3. ***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.

On November 5, 2013, an Addendum to the Contract of Sale of Electricity was signed into by TA Oil and Lafarge Republic Inc., which added the Lafarge Teresa Plant to be supplied by TAOil. Expiration date is still December 25, 2017.

4. ***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 the entire 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 December 25, 2014.

5. ***Contract for the Sale of Electricity with DirectPower Services, Inc.***

On April 17, 2013 TA Oil signed a Contract for the Sale of Electricity with DirectPower Services Inc., a Retail Electricity Supplier duly licensed by the Energy Regulatory Commission. The Contracts covers the supply of electricity by TA Oil to DirectPower of a combined peak demand of up to 106.71MW valid for eleven (11) years commenced on June 26, 2013 upon commercial operation of the Retail Competition and Open Access (RCOA).

6. ***Contract for the Sale of Electricity with Batangas I Electric Cooperative (BATELEC I)***

On July 07 2013, TA Oil as a Wholesale Aggregator entered into a contract for the sale of electricity with Batangas Electric Cooperative I (BATELEC I). Duration of supply of electricity shall start on the Commencement Date and shall terminate after the lapse of sixty (60) Billing Periods or a period of five (5) years.

Commencement of supply of electricity is still pending upon final approval of rates by ERC.

Power Supply Contracts / Agreements

To augment further the supply portfolio of Trans-Asia, the following are the contracts / agreements entered into by Trans-Asia pertaining to purchase of generated electricity from third party suppliers:

1. ***Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation***

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

   On March 1, 2013 Trans-Asia and Sem-Calaca amended the terms of the contract and contracted capacity. The amendments include the augmentation of the contracted capacity to 45 MW and the termination date extension until March 25, 2016.

2. ***Contract to Purchase Generated Electricity with Vivant-Sta. Clara Northern Renewables Corp.***

   On April 26, 2013 TA Oil and Vivant-Sta. Clara Northern Renewables Corp. signed a contract for the sale of electricity to TA Oil of fifteen (15) MW, a portion of the 70 MW Bakun Hydro Power Plant located in Alilem, Ilocos Sur, valid for two (2) years.

3. ***Contract to Purchase Generated Electricity with KEPCO SPC Power Corporation.***

   On 23 April 2013 TAOil and KEPCO SPC Power Corporation (KSPC) entered a contract for the sale of electricity to TA Oil of eight (8) MW of the Diesel Plant located in Naga City Cebu, commenced on 26 April 2013, valid for five (5) years.

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.

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, 2013:

Contract	Location	Interest	Issue Date	Commercial Terms	Expiry Date	Status
SC 51	Eastern Visayas	6.67%	8 July 2005	A	July 31, 2014	Subsisting
SC 55	Offshore West Palawan	6.82%	5 August 2005	A	August 5, 2013	Extention requested
SC 69	Eastern Visayas	6.00%	7 May 2008	A	November 7, 2013	Extention requested
SC 6 Block A	Northwest Palawan	2.334%	1 September 1973	A	February 28, 2024	Subsisting
SC 6 Block B	Northwest Palawan	14.063%	1 September 1973	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%	17 December 1975	A	December 17, 2025	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. [

Service Contract No. 51: Northwest Leyte/Cebu Strait

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, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone.Otto Energy completed the demobilization for the Duhat-2 well last August 30, 2013 and is conducting post-well studies. This new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

Trans-Asia, through TA Petroleum, owns 6.67% participating interest in SC 51.

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 Strategic Environmental Plan clearance was issued by the Palawan Council for Sustainable Development ("PCSD") and signed by all Parties in October 2013.

BHP Billiton Petroleum (Philippines) Corporation ("BHP Billiton"), the Operator, requested the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farmout Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. Approval of the reassignment of interest is pending with the DOE.

Otto Energy presented a revised work program to the DOE focused on the drilling of an ultra deepwater prospect and commenced a farmout campaign.

Palawan55 Exploration & Production Corporation, a subsidiary of Trans-Asia, holds 6.82% participating interest in SC 55.

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.

Following an unsuccessful campaign to farm out its participating interest, Otto Energy Philippines, Inc. ("Otto Philippines") notified the partners of its withdrawal from SC 69.

In view of Otto Philippines' withdrawal, TA Petroleum and Frontier Gasfields, Ltd. ("Frontier") jointly requested the DOE a six-month extension of the October 2013 deadline to enter the next exploration Sub-Phase. As of yearend, the request is pending with the DOE.

Upon DOE approval of the assignment of Otto Philippines' interests to TA Petroleum and Frontier, TA Petroleum's participating interest in SC 69 will be adjusted from the current 6% to 50%.

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.

On June 4, 2013, the SangguniangPanlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads. As at February 7, 2014, processing of the seismic data is on-going at a contractor's facility in Vietnam.

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.

In 2013 for SC 6 Block A, Pitkin Petroleum Plc., the Operator, completed a 500 sq. km. 3D seismic survey over selected prospects and leads. As of yearend, processing of the seismic data is ongoing at a contractor's facility in Vietnam.

For SC 6 Block B, the Department of Energy ("DOE") disapproved 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") due to the Farminees' failure to satisfy the DOE's requirements for service contractors .

In view of this development, original consortium members proposed to the DOE the conduct of a geological and geophysical program designed to evaluate two prospects in the block.
On September 13, 2013, DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. Geological and geophysical program is scheduled to commence in October 2013.

The consortium is formulating a work program for the next five years of the extension period which starts on March 1, 2014.

Trans-Asia, through its wholly-owned subsidiary, Trans-Asia Petroleum Corporation (" TA Petroleum"), holds 2.334% and 14.063% participating interests in Block A and Block B, respectively.

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 and 9,703 barrels of oil in 2013.

Service Contract No. 52: Cagayan Province

In view of the suspension of the Nassiping-2 Stimulation and Testing Program in December 2012, Frontier Oil Corporation ("Frontier Oil"), the Operator, elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

Trans-Asia and Frontier Oil signed a Second Amendment to their Farm-in Option Agreement in July 2013 that extended the option period and expanded the coverage of Trans-Asia's option to include the untested deeper prospective gas-bearing intervals identified in the well.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well

Trans-Asia has an option to acquire a 10% participating interest from Frontier Oil, which option may be exercised after the Nassiping-2 well deepening and testing is completed

Service Contract No. 50 (Offshore Northwest Palawan)

Trans-Asia Petroleum Corporation commenced negotiations with Frontier Energy Limited, the Operator, regarding a Farm-in Agreement that would provide for TA Petroleum's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, TA Petroleum committed to subscribe to PhP 136 million in Frontier Oil Corporation shares through the latter's forthcoming Initial Public Offering.

GEOTHERMAL

Maibarara Geothermal Incorporated

MGI, 25% - owned subsidiary of Trans-Asia, completed the commissioning of the steamfield facilities in Septermber 2013. Connection of the transmission line to Meralco's distribution system and its energization were likewise accomplished during the same month. Testing .of high voltage systems were done in October 2013. Commisioning and testing of the 20 MW power plant commenced in November 2013. .

Commercial operation is anticipated in early 2014.

Mabini Geothermal Service Contract (Batangas)

Trans-Asia signed a Memorandum of Agreement ("MOA") with Basic Energy Corporation ("Basic") in December 2013, under which Trans-Asia shall acquire from Basic a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased to up to 40%, at the option of Trans-Asia, after Trans-Asia completes a gravity program in the contract area at its sole cost.

REGULATORY FRAMEWORK

PETROLEUM EXPLORATION

TA's petroleum 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.

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. 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, and GUIMELCO, with which the Company has Electricity Supply Agreements, and the Philippine Electricity Market Corporation (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.

Due to its interpretation of the WESM Rules, the Philippine Electricity Market Corporation allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. In November and December of 2013, when prices of electricity in the WESM soared due to lack of supply, the Supreme Court issued a 60-day Temporary Restraining Order (TRO) enjoining the MERALCO and the ERC from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism which allows automatic pass through of the cost of power purchased from WESM. As a result, MERALCO did not pay PEMC a significant portion of its November and December power bills. PEMC in turn, did not pay Trans-Asia Power the full amount of its electricity sales.

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 Bay, Zambales, MGI's 20MW geothermal plant and up to 45MW 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 54MW Wind Farm Project may fail to secure FIT Eligibility

Under the Renewable Energy Law, all qualified and registered generating plants with intermittent renewable energy resources shall enjoy the benefit of priority dispatch. Priority purchase, transmission and payment for such electricity is also provided for by the RE Law. Furthermore, all renewable energy generators are ensured of payment for electricity generated via the Feed-in-Tariff Scheme for a period of 20 years.

On May 17, 2013 TAREC received DOE's Declaration of Commerciality for the San Lorenzo Project. The DOC means that the Project will be eligible to avail of the Feed-in Tariff, however, the DOC states that such eligibility is contingent upon successful completion and commissioning of the Project. The Project will compete with at least three (3) other wind power projects for the 200 MW allocated by the DOE to wind projects. If the Project is delayed and fails to get completed ahead of the other wind power projects totaling 200 MW, it will not be paid the Feed-in-Tariff. It will be able to sell power, however, at WESM rates, returns will go down drastically to levels where TAREC can service debt payments but cannot achieve any income for its shareholders. Trans-Asia Oil, as 100% owner of TAREC, has continuing guarantee to fund the Project until FIT is obtained.

To manage this risk, TAREC employs the services of contractors and suppliers through a stringent decision and awarding process. Moreover, it has engaged the services of construction giant Kanematsu Corporation to construct the wind farm, and reputable Australian firm Wind Prospect Pty Ltd to manage construction of the project. 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.

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, 2013, TA has total employees of 64, 50 employees for its Makati office and 14 employees for its power station in Guimaras Island. Of the total employees, 16 are managers and officers, 15 are supervisors, and 33 are non-supervisory employees. 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 (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	100.00%
Trans-Asia Power Generation Corporation (TAPGC)	100.00%
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 Wind Power Corporation	100.00%

Trans-Asia Renewable Energy Corporation (TAREC) TAREC is a wholly owned subsidiary of TA. This corporation was incorporated and registered with the Philippine Securities and Exchange Commission (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 Philippine Securities and Exchange Commission (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.

On 22 July 2013, the Board of Directors of TA declared a property dividend to TA Oil shareholders of 123,161,310 in TA Petroleum or 2.55 Shares for every 100 shares in TA Oil, and cash in the amount of ₱0.013 per share to all stockholders of record of TA Oil as of 5 August 2013, subject to the approval by the Securities and Exchange Commission (SEC) and other regulatory agencies. In lieu of this dividend, shareholders in the US will receive Php0.0385 for every TA shares held. On August 8, 2013 the Board of Directors of TA-Petroleum authorized the application for listing by way of introduction of 100% of the issued and outstanding Shares.

CIP II Power Corporation (CIPP). 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. In December 2010, CIPP's Board of Directors approved the transfer of its 21MW oil-fired power plant from Laguna to Bacnotan, La Union. The plant was successfully transferred to La Union and started commercial operations on January 17, 2013.

Trans-Asia Gold and Minerals Development Corp. (TA Gold). 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 Philippine Securities and Exchange Commission (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. It holds a 6.82% interest in Service Contract No. 55. The corporation has not started its commercial operation.

Trans-Asia Power Generation Corporation (TAPGC). 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 Wholesale Electricity Spot Market (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 (SLTEC). 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, South Luzon Thermal Energy Corporation (SLTEC), owned 50-50 by Trans-Asia and AC Energy Holdings Inc, 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 Power Corporation (ACTA), is owned 50-50 by Trans-Asia and AC Energy Holdings Inc. ACTA has not started commercial operations.

Asia Coal Corporation (Asia Coal). 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). 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. The plant commenced commercial operation on February 8, 2014.

Trans-Asia Wind Power Corporation (TAWPC). TAWPC was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to TA for a total cash consideration of ₱116,136,510. As a result of the assignment, TAWPC becomes a wholly owned subsidiary of TA. TAWPC has not started commercial operations.

Item 2. Properties

Trans-Asia owns the following fixed assets:

Properties	Location	Amount
Land	Bacnotan, La Union and Norzagaray, Bulacan	₱38,501,000
Building and improvements	Makati City, Guimaras and Norzagaray, Bulacan	188,730,373
Machinery and equipment	Guimaras, Norzagaray, Bulacan and Bacnotan La Union	1,162,990,606
Wells, platforms and other facilities	Palawan	20,346,661
Transportation equipment	Makati City, Guimaras Norzagaray Bulacan and Bacnotan La Union	21,811,719
Mining and other equipment	Makati City, Guimaras and Bacnotan La Union	25,887,995
Office furniture, equipment and others	Makati City, Guimaras, Bacnotan La Union and Norzagaray, Bulacan	39,312,041
Construction in Progress	Guimaras	1,374,658,287

Total		**₱2,872,238,682**
Less: Accumulated depletion, depreciation and amortization		**490,312,142**
Net		**₱2,381,926,540**

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. Included also in building and improvements are leasehold improvements located in Guimaras and Norzagaray, Bulacan.

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, Bacnotan, La Union and Norzagaray, Bulacan. The Company has complete ownership of the above properties which have no mortgages or liens.

One of its subsidiaries, TAREC, has a wind monitoring towers in San Lorenzo, Guimaras. Additional four (6) wind monitoring towers were constructed in Guimaras and Cagayan Valley. On the other hand, Karang Besar has no properties.

CIPP operates a 21 MW Bunker C-fired power plant in 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 February 15, 2014, there were 4,863,862,757 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 21, 2014 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 24, 2014.

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. Below are the high and low sales prices as of February 15, 2014 and for the calendar years 2013, 2012, and 2011 :

Period	High	High adj.	Low	Low adj.
Calendar Year 2014				
February 15	1.94		1.75	
January 31	2.04		1.41	
Calendar Year 2013				
First Quarter	2.72		1.17	
Second Quarter	3.00		1.90	
Third Quarter	2.81		2.05	
Fourth Quarter	2.40		1.37	
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	

Stockholders

The Company had 3,276 registered shareholders as of February 15, 2014. 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 February 15, 2014.

No.	Name of Stockholders	Citizenship	No. of Shares Held	% of Ownership
1	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino	Filipino	3,852,132,117	79.20%
2	Phinma Corporation (formerly Bacnotan Consolidated Industries, Inc.)	Filipino	449,331,621	09.24%
3	Philippine Investment Management Consultants, Inc.	Filipino	201,850,613	04.15%
4	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	Foreign	161,793,859	03.33%
5	Samuel Uy Chua	Filipino	40,000,000	00.82%
6	Emar Corporation	Filipino	37,283,937	00.77%
7	Francisco Genaro Ozamiz Lon	Filipino	16,600,000	00.34%
8	Francisco L. Viray*	Filipino	5,478,188	00.11%

9	Phil. Remnants Co., Inc.	Filipino	2,801,218	00.06%
10	Peter Mar or Annabelle C. Mar	Filipino	2,040,000	00.04%
11	Ramon R. Del Rosario, Jr.	Filipino	1,783,038	00.04%
12	Victor Juan Del Rosario	Filipino	1,625,639	00.03%
13	Renato O. Labasan	Filipino	1,520,000	00.03%
14	Teresita A. Dela Cruz	Filipino	1,502,221	00.03%
15	Belek, Inc.	Filipino	1,484,002	00.03%
16	Yvonne Hannon Awad	American	1,456,095	00.03%
17	Rizalino G. Santos	Filipino	1,437,001	00.03%
18	Joseph D. Ong	Filipino	1,397,663	00.03%
19	William How &/OR Benito How	Chinese	1,333,457	00.03%
20	Alexander J. Tanchan &/OR Dolores U. Tanchan	Filipino	1,072,867	00.02%

*The total number of shares owned by Dr. Francisco L. Viray as of February 15, 2014 is 9,429,730 shares of which 3,951,542 shares are lodged in AB Capital Securities, Inc. (a PCD participant) while 5,478,188 shares are certificated.

A. 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 2009 up to 2013 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
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
March 21, 2013	Cash	0.04 per share	April 8, 2013	May 6, 2013
July 22, 2013	Property	2.55 per 100 shares	August 5, 2013	Subject to SEC Approval
July 22, 2013	Cash	0.013/.0385 per share	August 5, 2013	Subject to SEC Approval

No stock dividend was declared for the calendar years 2009 up to 2012.

On 22 July 2013, the Board of Directors of TA Oil approved a dividend declaration, which resulted in the distribution to TA Oil shareholders of 2.55 Shares in Trans-Asia Petroleum Corporation for every 100 shares in TA Oil provided that no fractional shares shall result and any resulting dividend with fractional shares shall be rounded down to the nearest whole number, and cash in the amount of ₱0.013 per share to all stockholders of record of TA Oil as of 5 August 2013, subject to the approval by the Securities and Exchange Commission (SEC) and other regulatory agencies. U.S based stockholders of TA Oil shall receive cash in the amount of ₱0.0385 per TA Oil share, in lieu of TA Petroleum shares, and the cash dividend of ₱0.013 per share, in view of the requirements under U.S. securities laws and regulations. The Shares subject of the Registration Statement are covered by the application for the approval of the Property Dividend, which was filed by TA Oil on 17 September 20132 and approved by the SEC on 7 October 2013.

As of December 31, 2013, Trans-Asia's retained earnings amounted to ₱2.14 billion, of which ₱534.66 million were equity in net earnings of investee companies that are not available for dividend declaration.

A. 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 and reinstated it on July 22, 2013. 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 500 sq. km. 3D seismic survey over selected prospects and leads. As of yearend, processing of the seismic data is ongoing at a contractor's facility in Vietnam.
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

The Department of Energy ("DOE") disapproved 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") due to the Farminees' failure to satisfy the DOE's requirements for service contractors .

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

In view of this development, original consortium members proposed to the DOE the conduct of a geological and geophysical program designed to evaluate two prospects in the block. The DOE subsequently approved the proposed work program.

Trans-Asia, through its wholly-owned subsidiary, Trans-Asia Petroleum Corporation (" TA Petroleum"), holds 2.334% and 14.063% participating interests in Block A and Block B, respectively.

SC 14 Block B-1 (Offshore Northwest Palawan)

The North Matinloc field produced 9,703 barrels of oil in year 2013.

Trans-Asia has 6.103% participating interest in the block.

SC 51 (Northwest Leyte/Cebu Strait)

Otto Energy Investments, Ltd. ("Otto Energy"), the Operator, spudded the Duhat-2 well in San Isidro, Leyte in July 2013, but plugged and abandoned the well without reaching its target for safety and environmental reasons, after the well encountered a high pressure water zone.

The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies.

Trans-Asia, through TA Petroleum, owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The Strategic Environmental Plan clearance was issued by the Palawan Council for Sustainable Development ("PCSD") and signed by all Parties in October 2013.

BHP Billiton Petroleum (Philippines) Corporation ("BHP Billiton"), the Operator, requested the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farmout Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

Palawan55 Exploration & Production Corporation, a subsidiary of Trans-Asia, holds 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

Following an unsuccessful campaign to farm out its participating interest, Otto Energy Philippines, Inc. ("Otto Philippines") notified the partners of its withdrawal from SC 69.

In view of Otto Philippines' withdrawal, TA Petroleum and Frontier Gasfields, Ltd. ("Frontier") jointly requested the DOE a six-month extension of the October 2013 deadline to enter the next exploration Sub-Phase. As of yearend, the request is pending with the DOE.

Upon DOE approval of the assignment of Otto Philippines' interests to TA Petroleum and Frontier, TA Petroleum's participating interest in SC 69 will be adjusted from the current 6% to 50%.

SC 52 (Cagayan Province)

In view of the suspension of the Nassiping-2 Stimulation and Testing Program in December 2012, Frontier Oil Corporation ("Frontier Oil"), the Operator, elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

Trans-Asia and Frontier Oil signed a Second Amendment to their Farm-in Option Agreement in July 2013 that extended the option period and expanded the coverage of Trans-Asia's option to include the untested deeper prospective gas-bearing intervals identified in the well.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well

Trans-Asia has an option to acquire a 10% participating interest from Frontier Oil, which option may be exercised after the Nassiping-2 well deepening and testing is completed
SC 50 (Offshore Northwest Palawan)

Trans-Asia Petroleum Corporation commenced negotiations with Frontier Energy Limited, the Operator, regarding a Farm-in Agreement that would provide for TA Petroleum's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, TA Petroleum committed to subscribe to PhP 136 million in Frontier Oil Corporation shares through the latter's forthcoming Initial Public Offering.

GEOTHERMAL

Maibarara Geothermal Incorporated

MGI, 25% - owned subsidiary of Trans-Asia, completed the commissioning of the steamfield facilities in Septermber 2013. Connection of the transmission line to Meralco's distribution system and its energization were likewise accomplished during the same month. Testing .of high voltage systems were done in October 2013. Commisioning and testing of the 20 MW power plant commenced in November 2013. .

Commercial operation is anticipated in early 2014.

Mabini Geothermal Service Contract (Batangas)

Trans-Asia signed a Memorandum of Agreement ("MOA") with Basic Energy Corporation ("Basic") in December 2013, under which Trans-Asia shall acquire from Basic a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased to up to 40%, at the option of Trans-Asia, after Trans-Asia completes a gravity program in the contract area at its sole cost.

Financial Performance
2013 vs 2012

Consolidated revenues climbed to ₱2.03 billion from ₱1.07 billion, or a 90% increase. Following are the material changes in revenues in the Consolidated Statements of Income between 2013 and 2012:

- Generation revenues rose from ₱75.07 million to ₱1.48 billion, 20 times that of last year due to energy sold by TA Power which became wholly owned on January 1, 2013 and by CIPP which commenced operation in January this year.
- Net trading income decreased to ₱524.09 million as compared with ₱901.68 million due to higher energy cost per kWh.
- Interest and other financial income dropped by 81% from ₱75.86 million to ₱14.5 million due to loss from changes in fair value of investments held for trading.

- Rental income decreased from ₱6.55 million to ₱5.78 million due to termination of a third party lease contract.

Consolidated costs and expenses went up from ₱401.12 million last year to ₱1,432.40 billion in 2013. Following are the material changes in costs and expenses in the Consolidated Statements of Income between 2013 and 2012:

- Cost of power generation rose to ₱1,083.24 billion from ₱61.91 million as a result of TA Power and CIPP costs.
- Cost of power plant on standby of ₱49.11 million in 2012 represents the expenses of CIPP before its commercial operations.
- General and administrative expenses increased by 20% from ₱290.10 million to ₱349.17 million brought about by higher taxes and licenses, insurance, management, director and professional fees.

Net other expenses increased to ₱195.16 million from ₱8.17 million in the same period last year. Following are the material changes in other income and expenses in the Consolidated Income Statements:

- The purchase of the 50% interest in TA Power resulted in a gain on remeasurement on previously held interest of ₱168.58 million and gain on bargain purchase from acquisition of ₱25.93 million in 2013.
- Net gain on its currency forward contracts went up to ₱31.16 million from ₱9.36 million. This was due to the depreciation of peso vis-a-vis the US dollar on the settlement date of the forward contracts.
- Interest and other financial charges increased from ₱1.34 million to ₱13.94 million due to interest expense incurred on short-term loan in 2013.
- Foreign exchange loss dropped from ₱27.20 million to ₱8.86 million. This was brought about by the depreciation of the US dollar vis-a-vis the Peso.
- The Company wrote off ₱6.02 million worth of remaining property and equipment in Calamba, Laguna in 2012.
- Gain on sale of available-for-sale investments of ₱621.82 thousand was reported in 2013 as compared with ₱75.50 thousand in the same period last year due to higher market value of investments.
- Gain on sale of property and equipment of ₱335.66 thousand was reported in 2013 as compared with ₱175.77 thousand in the same period last year due to the disposal of transportation equipment.
- Gain on sale of asset held for sale of ₱11.02 million was reported in 2012 from the disposal of property and equipment in Calamba, Laguna.
- Provision for impairment loss of available-for-sale investments of ₱49.70 million and provision for inventory obsolescence of ₱486.52 thousand were set-up in 2013.
- Additional provision for doubtful accounts of ₱17.68 million was set-up in 2013.
- The provision for impairment loss on deferred exploration costs of ₱12.87 million set-up in 2012 was reversed in 2013 due to the Company's payment of supplemental option fee.
- The Company reported in 2013 a ₱37.93 million option fee received from a third party for the Company's Camarines Norte MPSA as compared with ₱30.73 million option fee received in 2012.
- Other income increased from ₱6.34 million to ₱8.39 million. Other income consists of miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Equity in net losses of associates and joint ventures increased from ₱20.95 million to ₱61.70 million in 2013 brought about by higher net losses of SLTEC and MGI, which are still on construction / preoperating stage.

Provision for income tax increased from ₱180.07 million to ₱195.42 million in 2013 due to higher taxable income. Benefit from deferred income tax of ₱35.76 million was reported in 2013 as compared with provision for deferred income tax of ₱2.06 million reported in 2012.

As a consequence of the above-cited factors, an increase in net income by 22% was reported in 2013 from ₱ 471.43 million last year to ₱572.79 million this year.

Total consolidated assets increased to ₱10.99 billion as of December 31, 2013 from ₱7.56 billion as of December 31, 2012. Total consolidated liabilities rose to ₱3.86 billion from ₱635.66 million. Equity also increased from ₱6.93 billion to ₱7.13 billion.

Material changes in the balance sheet accounts of the Company were due partly to the change in TA Power's status from a 50% owned joint venture in 2012 to a wholly owned subsidiary of the Company starting January 1, 2013. In accordance with PFRS 11, TA Power accounts are consolidated with the parent Company in 2013 while they are presented using the equity method and included under the account Investments in Associates - Net in the 2012 balance sheet.

Following are the material changes in the accounts in the Consolidated Balance Sheets between December 31, 2013 and December 31, 2012:

- Cash and cash equivalents fell from ₱907.60 million to ₱687.99 million. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- Short-term investments dropped to ₱51.35 million from ₱1.56 billion due to capital expenditures of TAREC and the Company's investments in SLTEC's second unit of CFB power plant and MGI's geothermal project in Batangas.
- Investments held for trading decreased from ₱835.01 million to ₱475.35 million. The Consolidated Statements of Cash Flows show details of material changes in investments held for trading.
- Receivables went up by 299% from ₱670.23 million to ₱2.67 billion due to increase in generation and trading revenues.
- Fuel and spare parts increased by 82% from ₱133.93 million to ₱243.76 million due to the increase in the quantity of bunker fuel and spare parts purchased by TA Power, CIPP and One Subic Power Generation Corporation. The Company maintains bunker fuel inventories for the Subic power plant.under its Power Administration and Management Agreement
- Available-for-sale investments climbed 5 times higher to ₱292.14 million from ₱54 million, as of December 31, 2012 due to investments in bonds and money market placements.
- Other current assets rose to ₱447.43 million from ₱66.98 million primarily brought about by the creditable withholding taxes of TA Power and input taxes of CIPP and the parent company.
- Property, plant and equipment increased from ₱606.42 million to ₱2.39 billion due to fixed assets and capital expenditures of CIPP and TAREC.
- Investment in associates and joint ventures increased from ₱2.39 billion to ₱3.25 billion due to additional investments in MGI and SLTEC.
- Noncurrent available for sale investments increased from ₱224.56 million to ₱286.50 million. The latter includes shares of stocks owned by TA Power.
- Investment properties went up to ₱30.26 million from ₱19.14 million primarily because of the land owned by TA Power.
- Deferred exploration costs went up from ₱72.22 million to ₱96.29 million due to participation of the Company in Service Contract 52.
- Deferred tax asset increased from ₱25.41 million to ₱47.03 million brought about by the tax effect of the accrual of expenses and recognition of deferred tax asset which can be used for future taxable profit. .
- Other noncurrent assets increased from ₱2.38 million to ₱15.83 million. The latter includes security deposit of ₱13.75 to supplier.
- The increase in accounts payable and other current liabilities from ₱554.74 million to ₱2.51 billion was brought about by the higher level of operations.
- Due to stockholders increased from ₱9.03 million to ₱190.45 million to due to cash and property dividends declared by the Company on July 22, 2013 which remains unpaid as of December 31, 2013 pending issuance by the Bureau of Internal Revenue of the Certificate Authorizing Registration for the property dividend.
- The Company availed of a ₱910 million short-term loan in 2013 to fund operations.
- Income and withholding taxes payable increased by ₱23.22 million or 91% due to higher taxable income.
- Pension and other post-employment benefits increased from ₱27.17 million to ₱33.63 million or 24% due to additional pension expense accrued in 2013.

- Deferred income tax liabilities rose from ₱13.57 million to ₱142.46 million. The latter includes the tax effect of the gain on remeasurement of previously held interest.
- Other noncurrent liabilities increased from ₱5.74 million to ₱24.86 million. The latter includes other noncurrent liabilities of TA Power and deposit from customer of ₱13.75 million.
- Additional paid in capital increased from ₱24.03 million to ₱35.57 million as a result of the stock option plan granted to the directors, officers and employees of the Company and its subsidiaries.
- Other equity reserves – joint venture decreased by ₱4.12 million or 15% due to expenses related to the issuance of stocks of joint venture.
- Other equity reserve – stock option plan of ₱8.77 million was reported in 2013 in connection with the grant and exercise of stock options.
- Unrealized fair value gains on available-for-sale investments increased from ₱84.99 million to ₱ 91.82 million. The latter includes unrealized fair value gains on available-for-sale investments of TA Power.
- Remeasurement gains on defined benefit plan increased from ₱3.47 million to ₱4.23 million.
- Accumulated share in other comprehensive income of a joint venture decreased from ₱13.14 million to ₱4.69 million. The latter does not include share in other comprehensive income of TA Power since it became wholly-owned by TA Oil in 2013.
- Retained earnings increased from ₱1.94 billion to ₱2.13 billion due to the net income earned in 2013, net of dividends declared in the year.Value of parent company's shares of stock held by TA Power increased from ₱11.47 billion to ₱28.79 million.

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

KPI	Formula	31-Dec-13 Audited	31-Dec-12 Audited	Increase (Decrease) Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabiltiies	1.33	7.17	(5.84)	(81)
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.14	6.83	(5.68)	(83)
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	0.54	0.09	0.45	490
Asset to equity ratio	Total Assets / Total Equity	1.54	1.09	0.45	41
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	63.78	N.A	N.A	N.A
Net Debt to Equity Ratio	Debt - Cash & cash equivalents / Total equity	0.33	N.A	N.A	N.A

KPI	Formula	31-Dec-13 Audited	31-Dec-12 Audited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	8.15%	8.20%	(0.00)	(1)
Return on assets	Net income before taxes / Total assets	7.90%	10.23%	(0.02)	(23)
Asset turnover	Revenues / Total assets	21.90%	16.70%	0.05	31

Current Ratio and Acid Test Ratio

Current ratio and acid test ratio dropped due to the effect of the Company's purchase of Holcim's 50% share in TA Power, investments in the coal & wind projects and increase in current liabilities brought about by the higher level of operations.

Debt to equity ratio

Debt to equity ratio increased from 0.09 to 0.54 due to the availment of short-term loan and higher trade payables.

Asset to equity ratio

Asset to equity ratio went up by 41% as total assets increased by 45.2% as compared to 2.9% increase in total equity.

Interest coverage ratio

Interest coverage ratio was 63.78% due to short-term loan availed in 2013. This ratio is not applicable in 2012 since the company had no borrowings.

Net debt to equity ratio

Net debt to equity ratio is 0.33 in 2013. This ratio is not applicable in 2012 since the company had no borrowings.

Return on equity

Return on equity slightly decreased from 8.20% to 8.15% due to increase in capital stock despite higher net income in 2013

Return on assets

Return on asset dropped from 10.22% to 7.90% as total assets increased by 45.2% as compared to 12% increase in net income in 2013

Asset turnover

Asset turnover went up by 31% as revenues increased by 90% as compared to 45.2% increase in total assets.

During the Calendar Year 2013:

- 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 became the 100% owner of TA Power on January 1, 2013.
- 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 except for the Supreme Court's issuance of a 60-day TRO on the collection of electricity fees from PEMC as disclosed in Note 9 of the Consolidated Financial Statements, the possible effect of which cannot be quantified and as such, cannot be taken up in the books as at December 31, 2013
- 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 and in the Consolidated Financial Statements.
- 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 except those already disclosed above and in the Consolidated Financial Statements.
- 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 except for those mentioned above and I the Consolidated Financial Statements.

Calendar Year 2012

Oil and Gas

<u>SC 6 (Offshore Northwest Palawan)</u>

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.

Trans-Asia 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.

Trans-Asia 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.

Trans-Asia 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.

Trans-Asia'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 20% 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 ₱901.68 million as compared with ₱712.67 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 increased from ₱6.20 million to ₱6.55 million due termination of a lease contract with AB Capital Securities, Inc.

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 ₱290.10 million from ₱279.12 million brought about by higher taxes & licenses paid in 2012.

Total other income decreased from ₱57.17 million in 2011 to ₱8.17 million in 2012. Following were 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.
- The Company set-up provision for doubtful accounts of ₱2.09 million in 2012.
- The Company reported ₱22.50 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 ₱6.34 million from ₱11.51 million in 2011. Other income consists of other miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Equity in net losses of associates and joint ventures decreased from 23.93 million to 20.95 million due to higher losses posted by SLTEC in 2012.
Provision for income tax in 2012 rose to ₱182.13 million from ₱113.38 million due to higher taxable income. Provision for deferred income tax of ₱2.06 million was reported in 2012 as compared to benefit from deferred tax of ₱35.17 million in the same period last year

A net income stood at ₱471.43 million was reported in 2012 as compared to ₱408.22 million in the same period last year.

Total consolidated assets increased to ₱7.56 billion as of December 31, 2012 from ₱5.22 billion as of December 31, 2011. Total consolidated liabilities also increased to ₱635.66 million from ₱650.06 million. Equity increased from ₱4.57 billion to ₱6.93 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 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 ₱544.03 million to ₱670.23 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.
- Current portion of available-for-sale investments amounting to ₱54.00 million in 2012 is from the company's escrow fund.
- 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.
- 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 ₱1.90 billion to ₱2.39 billion 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 ₱35.51 million to ₱25.41 million brought about by reversal of deferred tax asset.
- The increase in accounts payable and other current liabilities from ₱514.03 million to ₱554.74 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.
- Pension and other post-employment benefits increased from ₱21.44 million to ₱27.17 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 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.
- Retained earnings increased from ₱1.58 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	7.17	4.12	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	0.09	0.14	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	0.14	0.17	Turnover went down as gross revenues increased by 22% as compared to 45% 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 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 your 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.

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 (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.

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

SC 55 (Offshore West Palawan)

The DOE approved the assignment of your Company's 8.18% participating interest to NorAsian Energy Ltd. In accordance with the Agreement of February 3, 2011, NorAsian shall carry your 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 your 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 your Company's residual 6% participating interest in SC 69.

Processing of the 3D seismic data continued as of yearend of 2011.

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 trading 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 ₱381 thousand 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 a joint venture 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 a joint venture 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 ₱60.4 thousand 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 ₱35.1 million from ₱0.6 million due to recognition of deferred tax asset. 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 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 trading 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 probable losses 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 expenses 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 = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

   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 trading 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 = $\frac{\text{Current Assets}}{\text{Total Assets}}$

   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, 201 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 = $\dfrac{\text{Net Income less Preferred Stock Dividend}}{\text{Average No. of Common Shares Outstanding}}$

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 discontinuing operations except for the investment of the Company in the 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;
  - 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 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.

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.

6. 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.

7. 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.

8. 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.

9. 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.

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, 2013 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 the Securities and Exchange Commission.

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 2014 is Ms. Marydith C. Miguel, an SEC accredited auditing partner of SGV. This is Ms. Miguel's first year as engagement partner for the Company.

The members of the Audit Committee are the following:

1.	Mr. David L. Balangue	Chairman
2.	Mr. Roberto M. Lavina	Member
3.	Mr. Victor J. del Rosario	Member
4.	Mr. Ricardo V. Camua	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. Marydith C. Miguel as engagement partner for Calendar Year 2014.

External Audit Fees and Related Services

The Company paid its external auditors, SyCip Gorres Velayo & Co. (SGV) the amount of ₱1,200,000, ₱ 991,500 and ₱600,000 in 2013, 2012 and 2011 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.

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 2013 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	76	Filipino	Director and Chairman of the Board
Ramon R. del Rosario, Jr.	69	Filipino	Director and Vice Chairman
Francisco L. Viray	65	Filipino	Director, President and CEO
Roberto M. Laviña	63	Filipino	Director, SEVP and Treasurer
Magdaleno B. Albarracin, Jr.	77	Filipino	Director
Raymundo O. Feliciano	88	Filipino	Independent Director
Ricardo V. Camua	70	Filipino	Independent Director
Victor J. del Rosario	65	Filipino	Director
David L. Balangue	62	Filipino	Independent Director
Guillermo D. Luchangco	75	Filipino	Independent Director

Oscar J. Hilado has been the 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). He was the Vice-Chairman of the Board of Directors for 13 years and Chairman of the Executive Committee of the Company for 17 years.

Ramon R. del Rosario, Jr. was elected as Vice Chairman of the Board and Executive Committee 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. and Phinma Corp., Chairman of TA Power Generation Corporation, TA Renewable Energy Development Corporation, 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. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario served as Secretary of Finance of the Philippines from 1992 to1993. He is the Chairman of the Makati Business Club, Philippine Business for Education (PBED), the Integrity Initiative, and the National Museum of the Philippines. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978 and the MAP Management Man of the Year in 2010. He is the brother of Mr. Victor J. del Rosario. He has been a Director of the Company since 2002.

Francisco L. Viray has been 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 and Trans-Asia Renewable Energy 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.

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 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.

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.

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. 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.

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.

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 Kellogg 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 Co-vice-chairman of the 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. (since 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., ATR Kim Eng Capital Partners and Unistar Credit and Finance Corporation. He is also a member of the Board of Governors/Trustees of the Manila Polo Club, Habitat for Humanity (Philippines) Foundation, Inc., Philippine Center for Population and Development and the Magallanes Village Association, Inc. He was elected as a Director of the Company on March 24, 2010.

Guillermo D. Luchangco is Chairman and Chief Executive Officer of various companies of The ICCP Group, including Investment & Capital Corporation of the Philippines, Science Park of the Philippines, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc., Regatta Properties, Inc., RFM-Science Park of the Philippines, Inc., ICCP Venture Partners, Inc. and Manila Exposition Complex, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Independent Director of Globe Telecom, Phinma Corporation, Fuld & Company and Roxas & Co., Inc.; and a regular Director of Ionics, Inc. and Ionics EMS, Inc. Mr. Luchangco received his Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University and holds a Master's degree in Business Administration from Harvard Business School. He has been an Independent Director of Trans-Asia Oil and Energy Development Corporation since April 2013.

The following is nominated as Director at the Annual Stockholder's Meeting to hold office for one (1) year:

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.

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. Raymundo O. Feliciano
2. Mr. Ricardo V. Camua
3. 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	65	Filipino	President and CEO
Roberto M. Laviña	63	Filipino	SEVP and Treasurer
Virgilio R. Francisco, Jr.	56	Filipino	Sr. Vice President
Juan J. Diaz	83	Filipino	Corporate Secretary
Pythagoras L. Brion, Jr.	60	Filipino	SVP and CFO
Raymundo A. Reyes, Jr.	61	Filipino	Sr. Vice President – Energy Resources Development
Rizalino G. Santos	61	Filipino	Sr. Vice President – Power Business
Mariejo P. Bautista	49	Filipino	Vice President – Controller
Frederick C. Lopez	60	Filipino	Vice President – Materials Management
Cecille B. Arenillo	56	Filipino	Vice President/Compliance Officer
Manuel G. Garcia	46	Filipino/Canadian	Vice President – Strategic Planning
Miguel Romualdo T. Sanidad	55	Filipino	Assistant Corporate Secretary
Alan T. Ascalon	40	Filipino	Assistant Corporate Secretary
Danilo L. Panes	57	Filipino	Assistant Vice President

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. 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 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 Phinma Foundation Inc. and 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 and a member of the Board and Senior Executive Vice President and Treasurer of PHINMA Corporation. He is also Treasurer and Board Member of Phinma Property Holdings Corporation, Trans-Asia Power Generation 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.. 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 previously served as Legal Counsel since then up to October 2000. He serves as Consultant for the PHINMA Group.

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 the U.P. Department of Chemistry and Department of Geology and Geography, 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, Energy Resources Development. He is concurrently the President of Palawan55 Exploration and Production Corporation, Executive Vice President of Trans-Asia Petroleum Corporation, Senior Vice President of Trans-Asia Renewable Energy Corporation, Vice President of Trans-Asia Gold and Minerals Development Corporation and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company. He is a Director of both Trans-Asia Petroleum Corporation and Palawan55 Exploration and Production Corporation.

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 is currently the President and COO of CIP II

Power Corporation. 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 Petroleum Corporation, Trans-Asia Gold and Minerals Development Corporation and 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 was previously 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 Business Resiliency initiatives of the PHINMA Group of Companies.

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, he 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. He was an oil trader for Chemoil Corporation, one of the largest independent fuel oil bunker service companies. He then moved to 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, and is a member of the Management Committee.

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 is the Legal Counsel and Assistant Corporate Secretary of the Company. He is a Director of Palawan55 Exploration and Production Corp., Corporate Secretary of Trans- Asia Renewable Energy Corp., Trans-Asia Wind Power Corp. and Palawan55 Exploration and Production Corp., and Assistant Corporate Secretary of Trans-Asia Power Generation Corp., CIP II Power Corp., and Trans-Asia Gold and Minerals Development Corp. He was the Assistant Legal Counsel of Phinma, Inc. from 2005 to 2008. He 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.

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. He is also Vice President of Trans-Asia Renewable Energy Corporation.

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, 2014, 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				
Rizalino G. Santos, Sr. Vice President – Power Business				
Mariejo P. Bautista, Vice President - Controller				
	2014	16,626,350(a)	2,376,696.51(b)	498,000(a)
	2013	23,053,783.73	6,491,520(c)	516,000
	2012	16,523,867.99	8,743,414.47(d)	486,000
	2011	21,357,802	2,378,693	180,000

All Other Officers and Directors as a Group (Total Compensation)				
Unnamed	2014	12,772,097(a)	5,860,320.57(b)	1,836,000(a)
	2013	13,258,408.47	18,498,554.35(c)	2,812,680.18
	2012	16,523,867.99	8,743,414.47(d)	486,000
	2011	21,357,802	2,378,693	180,000

(a) Estimated compensation of directors and executive officers for the ensuing year
(b) Includes estimated bonus accrued in 2013 but payable in 2014.
(c) Includes bonus accrued in 2012 but paid in 2013.
(d) Includes bonus accrued in 2011 but paid in 2012.

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 Securities and Exchange Commission approved the Company's Executive Stock Grants Plan and Stock Option Plan.

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.

On July 22, 2013, the Company lifted the suspension of the plan and awarded additional options under the same plan.

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

1. CEO & Executive Officers		
Oscar J. Hilado	Chairman	3,000,000
Francisco L. Viray	President & CEO	3,000,000
Ramon R. Del Rosario, Jr.	Vice-Chairman	2,500,000
Roberto M. Laviña	SEVP / Treasurer	2,500,000
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development	1,750,000
Rizalino G. Santos	SVP – Power Business	1,750,000
Total		14,500,000
2. All current executive officers as a group		
Various		9,225,000
3. All current directors as a group who are not executive officers		
Various		10,500,000
4. All other employees as a group		
Various		7,865,303
GRAND TOTAL		**42,090,303**

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 February 15, 2014 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 79.20% Foreign 3.33%	4,013,925,976	82.53%
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	9.24%

[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 1,216,642,503 shares and Phinma Corp. for 1,275,217,198 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 the Philippine Stock Exchange. 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 February 15, 2014:

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Held	Nature	% of Class
Common	Oscar J. Hilado	Filipino	4,500,000	Direct	0.09%
Common	Ramon R. del Rosario, Jr.	Filipino	16,633,513	Direct	0.34%
			26,704,008		
Common	Francisco L. Viray	Filipino	9,429,730	Direct	0.19%
Common	Roberto M. Laviña	Filipino	3,769,887	Direct	0.08%
Common	Magdaleno B. Albarracin, Jr.	Filipino	9,457,926	Direct	0.19%
Common	Raymundo O. Feliciano	Filipino	1,154,017	Direct	0.02%
Common	Ricardo V. Camua	Filipino	1,225,000	Direct	0.03%
Common	Victor J. del Rosario	Filipino	3,620,362	Direct	0.07%
			26,704,008		
Common	David L. Balangue	Filipino	1,610,001	Direct	0.03%
Common	Juan J. Diaz	Filipino	66,211	Direct	0.00%
Common	Raymundo A. Reyes, Jr.	Filipino	1,263,901	Direct	0.03%
Common	Rizalino G. Santos	Filipino	3,245,245	Direct	0.07%
Common	Frederick C. Lopez	Filipino	5,029,207	Direct	0.10%
Common	Danilo L. Panes	Filipino	17,522	Direct	0.00%
Common	Virgilio R. Francisco, Jr.	Filipino	954,496	Direct	0.02%
Common	Alan T. Ascalon	Filipino	71,295	Direct	0.00%
Common	Mariejo P. Bautista	Filipino	433,227	Direct	0.00%
Common	Pythagoras L. Brion, Jr.	Filipino	400,013	Direct	0.00%
Common	Manuel G. Garcia	Filipino/Canadian	9,538	Direct	0.00%
Common	Cecille B. Arenillo	Filipino	100,000	Direct	0.00%
	Miguel Romualdo T. Sanidad	Filipino	0		0.00%
	Total Directors & Officers		**116,399,107**		**2.40%**

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, 2013 and 2012, 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, 2018 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 1,216,892,503 which represent 25.02% 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 ₱51.69 million, ₱27.67 million and ₱26.73 million in 2013, 2012 and 2011, 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 ₱279 million, ₱0.69 million and ₱0.64 million in 2013, 2012 and 2011, 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 2013, 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. On Dec. 27, 2013, TA Power and the Parent Company entered into a Power Administration and Management Agreement where the Parent Company has the right to administer, sell, dispatch all of the capacity of TA Power for a fixed monthly fee.

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 ₱2.00 million, ₱1.00 million and ₱0.23 million in 2013, 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 ₱0.84 million, ₱1.47 million and ₱0.72 million in 2013, 2012 and 2011, respectively. Cash dividends received from Phinma Corp. amounted to ₱1.17 million, ₱3.26 million and ₱3.26 million in 2013, 2012 and 2011, 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 in 2012. No cash dividend was received from PPHC in 2013 and 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, ₱1.52 million and ₱3.80 million in 2013, 2012 and 2011, 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, ₱1.32 million and ₱8.70 million in 2013, 2012 and 2011, 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 ₱2.6 million, ₱3.08 million and ₱2.53 million in 2013, 2012 and 2011, respectively.

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 ₱8.2 million, ₱26.59 million and ₱26.01 million in 2013, 2012 and 2011, 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 Securities and Exchange Commission (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 Philippine Stock Exchange (PSE) on January 24, 2013 the Corporate Governance Compliance Certification (CGCC) certifying that as of December 31, 2012, TA-Oil substantially complied with the principles and best practices contained in the Manual.

On May 30, 2013, the Vice President-Compliance Officer submitted the Annual Corporate Governance Report (ACGR) for the year 2012 to the SEC and PSE. As required, the Corporation will make appropriate changes to the ACGR as needed. As of December 31, 2013, the Corporation substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. Since there were no major deviations from the Manual, the Corporation has not imposed any sanctions on any director, officer or employee.

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 11 regular and 1 organizational in 2013. 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:

	2013 Board Meetings											
INCUMBENT DIRECTORS	18-Jan Regular	18-Feb Regular	21-Mar Regular	21-Mar Org	22-Apr Regular	29-May Special	24-Jun Regular	22-Jul Regular	19-Aug Regular	16-Sep Regular	25-Nov Regular	16-Dec Regular
Mr. Oscar J. Hilado	P	P	P	P	P	P	P	P	P	P	P	P
Dr. Magdaleno B. Albarracin, Jr.	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Ramon R. del Rosario, Jr.	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
Mr. Roberto M. Laviña	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Victor J. del Rosario	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Raymundo O. Feliciano (Independent)	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Ricardo V. Camua (Independent)	P	P	P	P	P	P	P	P	P	P	P	P
Mr. David L. Balangue (Independent)	P	P	P	P	P	A	P	P	P	P	P	P
Mr. Guillermo D. Luchangco	-	-	-	-	-	-	P	P	P	P	P	P
FORMER DIRECTORS												
Mr. Antonio V. del Rosario, Sr.	P	P	P	P	A	*Retired*	-	-	-	-	-	-
Mr. Alfredo M. Velayo (Independent)	P	P	P	P	P	P	P	P	A	*Retired*	-	-

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 2013, the board committees and their members are as follows:

	Board Committees			
Directors	Nomination	Compensation	Audit	ExCom
Mr. Oscar J. Hilado	M	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. Raymundo O. Feliciano (Independent)	M			
Mr. Ricardo V. Camua (Independent)			M	
Mr. David L. Balangue (Independent)			C	

C : Chairman M : Member *Retired on April 22, 2013

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, 2013, 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 2013 and none was required.

Audit Committee
The Audit Committee is composed of four (4) members of the Board, two (2) 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 2013, the Audit Committee held four (4) meetings and reviewed the audited financial statements for 2012 and the interim statements for the quarters ending March 31, June 30 and September 30, 2013.

On February 6, 2014, the Committee endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo and Company (SGV & Co.) as the external auditor for 2014.

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

Audit Committee	2013 Audit Committee Meeting			
	15-Feb	18-Apr	19-Jul	23-Oct
Mr. Roberto M. Laviña	A	P	P	P
Mr. Victor J. del Rosario	P	P	P	P
Mr. Alfredo M. Velayo (Independent)*	P	P	A	A
Mr. Ricardo V. Camua (Independent)	P	P	P	P
Mr. David L. Balangue (Independent)	P	P	P	P

P : Present A : Absent *Mr. Velayo resigned on July 22, 2013

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 21, 2013, 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 2013 is Ms. Marydith C. Miguel, an SEC accredited auditing partner of SGV. This is Ms. Miguel's first 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)
2013	1,200,000.00
2012	1,000,000.00
2011	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 2013, the Internal Audit group conducted examinations of the following: Onsite review of CIP II Power-La Union, Guimaras Power plant and Trans-Asia Power – Bulacan; Internal Control Review – Human Resources Management and observation of bidding activities for CIP II Power – La Union.

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	-	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 2013 covered by this report:

Date of Filing	Items Reported
January 03, 2013	Please be informed the Trans-Asia Oil and Energy Development Corporation ("the Corporation") has disbursed today the amount

	of Php350 Million from the Php 1,627 Million gross proceeds of its 2012 Stock Rights Offering. The disbursed funds shall be used to pay for Holcim 's 50% stake in Trans-Asia Power Generation Corporation (TAPGC), which owns and operates a 52 megawatt power plant in Norzagaray, Bulacan. The purchase of Holcim's 50% stake in TAPGC is a power project opportunity and is in accordance with the Use of Proceeds as disclosed in the Corporation's Prospectus dated October 30, 2012.
January 03, 2013	In connection with our disclosure entitled **Update on Service Contract No. 51 – East Visayas** dated December 21, 2012, we would like to clarify that the resource potential of the prospect stated therein is in accordance with the studies done by the SC 51 Consortium and has not been validated by the Department of Energy.
January 17, 2013	This refers to your letter dated January 17, 2013, requesting for clarification/confirmation of the news article entitled "10 Firms Eyeing Angat Rehabilitation" published in the January 17, 2013 issue of the Manila Bulletin. The article reported in part that: *About 10 investor groups have showed interest in the rehabilitation accord being offered for the 28-megawatt auxiliary units of the Angat hydropower plant.* *The firms which showed up at the prequalification process undertaken by the Public Private Partnership (PPP) Center include the Aboitiz Group, Marubeni Corporation, Korea Water Resources Corporation, Trans-Asia Oil and Energy Development Corporation, EEI Corporation, First Gen, Caltimex Power, Sta. Clara International, Juntee Philippines and another group represented by its law firm.* We confirm the accuracy of the news article insofar as Trans-Asia is concerned.
February 01, 2013	Please be informed that Maibarara Geothermal Inc. (MGI), 25% - owned subsidiary of Trans-Asia, awarded on 1 February 2013 a contract to Cendaur Engineering for the construction, installation, commissioning and testing of a switchyard for its 20 MW power plant in Sto. Tomas, Batangas. Cendaur Engineering shall complete the switchyard works by 30 June 2013. MGI had earlier awarded the construction of a 5 – km long transmission line to MIESCOR, which is scheduled for completion by end – May 2013. EEI Corporation, MGI's contractor for the engineering, procurement and construction of the power plant, is expected to complete all major site structures in time for Fuji Electric's delivery of the major plant equipment by March – April 2013. Power plant commissioning is expected by July 2013.

February 12, 2013	Please be informed that Trans-Asia and partners extended the deadline for Frontier Oil Corporation to exercise its option under the Farm-in Option Agreement covering the Cebu Strait sector of the SC 51 Contract Area (the "South Block"), to 28 February 2013. Under the Agreement, Frontier has the option to acquire eighty percent (80%) of the 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). Trans-Asia currently has 33.34% participating interest in the South Block of SC 51.
February 27, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation and Sem-Calaca Power Corporation signed today a contract amending their existing Contract to Purchase Generated Electricity. Under the new contract, Trans-Asia can now purchase up to 45 megawatts of electricity from Sem-Calaca's 2 x 300 megawatt power plant in Calaca Batangas, from 15 megawatts under the old contract. The new contract assures Trans-Asia of additional electricity supply to service its customers.
March 06, 2013	Please be informed that we received today an Order from the Department of Environment and Natural Resources dated 7 February 2013 approving the assignment of subject Mineral Production Sharing Agreement of Trans-Asia to Investwell Resources, Inc.
March 19, 2013	Please be informed that SC 55 Operator, BHP Billiton Petroleum (Philippines) Corporation ("BHPB"), has notified its co-contractors that certain local regulatory approvals have not been obtained to this date, and this may affect the contractor's ability to satisfy their obligation to drill the Cinco – 1 well by August 2013. The contractors are pursuing all available options to be able to deliver the well within the contractual deadline, and are closely coordinating with the Department of Energy regarding the matter. BHPB has reiterated its commitment to drill the Cinco – 1 well as soon as possible and is in the advanced stage of procuring the required services, equipment and supplies for said activity. The SC 55 contractors are Trans-Asia (6.82% interest), Otto Energy Ltd. (33.18%) and BHP Billiton (60%).
March 21, 2013	Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held today, the following actions were taken: 1. Declaration of cash dividend of ₱0.04 per share, payable on May 6, 2013 to all shareholders of record as of April 8, 2013; and 2. Authority to invest up to ₱1.5 Billion in South Luzon Thermal Energy Corporation ("SLTEC"), to finance the construction of

the second unit of the SLTEC power plant in Calaca, Batangas ("Unit 2"), subject to the approval of the Unit 2 project by SLTEC.

March 22, 2013

Please be informed that at the Annual Meeting of the Shareholders of Trans-Asia Oil and Energy Development Corporation held today, with all directors present, the following actions were taken:

(1) The following were elected directors of the Corporation:

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 auditing firm of Sycip, Gorres, Velayo and Company was reappointed external auditors for the year 2013;
(3) The company's Management Contract with PHINMA, Inc. was renewed effective September 01, 2013 for a period of (5) five years, under the same terms and conditions with a monthly fee of Php 800,000.00 subject to adjustment yearly by Php 80,000.00 on each anniversary date for the duration of the contract.

Following the Annual Meeting of Shareholders the following officers were elected:

Oscar J. Hilado	-	Chairman
Ramon R. del Rosario, Jr	-	Vice Chairman
Francisco L. Viray	-	President & Chief Executive Officer
Roberto M. Laviña	-	SEVP/Treasurer
Juan J. Diaz	-	Corporate Secretary
Virgilio R. Francisco, Jr.	-	Senior Vice President
Pythagoras L. Brion, Jr.	-	Senior Vice President & Chief Financial Officer
Raymundo A. Reyes	-	Senior Vice President – Energy Resources Development
Rizalino G. Santos	-	Senior Vice President - Power Business
Cecille B. Arenillo	-	Vice President & Compliance Officer
Frederick C. Lopez	-	Vice President – Materials Management
Mariejo P. Bautista	-	Vice President – Controller
Danilo L. Panes	-	Assistant Vice

President – Renewable Energy

Alan T. Ascalon	-	Asst. Vice President/ Assistant Corporate Secretary
Miguel Romualdo T. Sanidad	-	Assistant Corporate Secretary

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

<u>Executive Committee/Stock Option Committee:</u>

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

<u>Audit Committee:</u>

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

<u>Nomination Committee:</u>

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

<u>Compensation Committee:</u>

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

April 4, 2013

This refers to the news article entitled "DOE threatens to cancel BHP Billiton-led service contract"posted in phil.STAR.com on April 4, 2013, which read in part:

"In terms of potential resource, the DOE estimates that SC 55 has some 2.2 trillion cubic feet of gas.

The consortium behind SC 55 is BHP Billiton Petroleum (Philippines) Corp. of Australia, which owns a 60-percent stake. Its partners include Trans-Asia Oil and Energy Development Corp. with a 6.82 percent stake and Australian firm Otto Energy Ltd.

The proponents earlier said that they have been encountering delays in the drilling operations of the Cinco well, prompting them to seek an extension to fulfill their obligations in the contract

…

Petilla said the consortium has already given an extension until August 2013 and would not likely given another reprieve.

…

	While Trans-Asia disclosed earlier that the consortium was encountering delays in drilling operations due to local permitting issues, the consortium has not sought an extension of the current exploration sub-phase that ends in August 2013. We cannot confirm or deny the other statements quoted in the news article since they were allegedly made by the DOE. We will let the PSE and the public know if we receive any update regarding the matter.
April 12, 2013	Please be informed that South Luzon Thermal Energy Corporation (SLTEC), the joint venture company established by Trans-Asia Oil and Energy Development Corporation and AC Energy Holdings, Inc., signed today an Engineering Procurement Contract (EPC) with D.M. Consunji, Inc. (DMCI) for the construction of the power plant's expansion, SLTEC 2. Under the EPC, DMCI together with China National Technical Import and Export Corporation will construct under a turnkey basis a second 135MW coal-fired fluidized bed (CFB) unit next to the currently under construction unit 1 in Calaca, Batangas. The construction of SLTEC 2 is expected to commence in the second half of 2013. Target start of operations is in 2016.
April 15, 2013	Please be informed of the following excerpts from a disclosure made by Otto Energy Limited in the Australian Stock Exchange concerning media speculations of potential suspension or cancellation of SC 55: *"The SC 55 Operator, BHP Billiton Petroleum (Philippines) Corporation (BHPB) (ASX : BHP), and joint venture partners are focused on delivering the Cinco-1 well in SC 55 in accordance with the contractual work programme commitments to the Philippines Department of Energy.* *All critical permits have been obtained with the exception of the Strategic Environmental Plan Clearance ("SEP Clearance") by the provincial Council for Sustainable Development ("PCSD") which was submitted in August 2012.* *The Sangguniang Panlalawigan (Palawan Provincial Board) has requested the submission by BHPB, as the Operator, of a comprehensive socio-economic development programme for the Province of Palawan prior to recommending endorsement of SEP clearance by the PCSD, which is not a requirement under Philippines Law, nor has it been required for exploration approvals in the past.* *BHPB, as Operator, is seeking to work with the Department of Energy to address the impairment of rights*

and obligations of the JV Partners caused by this change in the manner of implementing the SEP Clearance.

Otto confirms that the joint venture has not sought an extension to the current sub-phase that ends in August 2013 and continues to work with the Department of Energy to ensure that work programme commitments are met in accordance with the contractual undertakings."

The co-contractors in SC 55 are Trans-Asia, 6.82% interest; BHP Billiton, 60% and Otto, 33.18%.

April 17, 2013	Certification on qualifications of independent directors.
April 17, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation (Trans-Asia) and South Luzon Thermal Energy Corp. (SLTEC), the joint venture company established by Trans-Asia and AC Energy Holdings, Inc., signed today a Power Purchase Agreement for the purchase of the generated output of SLTEC's second 135 MW power plant unit, valid for thirteen (13) years.
April 17, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") signed today a Contract for the Sale of Electricity with DirectPower Services, Inc. ("DirectPower"), a Retail Electricity Supplier duly licensed by the Energy Regulatory Commission. The contract covers the supply of electricity by Trans-Asia to DirtectPower of a combined peak demand of up to 106.71MW, valid for eleven (11) years commencing on June 26, 2013 or the start of the Retail Competition and Open Access, whichever comes later, or such other date agreed by the Parties in writing.
April 22, 2013	This refers to the news article entitled "TA Oil finalizes PEPC listing" published in the April 22, 2013 issue of the Philippine Star which reported in part:

"Listed Trans-Asia Oil and Energy Development Corp. is finalizing its plan of distributing shares of its oil exploration subsidiary as a property dividend.

The move, which will also include the listing of Palawan 55 Exploration & Production Corp. (PEPC), will formalized the separation of Trans-Asia's power production and oil exploration businesses, executives said.

"We are in the process of separating our oil exploration activities and setting up a subsidiary for that,"Phinma Corp. president and vice-chairman Ramon R. del Rosario Jr. said in an interview. Phinma is the parent firm of Trans-Asia.

…

In November, Trans-Asia incorporated PEPC to take charge of the development of Service Contract (SC) 55 in Southwest Palawan.

"The way to do it is to initially separate [the oil and power business] and give [Palawan55] as property dividend to our shareholders but set aside a certain portion that will be floated to the public," Del Rosario said.

While Trans-Asia disclosed earlier that the Company assigned its oil and gas SCs into petroleum subsidiaries, the Company has not issued any approval with regard to the manner of the distribution of shares of any of its petroleum subsidiaries or listing of the same in the stock exchange. In particular, the Company has not approved any plan to list its subsidiary, Palawan55 Exploration & Production Corporation.

To date, only the following items have been approved by Trans-Asia's Board of Directors and the Securities and Exchange Commission (SEC):

1.) Increase of authorized capital stock of Trans-Asia Petroleum Corporation from Php40,000,000.00 divided into 4,000,000,000 shares with the par value of Php0.01 each; to Php1,000000000.00 divided into 100,000,000,000 shares with the par value of Php0.01 each on November 29, 2012.

2.) Incorporation of Palawan55 Exploration & Production Corporation on November 21, 2012

April 22, 2013

Please be informed that the meeting of the directors of Trans-Asia Oil and Energy Development Corporation (the "Corporation") held today, the following matters were taken up:

(a) approval of the Corporation's Financial Statements for the first quarter ended March 31, 2013 showing consolidated net income of Php164.9 million; and

(b) election of Mr. Guillermo D. Luchangco as independent director of the Corporation, replacing Mr. Antonio V. Del Rosario who resigned today for personal reasons.

Also, at the meeting of the directors and shareholders of the Corporation's 100% subsidiary Trans-Asia Petroleum Corporation (TAPC) held today, the directors and shareholders of TAPC voted to increase the par value TAPC's common stock from Php0.01 to Php1.00, reduce the number of authorized TAPC shares from 100 billion to 1 billion, and reduce the issued and outstanding TAPC shares from 25 billion to 250 million.

April 23, 2013

Please be informed that Trans-Asia Oil and Energy Development Corporation signed today a Power Sales Contract with KEPCO SPC Power Corporation, for the purchase of a portion of the generation of KEPCO's Cebu Power Plant, valid for five (5) years.

April 26, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation and Vivant-Sta. Clara Northern Renewables Corp., the administrator of the 70MW Bakun Hydro Power Plant located in Alilem, Ilocos Sur, signed today a contract for the sale to Trans-Asia of a portion of the capacity of the Bakun Plant, valid for two (2) years.
May 6, 2013	Please be informed that BHP Billiton Petroleum (Philippines) Corporation ("BHPB"), Operator, filed a Notice of Force Majeure (the "Notice") under SC 55 in order to preserve the term of the current exploration sub-phase that requires the drilling of one (1) exploratory well. BHPB was constrained to lodge the Notice due to the continued withholding by the Sangguniang Panlalawigan of the province of Palawan of its endorsement of the Cinco – 1 well drilling campaign despite BJPB's diligent efforts to secure same, which in turn prevents the Palawan Council for Sustainable Development from issuing the Strategic Environmental Plan Clearance. It is deemed that the Force Majeure event commenced on 7 September 2012, at which time the endorsement and SEP Clearance would have been released in the ordinary course of business. The undue delay in issuance of said endorsementand SEP Clearance has crippled the SC 55 consortium's ability to fulfill its drilling obligation in a timely manner. The SC 55 consortium confirms that during the suspension period, it will exert all reasonable efforts to remove the cause of Force Majeure and expects the Department of Energy to do the same as provided under Service Contract No. 55. The SC 55 co-contractors and their participating interest are Trans-Asia, 6.82%; BHP Billiton, 60% and Otto Energy Investments, Ltd., 33.18%.
May 6,2013	This refers to the news article entitled SC 55 consortium commits to Palawan drilling program" which reported in part that: *"Trans-Asia, for its part, is looking at distributing its shares in SC 55 as a property dividend, a key move that will formalize the separation of the company's power production and oil exploration businesses.* *The announcement of a force majeure sent shares of Trans-Asia, which has a 6.82-percent stake in SC 55, tumbling 10.65 percent or 31 centavos to 2.60 despite the bull run in the local bourse."* Please be informed that the statement attributed to our President and CEO Francisco L. Viray, which read "…the company shares the same commitment with Australian's

	Otto Energy, adding that BHP Billiton is not withdrawing from the project" is accurate. Regarding distribution of "its share in SC 55 as a property dividend", Trans-Asia has not taken up this particular matter. Trans-Asia disclosed earlier that the Company had assigned its participating interest in selected petroleum service contracts to its two subsidiaries.
May 7, 2013	Certification on qualifications of independent director
May 20, 2013	Please be informed that the Department of Energy (DOE) has confirmed the Declaration of Commerciality of Trans-Asia Renewable Energy Corporation, a wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, of its 54MW Wind Power project located in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Development/Commercial Stage and a full term of 25 years or until 22 October 2034.
May 20, 2013	First Quarter 2013 results
June 03, 2013	Please be informed that Trans-Asia Petroleum Corporation ("the Company"), a wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, received the approval of the Securities and Exchange Commission ("the SEC") of the Company's application for the following: 1. Increase in par value of each share of stock of the Company from One Centavo (Php 0.01) per share to One Peso (Php 1.00) per share; 2. Amendment of Article Seventh of the Company's Amended Articles of Incorporation to read as follows: 'SEVENTH: The authorized capital stock of the corporation is One Billion Pesos (Php 1,000,000,000.00), Philippine Currency divided into One Billion (1,000,000,000) shares at the par value of One Peso (php 1.00) per share'. 3. Increase in the number of Directors from seven (7) to eleven (11).
June 07, 2013	Please be informed that the Department of Energy had approved a six-month extension of the current exploration Sub-Phase 3 to 7 November 2013. Otto energy, the Operator, is currently evaluating the results of a 229 sq. km. 3D seismic program completed over the block. Trans-Asia has 6% participating interest in SC 69.

June 07, 2013	Please be informed that we received a letter dated 23 April 2013 from the Department of Energy approving the assignment of the entire participating interests of Trans-Asia Oil and Energy Development Corporation (“TAO”): 1) in SC 6 Block A (2.334%), SC 6 Block B (4.2189%), SC 51 (6.67%) and SC 69 (6.0%) to Trans-Asia Petroleum Corporation (“TPC”), and 2) in SC 55 (6.82%) to Palawan55 Exploration and Production Corporation (“PEPC”). TPC and PEPC are affiliates of TAO.
July 1, 2013	Please be informed that South Luzon Thermal Energy Corp. (SLTEC), a joint venture company of Trans-Asia Oil and Energy Development Corporation and AC Energy Holdings, Inc. signed today a PhP7 Billion project loan facility with Banco de Oro Unibank, Inc., Security Bank Corporation and Rizal Commercial Banking Corporation. Proceeds of the loan will be used to fund the expansion of SLTEC’s power plant currently under construction in Calaca, Batangas, increasing the plant’s capacity from 135MW to 270MW.
July 2, 2013	Please be informed that Otto Energy Investments, Ltd., Operator of SC 51, has started mobilization of a drilling rig for the proposed Duhat – 2 exploratory well in the town of San Isidro, Leyte. Drilling is expected to commence in late July 2013 and will test potential multiple stacked sandstone reservoirs in the San Isidro anticline. Programmed well total depth is 1,050 meters. The drilling operation is expected to last for 31 days. In a success case, the well will be suspended for further evaluation. Trans-Asia Petroleum Corporation, wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, has 6.67% participating interest in SC 51.
July 4, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation signed today a Contract for the Sale of Electricity (CSE) with Batangas I Electric Cooperative, Inc. (BATELEC I) to supply a portion of the energy requirements of BATELEC I. The CSE is valid for five (5) years from the issuance of the final or provisional authority from the Energy Regulatory Commision (ERC).
July 4, 2013	Please be informed that Trans-Asia signed a Second Amendment to its Farm-In Option Agreement with Frontier Oil Corporation (“FOC”) that extends Trans-Asia’s option to acquire ten percent (10%) participating interest in SC 52 from FOC until after completion of the forthcoming Workover Program on the Nassiping – 2 well located in Gattaran, Cagayan.

	The Workover Program includes a re-test of the Nassiping – 2 well sections that flowed gas during operations conducted in February 2012 and flow tests of deeper prospective gas-bearing intervals in the same well. The Workover Program is expected to commence in early fourth Quarter of 2013.
July 22, 2013	Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia" or the "Corporation") held today: 1. The Corporation declared a dividend composed of shares of stock in Trans-Asia Petroleum Corporation (TAP) at the rate of 2.55 TAP shares for every 100 Trans-Asia shares held, and cash in the amount of Php0.013 per share to Trans-Asia's shareholders of record as of August 5, 2013, with shareholders residing in the United States receiving cash of Php0.0385 per Trans-Asia share in lieu of TAP shares and the Php0.013 cash dividend, subject to the approval of the Securities and Exchange Commission (SEC) and other regulatory agencies. Payment date for the dividend shall be eighteen (18) trading days from the record date or such other date as may be approved by the SEC.\ 2. The Board of Directors approved Trans-Asia's Financial Statements as of the six (6) months ended June 30, 2013 showing consolidated net income of 298.3 million. 3. The Board of Directors authorized the issuance of stock options in favor of directors, officers, and employees of the Corporations and its subsidiaries out of the 100 million shares previously authorized by the shareholders under Trans-Asia's Executive Stock Grants & Stock Options Plan, under such terms and conditions approved by Trans-Asia's Stock Options Committee.
July 23, 2013	This refers to our disclosure dated 22 July 2013 which contained in part: "Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia" or the "Corporation") held today: *The Corporation declared a dividend composed of shares of stock in Trans-Asia Petroleum Corporation (TAP) at the rate of 2.55 TAP shares for every 100 Trans-Asia shares held, and cash in the amount of Php0.013 per share to Trans-Asia's shareholders of record as of August 5, 2013, <u>with shareholders residing in the United States receiving cash of Php0.0385 per Trans-Asia share in lieu of TAP shares and the Php0.013 cash dividend,</u> subject to the approval of the Securities and Exchange Commission (SEC) and other regulatory agencies.*

We noted that in the summary of the dividend details that was posted in your website, the underlined portion as shown above was erroneously misinterpreted.

We reiterate our disclosure that shareholders based in the United States of America shall receive cash of Php0.0385 per Trans-Asia share, in lieu of the 2.55 TAP shares AND the Php0.013 cash dividend.

We request you to make the necessary correction in your website.

July 25, 2013

We have been informed by the SC 51 Operator, Otto Energy Investments, Ltd., that they spudded yesterday, July 24, 2013 the Duhat – 2 well in the town of San Isidro, Leyte

The well, with a programmed total depth of 1,050 meters, will test potential stacked petroleum reservoirs in an anticlinal structure. Barring any significant delays, drilling operations are expected to be completed in one month.

The SC 51 consortium is composed of Trans-Asia Petroleum Corporation (wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation), 6.67% participating interest; Otto Energy Investments, Ltd., 80%; Cosco Capital, Inc., 9.32%, and Petroenergy Resources Corporation, 4.01%.

July 30, 2013

The SC 51 Operator, Otto Energy Investments, Ltd., informed the SC 51 consortium that it decided to plug-and-abandon (PNA) Duhat – 2 well in San Isidro, northwest Leyte for safety and environmental reasons.

On July 25, 2013, Desco Rig 30 was drilling ahead when the well started to flow high pressure water to surface at about 200m depth. High pressure brackish water started to flow from the well which was initially controlled using heavy-weight mud. Intermittent flows during the intervening period was finally stopped with a cement plug. The decision to stop drilling was made after careful consideration of the operational and environmental risks of drilling ahead.

The SC 51 consortium is composed of Trans-Asia Petroleum Corporation (wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation), 6.67% participating interest; Otto Energy Investments, Ltd., 80.00%; Cosco Capital, Inc., 9.32% and Petroenergy Resources Corporation, 4.01%.

August 8, 2013

We refer to your request to clarify or confirm the following news article appearing in August 8, 2013 issue of *Business World* quoted below:

	Eight firms have expressed interest in the four power barges the Power Sector Assets and Liabilities Management Corp. (PSALM) plans to sell in October. "The sale of power barges 101, 102, 103 and 104 has drawn eight interest parties," *PSALM said in a statement yesterday.* *The interested companies were identified as American Capital Energy & Infrastructure, a foreign firm, as well as seven locals, namely: D.M. Wenceslao & Associates, Inc.; FDC utilities, Inc.; S.L. Development Construction Corp.; SPC Island power Corp.; Therma Power Visayas, Inc.; Trans-Asia Oil and Energy Development Corp.; and Vivant Corp.* We confirm that Trans-Asia has expressed interest in participating in the sale of the said power barges.
August 8, 2013	Please be informed that at the meeting of the Board of Directors and at the special meeting of the shareholders of Trans-Asia Petroleum Corporation ("TAPC"), a wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation ("the Corporation"), the following resolutions were approved: 1. Resolution authorizing the registration with the Securities and Exchange Commission and listing by way of introduction on the Main Board of the Philippine Stock Exchange ("PSE"), of 100% of TAPC's issued and outstanding shares; 2. Resolution amending TAPC's Articles of Incorporation to impose a lock-up period of 365 days from listing on shares of shareholders owning at least 10% of the issued and outstanding shares of TAPC, and a lock-up period of 356 days from full payment on shares issued within 180 days prior to listing date at a transaction price lower than listing price; 3. Resolution setting aside a total of 50 million shares from the unsubscribed portion of TAPC's shares for (a) stock grants for TAPC's officers and managers; and (b) stock options for TAPC's directors, officers, and employees, under such terms and conditions determined by TAPC's Executive Committee; and 4. Election of Victor J. Del Rosario, Pythagoras L. Brion Jr., and Filomeno Francisco as directors and Edward S. Go as independent director.
August 20, 2013	Please be informed that Mr. Alfredo M. Velayo has resigned as Director of Trans-Asia Oil and Energy Development Corporation for personal reasons.
August 23,2013	Please be informed that Otto Energy (Philippines) Inc. confirmed to Trans-Asia Petroleum Corporation ("TA Petroleum"), wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, that it does not

intend to enter Sub-Phase 4 of SC 69 and will re-assign 9% participating interest in SC 69 to TA Petroleum pursuant to the Assignment Agreement dated 3 February 2011.

Upon approval of the pertinent Deed of Assignment by the Department of Energy, TA Petroleum will hold 15% participating interest in SC 69. TA Petroleum will then have 15% share of any future expenditures and revenues under SC 69.

August 28, 2013

In connection with Trans-Asia Oil and Energy Development Corporation (the "Company")'s dividend declaration of July 22, 2013, please be informed that the Company's counsel filed a "*Request for Exemptive Relief*" with the Securities and Exchange Commission ("SEC") requesting that the dividend payment date be moved from *August 30, 2013 to* ten (10) trading days from the date all of the following approvals are secured: (a) SEC approval of the property component of the dividend, which are shares of stock in the Company's subsidiary, Trans-Asia Petroleum Corporation ("TAP"); (b) SEC approval of the Registration Statement for the TAP shares; and (c) Bureau of Internal Revenue (BIR) issuance of Certificates Authorizing Registration of the TAP shares.

We will apprise the public through ODiSy of the SEC's action on this *Request for Exemptive Relief.*

August 29, 2013

We reply to your request to confirm or clarify the following news article appearing in the August 29, 2013 issue of Manila Standard Today, quoted <u>in part</u> as follows:

The Power Sector Assets and Liabilities Management Corp. said Wednesday it received strong interest from 21 companies to administer power capacity of the 588-megawatt Unified Leyte geothermal power complex in Tongonan, Leyte.

These 10 companies are Aboitiz Renewables Inc., DMCI Power Corp., FDC Utilities Inc., Global Business Power Corp., Marubeni Corp., Philippine Associated Smelting and Refining Corp., PowerOne Ventures Energy Inc., Trans-Asia Oil and Energy Development Corp., Unified Leyte Geothermal Energy Inc. and Vivant Energy Corp.

Meanwhile, other parties, including private power firms, industrial corporations and electric cooperatives are participating in the selection for the administrator of the strips of energy

These are Aboitiz Energy Solutions Inc., AC Energy Holdings Inc., APO Cement Corp., DMCI Power, Emerging Power Resource Holding Corp., Filinvest Utilities, Global Business Power, Good Friends Hydro Resources Corp., Leyte II Electric Cooperative Inc., LIDE Management Corp., LIDE-PASAR Power Corp., Marubeni Corp., Negros Occidental Electric Cooperative

	Inc., Pasar, Philippine Phosphate Fertilizer Corp., PowerOne Ventures, Renagmec PowerCorp., Trans-Asia, Unified Leyte Geothermal, Vivant and Waterfront Airport Hotel & Casino. We confirm that Trans-Asia is interested in participating in the biddings for administration and the strips of energy of the Unified Leyte power complex.
August 30, 2013	Please be informed that Trans-Asia Petroleum Corporation ("Trans-Asia Petroleum") received advice from the Philodrill Corporation, Operator of SC 6 Block B, that the Department of Energy did not approve the farm-in of Peak Oil and Gas Ltd., Blade Petroleum Ltd, and VenturOil Philippines, Inc. (the "Farminees") into SC 6 Block B, primarily due to the failure of the Farminees to demonstrate the required financial capacity. Under the farm-in agreement, the Farminees would have been eligible to earn a combined 70% of the participating interest of the farming out parties, which include Trans-Asia Petroleum. Trans-Asia Petroleum, wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, has 14.063% participating interest in SC 6 Block B.
September 11, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") signed today a deed of sale purchasing 100% interest in Trans-Asia Wind Power Corporation ("TAWPC") from Trans-Asia subsidiary Trans-Asia Renewable Energy Corporation ("TAREC"). As part of a restructuring of the Trans-Asia's renewable energy division, TAREC will now act as the project vehicle for the 54 MW wind farm project in San Lorenzo, Guimaras, which originally envisioned to be TAWPC. The move was designed to accelerate construction of the San Lorenzo project, avoiding delays that may result from transfers of contracts and permits that were already secured in the name of TAREC.
September 17, 2013	In connection with Trans-Asia Oil and Energy Development Corporation (the "Company")'s dividend declaration of July 22, 2013, please be informed that the Securities and Exchange Commission ("SEC") granted the Company's request that the dividend payment date be moved from August 30, 2013 to ten (10) trading days from the date all the following approvals are secured: (a) SEC approval of the property component of the dividend, which are shares of stock in the Company's subsidiary, Trans-Asia Petroleum Corporation ("TAP"); (b) SEC approval of the Registration Statement for the TAP shares; and (c) Bureau of Internal Revenue (BIR) issuance of Certificates Authorizing Registration of the TAP shares.
October 8, 2013	Please be informed that Otto Energy Philippines, Inc. ("Otto"), the Operator, notified its partners, namely:

	Trans-Asia Petroleum Corporation ("TA Petroleum") and Frontier Gasfields Pty. Ltd. ("Frontier") of Otto's withdrawal from SC 69, the current sub-phase of which expires on 7 November 2013. TA Petroleum and Frontier subsequently jointly requested the Department of Energy a six-month extension of the 7 October 2013 deadline to elect to enter the next exploration sub-phase. Otto, TA Petroleum, and Frontier currently hold 79%, 6% and 15% participating interests in SC 69, respectively. The earlier re-assignment of Otto's 9% participating interest to TA Petroleum pursuant to a farm-in agreement, awaits approval by the DOE. Trans-Asia Petroleum Corporation is a wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation.
October 8, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation ("the Corporation"), received today a *Certificate* from the Securities and Exchange Commission certifying that the Corporation's notice of property dividend declaration of 123,161,310 shares in Trans-Asia Petroleum Corporation ("TAPC") has been attached to the Corporation's SEC records since the Corporation has sufficient retained earnings. As previously disclosed, by virtue of an exemptive relief granted by the SEC, the payment date of the property dividend shall be 10 trading days from the date all of the following are secured: (a) SEC approval of the property dividend, (b) SEC approval of the Registration Statement for the TAPC shares; and (c) issuance of the Certificate Authorizing Registration (CAR) authorizing transfer of the TAPC shares to the shareholders.
October 11, 2013	Please be informed that the Energy Regulatory Commission, following an en banc deliberation on October 7, 2013, approved the Certificate of Compliance (COC) of the 20 MW power plant of Maibarara Geothermal, Inc. (MGI) in Sto. Tomas, Batangas. The COC approval paves the way for start of commercial operations of MGI's integrated steamfield-power plant facility in the 4th quarter of 2013 as originally planned. The Maibarara Geothermal Project was declared commercial by the Department of Energy in 2011, the first under the Renewable Act of 2008. MGI is owned by Trans-Asia (25%), Petrogreen Energy Corporation (65%) and PNOC Renewables Corporation (10%).

October 21, 2013	This refers to the news article "Batangas plant to start commercial operations" published in the October 21, 2013 issue of the Business World, which reported that: MAIBARARA Geothermal, Inc. (MGI) is scheduled to start the commercial operations of its 20-megawatt (MW) geothermal power plant in Batangas next month, an official from the Department of Energy (DOE) said on Friday last week. "Based from MGI's report to the DOE, construction of the plant is already completed," Ariel D. Fronda, who heads DOE's Geothermal Energy Management Division, said in a text message when asked for updates on the project. "The plant is undergoing testing. Expected commercial operations is on Nov. 15." Please be informed that the DOE official's statements above regarding completion of plant construction and ongoing testing are accurate. However, the start date of commercial operations quoted is an estimate only and not firm.
October 30, 2013	Please be informed that we have been notified by BHP Billiton Petroleum (Philippines) Corporation ("BHP Billiton"), the Operator, that they have received and signed the Strategic Environmental Plan clearance ("SEP Clearance") for the drilling of the Cinco – 1 well from the Palawan Council for Sustainable Development. Bhp Billiton is in discussions with the Department of Energy regarding the new milestone dates of SC 55 to account for the Force Majeure period. The SC 55 consortium is composed of BHP Billiton, 60% interest; Otto Energy Investments, Ltd., 33.18% and Palawan55 Exploration & Production Corporation, a subsidiary of Trans-Asia, 6.82%
November 04, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") and Lafarge Republic Inc. ("LRI"), signed today an addendum to their power supply contract to include LRI's cement plant located in Teresa, Rizal. Trans-Asia currently supplies electricity to LRI's cement plants in Bigte and Minuyan Norzagaray, Bulacan, and in Mapulo, Taysan, Batangas.
November 05, 2013	Please be informed that Maibarara Geothermal, Inc. (MGI), 25% - owned subsidiary of Trans-Asia Oil and Energy Development Corporation, secured the approval of the Philippine Electricity Market Corporation (PEMC) for MGI to be a direct trading participant in the Wholesale Electricity Spot Market (WESM) effective November 4, 2013.

	Commercial operations of MGI's 20 MW power facility in Sto. Tomas, Batangas will start as soon as ongoing commissioning tests are completed. The Energy Regulatory Commission had earlier issued the project a Certificate of Compliance. Simultaneous with the start of its WESM membership, MGI synchronized its facility to the Luzon grid where it is connected by a 5 km 115 kV transmission line through the Meralco distribution system.
November 06, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation's consolidated net income amounted to Php 474.1 million for the nine months ended September 30, 2013.
November 7, 2013	Please be informed that BHP Billiton (Philippines) Corporation ("BHPB"), the Operator, verbally advised Palawan55 Exploration & Production Corporation ("Palawan"), subsidiary of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia"), that BHPB has decided not to participate in the drilling of the Cinco prospect and possibly to withdraw from SC 55. BHPB had given no prior indication to Palwan55 of its intent not to drill a well in SC 55 and as reported in Trans-Asia's disclosure dated 30 October 2013, BHPB is in discussions with the Department of Energy regarding the new milestone dates of SC 55 to account for the Force Majeure period. Palawan55 has yet to receive a written notification to of BHPB's decision. In any event, Palawan55 considers BHPB bound by the terms and conditions of the Joint Operating Agreement amongst partners, especially the provisions pertaining to withdrawal. Current interest holdings in SC 55 are: BHPB, 60%, Otto Energy Investments, Ltd., 33.18%, and Palawan55, 6.82%.
November 07, 2013	Please be informed that Pitkin Petroleum Plc., the Operator, completed a 509 – km 3D seismic survey over the block. Processing of the seismic data will follow. The survey was designed to generate drillable prospects in the area. Trans-Asia Petroleum Corporation, wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, has 2.334% interest in SC 6 Block A.
November 08, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") was one of the highest ranking bidders of the sale of the capacity of the Unified Leyte geothermal facilities held by the Power Sector Assets and Liabilities Management Corp on November 7, 2013. Trans-Asia bidded for, and is poised

to win 40 Megawatts'(MW) "strips of energy."The highest ranking bidders are subject to a post qualification process by PSALM to declare them winners of the 200 MW allocated in the sale, out of Unified Leyte's 588 MW total capacity.

PSALM bidded out Unified Leyte's capacity in strips of 1 MW to 40MW while retaining 40MW as security capacity. Meanwhile, PSALM is schedule to complete today the bidding for the administration of Unified Leyte's bulk energy. The winning administrator will have the right to the capacity in excess of the 240-MW sum of the strips and to trade Unified Leyte's total output in the Wholesale Electricity Spot Market.

November 28, 2013

We have been notified by our partner, Otto Energy Investments, Ltd. ("Otto") that it has signed a Letter of Intent with BHP Billiton Petroleum (Philippines) Corporation ("BHPB"), the Operator, regarding the termination of their Farmout Agreement.

The Letter of Intent provides for a re-assignment of BHPB's 60% participating interest by the Department of Energy ("DOE") and a further US $ 24.5 million upon drilling of a well in the contract area.

Upon execution of a definitive termination agreement, Otto intends to submit a work program and budget to the DOE for 2014 proposing to drill the Hawkeye – 1 exploratory well.

Hawkeye is one of several prospects previously delineated in the block.

The current distribution of interests in SC 55 follows:

Palawan55 Exploration & Production Corporation, a subsidiary of Trans-Asia, 6.82%; Otto, 33.18%, and BHPB, 60%.

December 3, 2013

Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") signed today a Memorandum of Agreement ("MOA") with Basic Energy Corporation ("Basic") under which Trans-Asia shall acquire from Basic ten percent (10%) participating interest in the Mabini Geothermal Service Contract ("Mabini GSC"), which participating interest may be increased up to forty percent (40%), at the option of Trans-Asia.

Trans-Asia shall undertake at its sole cost a gravity program over the contract area in Mabini, Batangas and, upon its completion, elect its final participating interest in the Mabini GSC. The Mabini GSC requires the drilling of one exploratory well by July 2015.

In the event of commercial production, subject to certain conditions, Trans-Asia shall have the right to first negotiate a power purchase agreement with its consortium

	partner(s) for all the electricity output generated under the Mabini GSC. The MOA further grants Trans-Asia the option to acquire up to sixty percent (60%) interest in the other geothermal service contracts of Basic on a ground floor basis, which option may be exercised within six (6) months from the date of execution of the MOA.
December 6, 2013	This refers to the news article entitled "Maibarara facility to start next year" published in the December 6, 2013 issue of the Philippine Star which reported in part that: "Maibarara Geothermal Inc. (MGI), will start the commercial operations of its 20-megawatt geothermal power facility in Sto. Tomas, Batangas early next year, its top official said. Originally, the company has targeted to commence operation in the latter part of 2013. On the sideline of an energy investment forum, MGI President F.G. Delfin said the company still needs to do several safety tests. "It looks like we'll extend the testing to early 2014," Delfin told reporters yesterday. Please be informed that the statement attributed to MGI President, Francisco G. Delfin reflect MGI's current assessment of the status of the facility's testing phase. However, the tests were incorrectly described in said news article as "safety tests". The tests are actually "load tests".
December 12, 2013	Please be informed that Trans-Asia Petroleum Corporation, wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation, has agreed to subscribe to Php 136 million in Frontier Oil Corpoation shares, through the latter's forthcoming initial Public Offering, subject to certain terms and conditions.
December 18, 2013	Please be informed that Trans-Asia Oil and Energy Development Corporation's subsidiary, Trans-Asia Renewable Energy Corporation (TAREC), signed today a 15 year Php 4.3 Billion project financing facility with the Development Bank of the Philippines and Security Bank Corporation. The loan will be used to fund the construction and development of the 54MW wind farm project in San Lorenzo, Guimaras. The wind farm is expected to be in commercial operations within 16 months from EPC start date.
December 18, 2013	Please be informed that Trans-Asia entered in to an Agreement with Investwell Resources, Inc. ("Investwell")

amending the Agreement dated 18 October 2011, as amended, that provided for the assignment of Trans-Asia's Mineral Production Sharing Agreement denominated as MPSA No. 252-2007-V, to Investwell.

The new Agreement restructured the outstanding financial consideration pertinent to the assignment of the aforementioned MPSA.

December 20, 2013	We have been informed by Frontier Oil Corporation ("Frontier"), Operator of petroleum Service Contract No. 52, that it had signed a binding drilling contract for the re-entry, deepening and testing of the Nassiping-2 well in Gattaran, Cagayan.

Drilling operations are expected to commence in the first quarter of 2014.

Trans-Asia has an option to acquire ten percent (10%) participating interest in SC 52 from Frontier, which option may be exercised within ninety (90) days after completion of the drilling operations.

The SC 52 consortium initially re-entered the Nassiping-2 well in February 2012 but flow tests conducted on potential bypassed gas zones in the upper part of the borehole yielded inconclusive results.

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, 2014.*

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 _________ 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

JESSIE HIREY B. CURAMMENG
Appointment No. M-606
Notary Public for Makati City
Until December 31, 2014
Reyes Tacandong & Co.
5F PHINMA Plaza, 39 Plaza Drive,
Rockwell Center, Makati City 1200
Roll No. 62562
PTR No. 4219941; 01-16-14; Makati City
NOTARY PUBLIC
IBP No. 961249; 01-24-14; Makati City
MCLE Governing Board Order 1, s. 2008 July 4, 2008

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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.

During the year, Mr. David Balangue was appointed by the Board of Directors as Chairman of the Audit Committee, taking over the position vacated by Mr. Alfredo Velayo. Also, Mr. Ricardo Camua was appointed as Vice Chairman of the Audit Committee.

We are pleased to report our activities for Calendar Year 2013.

The Audit Committee had four (4) meetings during the year. All meetings obtained complete attendance save one meeting where only four members attended. Overall, attendance is at ninety four 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 2012 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 2012 audited consolidated financial statements and 2013 quarterly consolidated financial statements.

Informatively, in our first meeting for 2014, held on February 6, 2014, we, likewise, reviewed and endorsed to the Board of Directors for approval the 2013 audited consolidated financial statements presented in this 2013 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 2013. 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 2014 as discussed in our committee meeting held February 6, 2014.

Internal Audit

We reviewed and approved the Internal Audit plan for 2013. 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.

Self-Assessment

We performed a self-assessment of the Committee's performance against the approved Audit Committee Charter in line with the Guidelines issued by the Securities and Exchange Commission.

Audit Committee Forum

We participated in the PHINMA Group Audit Committee Forum entitled "Audit Committee Roles, Best Practices and Regulatory Requirements" held in September 2013.

DAVID L. BALANGUE
Chairman, Independent Director

RICARDO V. CAMUA
Vice Chairman, Independent Director

ROBERTO M. LAVIÑA
Executive Director

VICTOR J. DEL ROSARIO
Executive Director

EXHIBIT A

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2013 and 2012
And Years Ended December 31, 2013, 2012 and 2011

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

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, 2013, December 31, 2012 and January 1, 2012 and the related 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, 2013, 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.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2013 and 2012, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Stockholders, 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 7th day of February 2014

(Page 2 of Statement of Management's Responsibility for Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
~~Makati City~~ QUEZON CITY) S.S.

SUBSCRIBED AND SWORN to before me this FEB 13 2014 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	XX4476883	17 September 2009	Manila
Francisco L. Viray	EB0308400	2 June 2010	Manila
Pythagoras L. Brion, Jr.	EB6637129	24 October 2012	Manila

LIANNE IVY P. MEDINA
Notary Public for Quezon City
Until December 31, 2014
Adm. Matter No. NP-287
Roll No. 52047
IBP No. 959954 / 01.17.14 / QC Chapter
PTR No. 4253296 / 01.24.14 / Makati City

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Trans-Asia Oil & Energy Development Corporation
Financial Highlights
(Amounts in thousand pesos except earnings per share and ratios)

	31-Dec-13	31-Dec-12	31-Dec-11
Current Assets	**4,870,801**	**4,223,097**	**2,473,142**
Total Assets	**10,986,267**	**7,564,489**	**5,215,676**
Current Liabilities	**3,657,968**	**589,173**	**599,748**
Total Liabilities	**3,858,909**	**635,657**	**650,058**
Total Equity	**7,127,359**	**6,928,832**	**4,565,618**
Paid in Capital	**4,899,154**	**4,881,285**	**2,872,685**
Total Revenues	**2,031,397**	**1,067,458**	**875,345**
Net Income	**572,794**	**471,170**	**408,217**
Earnings Per Share	**0.12**	**0.16**	**0.18**
Current ratio	**1.33:1**	**7.17:1**	**4.12:1**
Acid Test Ratio	**1.14.:1**	**6.83:1**	**3.82:1**
Debt/Equity Ratio	**0.54:1**	**0.09:1**	**0.14:1**
Asset-to-Equity Ratio	**1.54:1**	**1.09:1**	**1.14:1**
Interest Rate Coverage Ratio	**63.78:1**	**Not applicable**	**Not applicable**
Net Debt to Equity Ratio	**0.33:1**	**Not applicable**	**Not applicable**
Return on Equity	**8.15%**	**8.20%**	**11.16%**
Return on Assets	**7.90%**	**10.23%**	**12.70%**
Asset Turnover	**21.90%**	**16.70%**	**21.31%**

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 4
Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3,274
Total No. of Stockholders

₱910.0 million	**–**
Domestic	*Foreign*

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.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, 2013 and 2012, and 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, 2013, 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.

SGV
Building a better working world

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, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

February 7, 2014

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012 (As Restated - Note 3)	January 1, 2012 (As Restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 32 and 33)	**₱687,992,025**	₱907,595,393	₱874,437,195
Short-term investments (Notes 7, 32 and 33)	**51,354,062**	1,555,339,849	–
Investments held for trading (Notes 8, 32 and 33)	**475,351,797**	835,008,772	871,184,403
Receivables (Notes 9, 29, 31, 32 and 33)	**2,672,774,753**	670,234,362	544,026,303
Fuel and spare parts - at cost	**243,763,393**	133,932,089	71,614,701
Available-for-sale investments (Notes 7, 32 and 33)	**292,135,812**	54,001,939	–
Other current assets (Notes 10 and 32)	**447,429,542**	66,984,801	47,309,078
	4,870,801,384	4,223,097,205	2,408,571,680
Assets held for sale (Note 11)	**–**	–	64,570,166
Total Current Assets	**4,870,801,384**	4,223,097,205	2,473,141,846
Noncurrent Assets			
Property, plant and equipment (Note 11)	**2,390,616,330**	606,419,653	482,053,999
Investments in associates and interests in joint ventures (Note 12)	**3,248,944,335**	2,391,265,505	1,899,469,717
Available-for-sale investments (Notes 13 and 33)	**286,497,796**	224,563,249	205,386,573
Investment properties (Note 14)	**30,263,401**	19,139,211	21,099,821
Deferred exploration costs (Note 15)	**96,290,568**	72,218,898	98,685,691
Deferred income tax assets - net (Note 27)	**47,026,946**	25,405,892	35,506,541
Other noncurrent assets	**15,826,771**	2,379,345	331,678
Total Noncurrent Assets	**6,115,466,147**	3,341,391,753	2,742,534,020
TOTAL ASSETS	**₱10,986,267,531**	₱7,564,488,958	₱5,215,675,866
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities (Notes 16, 29, 32 and 33)	**₱2,508,904,644**	₱554,738,365	₱514,031,110
Due to stockholders (Notes 18, 29, 32 and 33)	**190,447,716**	9,034,206	7,932,125
Short-term loans (Note 17)	**910,000,000**	–	–
Income and withholding taxes payable	**48,615,329**	25,400,288	77,784,346
Total Current Liabilities	**3,657,967,689**	589,172,859	599,747,581
Noncurrent Liabilities			
Pension and other post-employment benefits (Note 28)	**33,625,384**	27,172,004	21,438,176
Deferred income tax liabilities - net (Note 27)	**142,456,254**	13,571,402	21,742,271
Other noncurrent liabilities	**24,859,321**	5,741,057	7,129,993
Total Noncurrent Liabilities	**200,940,959**	46,484,463	50,310,440
Total Liabilities	**3,858,908,648**	635,657,322	650,058,021

(Forward)

	December 31, 2013	December 31, 2012 (As Restated - Note 3)	January 1, 2012 (As Restated - Note 3)
Equity			
Capital stock (Note 18)	**₱4,863,862,757**	₱4,857,258,870	₱2,829,863,527
Additional paid-in capital	**35,573,407**	24,026,492	42,821,420
Other equity reserve - joint venture	**23,260,302**	27,375,956	30,540,000
Other equity reserve - stock option plan (Note 19)	**8,765,344**	–	–
Unrealized fair value gains on available-for-sale investments (Note 13)	**91,822,813**	84,985,224	74,174,480
Remeasurement gains on defined benefit plan (Note 28)	**(4,225,560)**	(3,474,800)	–
Accumulated share in other comprehensive income of a joint venture (Note 12)	**4,687,860**	13,140,777	13,635,665
Retained earnings (Note 18)	**2,132,404,634**	1,936,986,705	1,581,913,463
Parent Company shares of stock held by a joint venture (Note 12)	–	(11,467,588)	(7,330,710)
Treasury shares (Note 5)	**(28,792,674)**	–	–
Total Equity	**7,127,358,883**	6,928,831,636	4,565,617,845
TOTAL LIABILITIES AND EQUITY	**₱10,986,267,531**	₱7,564,488,958	₱5,215,675,866

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
REVENUES			
Generation revenue	**₱1,478,893,614**	₱75,067,928	₱63,597,441
Trading revenue - net (Note 20)	**524,090,178**	901,681,776	712,673,227
Interest and other financial income (Note 26)	**14,540,746**	75,862,831	77,080,049
Dividend income (Note 29)	**8,096,655**	8,295,610	15,794,935
Rental income (Notes 14 and 29)	**5,776,129**	6,549,409	6,199,564
	2,031,397,322	1,067,457,554	875,345,216
COSTS AND EXPENSES			
Cost of power generation (Notes 21 and 29)	**1,083,238,729**	61,910,971	49,387,918
Cost of power plant on standby (Note 22)	**–**	49,106,424	58,478,507
General and administrative expenses (Notes 23 and 29)	**349,165,719**	290,098,905	279,115,988
	1,432,404,448	401,116,300	386,982,413
OTHER INCOME - NET (Note 26)	**195,163,237**	8,170,254	57,169,075
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 12)	**(61,699,060)**	(20,947,699)	(23,931,998)
INCOME BEFORE INCOME TAX	**732,457,051**	653,563,809	521,599,880
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**195,423,240**	180,071,004	148,552,121
Deferred	**(35,761,174)**	2,060,980	(35,169,350)
	159,662,066	182,131,984	113,382,771
NET INCOME	**₱572,794,985**	₱471,431,825	₱408,217,109
Basic/Diluted Earnings Per Share (Note 30)	**₱0.12**	**₱0.16**	**₱0.18**

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		
	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
NET INCOME FOR THE YEAR	**₱572,794,985**	₱471,431,825	₱408,217,109
OTHER COMPREHENSIVE INCOME (LOSS)			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized fair value gains (losses) on available-for-sale investments - net of deferred income tax (Note 13)	**(7,307,688)**	12,168,744	2,417,587
Income tax effect	**1,004,500**	(1,358,000)	(77,200)
	(6,303,188)	10,810,744	2,340,387
Share in other comprehensive income of a joint venture - net of deferred income tax (Note 12)	**4,687,860**	(494,888)	449,889
	(1,615,328)	10,315,856	2,790,276
Net other comprehensive loss to be reclassified directly to retained earnings in subsequent periods			
Remeasurement losses on defined benefit plan - net of deferred income tax (Note 28)	**(1,072,515)**	(4,964,000)	–
Income tax effect	**321,755**	1,489,200	
	(750,760)	(3,474,800)	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(2,366,088)**	6,841,056	2,790,276
TOTAL COMPREHENSIVE INCOME	**₱570,428,897**	₱478,272,881	₱411,007,385

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, 2013, 2012 AND 2011

	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserve - Joint Venture	Other Equity Reserve - Stock Option Plan (Note 19)	Unrealized Fair Value Gains on Available-for-Sale Investments	Remeasurement Gains on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings	Parent Company Shares of Stock Held by a Joint Venture	Treasury Shares (Note 5)	Total
BALANCES AT JANUARY 1, 2013, AS PREVIOUSLY REPORTED	**₱4,857,258,870**	**₱24,026,492**	**₱27,375,956**	**₱–**	**₱84,985,224**	**₱–**	**₱13,140,777**	**₱1,942,498,505**	**(₱11,467,588)**	**₱–**	**₱6,937,818,236**
Effect of adoption of Revised PAS 19 (Note 3)	–	–	–	–	–	**(3,474,800)**	–	**(5,511,800)**	–	–	**(8,986,600)**
BALANCES AT JANUARY 1, 2013, AS RESTATED	**4,857,258,870**	**24,026,492**	**27,375,956**	–	**84,985,224**	**(3,474,800)**	**13,140,777**	**1,936,986,705**	**(11,467,588)**	–	**6,928,831,636**
Net income for the year	–	–	–	–	–	–	–	**572,794,985**	–	–	**572,794,985**
Other comprehensive income	–	–	–	–	**(6,303,188)**	**(750,760)**	**4,687,860**	–	–	–	**(2,366,088)**
Total comprehensive income for the year	–	–	–	–	**(6,303,188)**	**(750,760)**	**4,687,860**	**572,794,985**	–	–	**570,428,897**
Dividends declared (Note 18)	–	–	–	–	–	–	–	**(377,377,056)**	–	–	**(377,377,056)**
Issuance of stocks - stock grant (Notes 18 and 19)	**695,877**	**410,578**	–	–	–	–	–	–	–	–	**1,106,455**
Equity-based compensation expense (Note 19)	–	–	–	**12,280,348**	–	–	–	–	–	–	**12,280,348**
Issuance of stocks - stock option (Note 19)	**5,908,010**	**10,854,196**	–	**(3,232,863)**	–	–	–	–	–	–	**13,529,343**
Forfeiture of stock options (Note 19)	–	**282,141**	–	**(282,141)**	–	–	–	–	–	–	–
Effect of business combination (Note 12)	–	–	–	–	**13,140,777**	–	**(13,140,777)**	–	**11,467,588**	**(28,792,674)**	**(17,325,086)**
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 12)	–	–	**(4,115,654)**	–	–	–	–	–	–	–	**(4,115,654)**
	6,603,887	**11,546,915**	**(4,115,654)**	**8,765,344**	**13,140,777**	–	**(13,140,777)**	**(377,377,056)**	**11,467,588**	**(28,792,674)**	**(371,901,650)**
BALANCES AT DECEMBER 31, 2013	**₱4,863,862,757**	**₱35,573,407**	**₱23,260,302**	**₱8,765,344**	**₱91,822,813**	**(₱4,225,560)**	**₱4,687,860**	**₱2,132,404,634**	**₱–**	**(₱28,792,674)**	**₱7,127,358,883**
BALANCES AT JANUARY 1, 2012, AS PREVIOUSLY REPORTED	**₱2,829,863,527**	**₱42,821,420**	**₱30,540,000**	**₱–**	**₱74,174,480**	**₱–**	**₱13,635,665**	**₱1,587,687,133**	**(₱7,330,710)**	**₱–**	**₱4,571,391,515**
Effect of adoption of Revised PAS 19 (Note 3)	–	–	–	–	–	–	–	(5,773,670)	–	–	(5,773,670)
BALANCES AT JANUARY 1, 2012, AS RESTATED	**2,829,863,527**	**42,821,420**	**30,540,000**	–	**74,174,480**	–	**13,635,665**	**1,581,913,463**	**(7,330,710)**	–	**4,565,617,845**
Net income for the year,	–	–	–	–	–	–	–	471,431,825	–	–	471,431,825
Other comprehensive income for the year	–	–	–	–	10,810,744	(3,474,800)	(494,888)	–	–	–	6,841,056
Total comprehensive income for the year	–	–	–	–	10,810,744	(3,474,800)	(494,888)	471,431,825	–	–	478,272,881

(Forward)

	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserve - Joint Venture	Other Equity Reserve - Stock Option Plan (Note 19)	Unrealized Fair Value Gains on Available-for-Sale Investments	Remeasurement Gains on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture (Note 12)	Retained Earnings	Parent Company Shares of Stock Held by a Joint Venture	Treasury Shares (Note 5)	Total
Cash dividends - ₱0.04 per share (Note 18)	₱–	₱–	₱–	₱–	₱–	₱–	₱–	(₱113,194,540)	₱–	₱–	(₱113,194,540)
Issuance of stocks - stock grant (Notes 18 and 19)	142,105	–	–	–	–	–	–	–	–	–	142,105
Issuance of stocks from stock rights offering (SRO), net of direct costs of ₱18.79 million (Note 18)	2,027,253,238	(18,794,928)	–	–	–	–	–	–	–	–	2,008,458,310
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 12)	–	–	(3,164,044)	–	–	–	–	(3,164,043)	–	–	(6,328,087)
Increase in parent company shares held by a joint venture (Note 12)	–	–	–	–	–	–	–	–	(4,136,878)	–	(4,136,878)
	2,027,395,343	(18,794,928)	(3,164,044)	–	–	–	–	(116,358,583)	(4,136,878)	–	1,884,940,910
BALANCES AT DECEMBER 31, 2012, AS RESTATED	**₱4,857,258,870**	**₱24,026,492**	**₱27,375,956**	**₱–**	**₱84,985,224**	**(₱3,474,800)**	**₱13,140,777**	**₱1,936,986,705**	**(₱11,467,588)**	**₱–**	**₱6,928,831,636**
BALANCES AT JANUARY 1, 2011, AS PREVIOUSLY REPORTED	**₱1,664,625,604**	**₱54,693,308**	**₱–**	**₱–**	**₱71,834,093**	**₱–**	**₱13,185,776**	**₱1,246,055,049**	**(₱3,923,869)**	**₱–**	**₱3,046,469,961**
Effect of adoption of Revised PAS 19 (Note 3)	–	–	–	–	–	–	–	(5,773,670)	–	–	(5,773,670)
BALANCES AT JANUARY 1, 2011, AS RESTATED	**1,664,625,604**	**54,693,308**	**–**	**–**	**71,834,093**	**–**	**13,185,776**	**1,240,281,379**	**(3,923,869)**	**–**	**3,040,696,291**
Net income for the year	–	–	–	–	–	–	–	408,217,109	–	–	408,217,109
Other comprehensive income for the year	–	–	–	–	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 (Note 18)	–	–	–	–	–	–	–	(66,585,025)	–	–	(66,585,025)
Issuance of stocks from stock rights offering, net of direct costs of ₱11.87 million (Note 18)	1,165,237,923	(11,871,888)	–	–	–	–	–	–	–	–	1,153,366,035
Share in additional investment of a venture in the joint venture company (Note 12)	–	–	30,540,000	–	–	–	–	–	–	–	30,540,000
Increase in parent company shares held by a joint venture (Note 12)	–	–	–	–	–	–	–	–	(3,406,841)	–	(3,406,841)
	1,165,237,923	(11,871,888)	30,540,000	–	–	–	–	(66,585,025)	(3,406,841)	–	1,113,914,169
BALANCES AT DECEMBER 31, 2011, AS RESTATED	**₱2,829,863,527**	**₱42,821,420**	**₱30,540,000**	**₱–**	**₱74,174,480**	**₱–**	**₱13,635,665**	**₱1,581,913,463**	**(₱7,330,710)**	**₱–**	**₱4,565,617,845**

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		
	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱732,457,051**	₱653,563,809	₱521,599,880
Adjustments for:			
Interest and other financial income (Note 26)	**(14,540,746)**	(75,862,831)	(77,080,049)
Interest and other financial charges (Note 26)	**13,936,447**	1,343,138	1,663,154
Depreciation and amortization (Notes 11, 14 and 25)	**99,136,027**	44,426,084	55,546,449
Gain on option fee (Note 26)	**–**	(30,729,019)	(21,935,000)
Gain on derivatives - net (Note 33)	**(31,158,641)**	(9,364,316)	(9,625,976)
Gain on remeasurement of previously held investment (Notes 5 and 26)	**(168,584,943)**	–	–
Gain on bargain purchase (Notes 5 and 26)	**(25,925,597)**	–	–
Unrealized foreign exchange loss - net	**(5,011,534)**	10,747,761	3,736,911
Dividend income (Note 29)	**(8,096,655)**	(8,295,610)	(15,794,935)
Property and equipment written-off (Note 11)	**–**	6,024,977	14,246,800
Equity-based compensation expense	**12,280,348**	–	–
Provisions for (reversals of):			
Impairment loss on deferred exploration costs (Note 15)	**(12,874,373)**	12,874,373	(11,473,481)
Impairment loss on available-for-sale investments (Note 13)	**49,696,670**	–	–
Doubtful accounts	**17,679,712**	2,091,859	–
Inventory obsolescence	**486,522**	–	–
Gain on assignment of Mineral Production Sharing Agreement (MPSA)	**(37,934,464)**	–	–
Gain on sale of:			
Available-for-sale investments	**(621,819)**	(75,499)	1,893,238
Property and equipment (Note 26)	**(335,661)**	(175,773)	162,397
Interest in service contract (Note 15)	**–**	–	(4,048,828)
Assets held for sale (Note 11)	**–**	(11,016,834)	–
Equity in net losses of associates and joint ventures (Note 12)	**61,699,060**	20,947,699	23,931,998
Operating income before working capital changes	**682,289,404**	616,499,818	482,822,558
Decrease (increase) in:			
Receivables	**(1,758,623,454)**	17,632,388	(571,827,029)
Fuel and spare parts - at cost	**10,298,213**	(62,485,875)	(45,006,223)
Other current assets	**(170,126,196)**	(15,840,373)	7,924,466
Increase (decrease) in accounts payable and other current liabilities	**1,619,903,477**	(98,261,985)	554,986,267
Net cash generated from operations	**383,739,444**	457,543,973	428,900,039
Interest received	**45,094,902**	36,385,439	50,517,390
Interest paid	**(7,673,085)**	–	–
Income taxes paid	**(209,113,162)**	(242,761,548)	(64,871,875)
Net cash flows provided by operating activities	**212,048,099**	251,167,864	414,545,554

(Forward)

	Years Ended December 31		
	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to (reductions in):			
Investment in associates (Note 12)	**(₱53,250,000)**	(₱65,178,340)	(₱87,072,035)
Interests in joint ventures (Note 12)	**(1,184,000,000)**	(458,525,000)	(1,450,000,000)
Property and equipment (Note 11)	**(1,406,374,951)**	(173,860,255)	(147,766,438)
Deferred exploration costs (Note 15)	**(11,197,297)**	(18,928,348)	(8,481,126)
Available-for-sale investments	**(292,252,795)**	(61,533,214)	(31,222,148)
Short-term investments (Note 8)	**1,503,985,787**	(1,555,339,849)	–
Acquisition of a subsidiary (Note 5)	**(197,792,678)**	–	–
Proceeds from:			
Sale and redemption of investments held for trading (Note 9)	**461,473,080**	65,770,150	32,212,888
Settlement of currency forward contracts (Note 33)	**9,681,433**	7,138,409	14,941,316
Sale of property and equipment (Note 11)	**1,187,690**	1,179,922	22,423,633
Sale of available-for-sale investments (Note 13)	**7,356,688**	598,844	31,487,848
Sale of interest in service contract (Note 15)	–	–	12,012,859
Receipt of option fee (Note 15)	–	42,202,500	21,935,000
Sale of assets held for sale (Note 11)	–	75,587,000	–
Reimbursement of deferred exploration costs (Note 15)	–	21,047,287	–
Decrease (increase) in other noncurrent assets	**(12,389,026)**	(2,047,669)	46,890,000
Cash dividends received	**8,096,655**	8,295,610	38,294,935
Net cash flows used in investing activities	**(1,165,475,414)**	(2,113,592,953)	(1,504,343,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of capital stock (Note 18)	**17,868,661**	2,008,600,415	1,153,366,035
Proceeds from short-term loans	**910,000,000**	–	–
Payment of cash dividends	**(194,318,190)**	(112,092,459)	(66,611,906)
Increase (decrease) in other noncurrent liabilities	**14,147,624**	(991,981)	2,700,569
Net cash flows provided by financing activities	**747,698,095**	1,895,515,975	1,089,454,698
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(13,874,148)**	67,312	(6,003,572)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(219,603,368)**	33,158,198	(6,346,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**907,595,393**	874,437,195	880,783,783
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱687,992,025**	₱907,595,393	₱874,437,195

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or "the Parent Company"), incorporated on September 8, 1969, and its wholly-owned subsidiaries, Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Petroleum Corporation (TA Petroleum) [formerly Trans-Asia (Karang Besar) Petroleum Corporation], Trans-Asia Gold and Minerals Development Corporation (TA Gold), Palawan55 Exploration & Production Corporation (Palawan55) and Trans-Asia Wind Power Corporation (TAWPC) (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 engaged in power generation and trading, oil and mineral exploration, development 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 Parent Company is also a registered as a Wholesale Aggregator and is a licensed Retail Electricity Supplier (RES). 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 Parent Company are investments in various operating companies and in financial instruments.

TA Power is engaged in power generation. Previously, the Parent Company had a 50% interest in TA Power, a joint venture with Holcim Philippines, Inc. 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 5). 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.

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 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 11 and 22). 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 21MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union. As at December 31, 2012, the Company has completed the transfer of CIPP's power plant (see Note 11). As at February 7, 2014, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

TAREC was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Development/ Commercial Stage. As at December 31, 2013, the 54MW Wind Power project is under construction.

TA Petroleum was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. As at February 7, 2014, TA Petroleum has not started commercial operations.

TA Gold was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of TA Gold effective March 31, 2009. As at February 7, 2014, TA Gold's exploration activities remain suspended.

Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other form of petroleum. As at February 7, 2014, Palawan55 has not started commercial operations.

TAWPC was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to the Parent Company. As a result of the assignment, TAWPC became a wholly-owned subsidiary of the Parent Company. As at February 7, 2014, TAWPC has not started commercial operations.

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 135MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. As at February 7, 2014, SLTEC has not yet started operations.

The Parent Company has 50% interest in ACTA Power Corporation (ACTA), a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and it has not started commercial operations as at February 7, 2014.

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 Parent Company's BOD on February 7, 2014.

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 financial instruments 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 Parent Company's functional and presentation currency. All values are rounded to the nearest peso, unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional balance sheet as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

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 at 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.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

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

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

Upon consolidation, all intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Changes in the controlling ownership (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 an equity transaction.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned subsidiaries:

	Country of Incorporation	Principal Activities	Percentage of Ownership 2013	2012	2011
Trans-Asia Power Generation Corporation [a]	Philippines	Power generation	**100**	50	50
CIP II Power Generation Corporation	Philippines	Power generation	**100**	100	100
Trans-Asia Renewable Energy Corporation	Philippines	Renewable energy generation	**100**	100	100
Trans-Asia Petroleum Corporation	Philippines	Oil and gas exploration	**100**	100	100
Trans-Asia Gold and Mineral Development Corporation	Philippines	Mineral exploration	**100**	100	100
Palawan55 Exploration & Production Corporation [b]	Philippines	Oil and gas exploration	**100**	100	–
Trans-Asia Wind Power Corporation [c]	Philippines	Renewable energy generation	**100**	–	–

[a] *Acquired the 50% share in TA Power on January 1, 2013 (see Note 5).*
[b] *Incorporated on November 16, 2012.*
[c] *Incorporated on July 26, 2013.*

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies

The Company applied, for the first time, certain standards and amendments, some of which will require restatement of previous consolidated financial statements. These include PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements*, PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, these did not have an impact on the consolidated financial statements of the Company.

The nature and the impact of each new standard and amendment are described below:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

- 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 balance sheet;
  c) The net amounts presented in the balance sheet;
  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 affect disclosures only and have no impact on the Company's financial position or performance since there was no offsetting of financial assets and financial liabilities as of December 31, 2013 and 2012.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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.

  Based on the reassessment of control following the provisions of PFRS 10, the adoption of this new standard no impact on the consolidated financial statements.

- 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 application of PFRS 11 resulted in a change in the Company's accounting of its interests in joint ventures, TA Power (became a wholly owned subsidiary on January 1, 2013), SLTEC and ACTA (see Note 12). Prior to transition to PFRS 11, the Parent Company classified its interests in joint ventures as jointly controlled entities and proportionately consolidated its 50% share in the assets, liabilities, revenues, income and expenses in the consolidated financial statements. Under PFRS 11, the Company has determined that its interests in these entities are classified as joint ventures and are to be accounted for using the equity method (see Note 12). The transition was applied retrospectively as required by PFRS 11 and the opening balances as at January 1, 2012 and the comparative information for the years ended December 31. 2012 and 2011 have been restated. The effects of applying PFRS 11 on the Company's consolidated financial statements are as follows:

Consolidated Statements of Income and Statements of Other Comprehensive Income

	Years ended December 31	
	2012	2011
Increase (decrease) in:		
Revenues		
Trading revenue - net	₱154,633,012	₱188,358,534
Company's share in generation revenue of joint venture	(700,608,835)	(665,515,380)
Company's share in other income of joint venture	(9,139,996)	(7,372,793)
Rental income	1,686,913	870,460
	(553,428,906)	(483,659,179)
Costs and Expenses		
Company's share in cost of power generation of joint ventures	(520,256,979)	(446,391,682)
General and administrative expenses	542,104	699,502
Company's share in general and administrative expenses of joint venture	(44,029,913)	(37,266,577)
	(563,744,788)	(482,958,757)
Other Income - net	2,609,598	13,032,273
Income before income tax	12,925,480	12,331,851
Equity in net losses of associates and joint ventures	14,290,774	16,700,246
Company's share in provision for income tax of joint venture	(1,365,294)	(4,368,395)
Net income / total comprehensive income for the year	₱–	₱–

Consolidated Balance Sheets

	December 31, 2012	January 1, 2012
Increase (decrease) in:		
Current Assets		
Trade and other receivables	₱43,456,720	₱86,617,120
Company's share in current assets of joint ventures	(678,712,401)	(585,134,829)
Total Current Assets	(635,255,681)	(498,517,709)

(Forward)

	December 31, 2012	January 1, 2012
Noncurrent Assets		
Investment in associates and interests in joint ventures	₱2,213,083,732	₱1,779,809,359
Company's share in noncurrent assets of joint ventures	(1,716,001,940)	(1,357,798,844)
Total Noncurrent Assets	497,081,792	422,010,515
Current Liabilities		
Trade and other payables	32,268,217	34,862,279
Company's share in current liabilities of joint ventures	(165,266,353)	(104,085,505)
Total Current Liabilities	(132,998,136)	(69,223,226)
Noncurrent Liabilities		
Company's share in noncurrent liabilities of joint ventures	(₱5,175,753)	(₱7,283,968)
Total Noncurrent Liabilities	(5,175,753)	(7,283,968)
Equity	₱–	₱–

Consolidated Statements of Cash Flows

	Years ended December 31	
Increase (decrease) in :	2012	2011
Operating	(₱51,885,586)	₱4,535,505
Investing	(27,058,866)	(256,572,666)
Financing	6,328,088	(30,540,000)
Cash and cash equivalents	(403,350,054)	(120,772,893)
Net decrease in cash and cash equivalents	(₱475,966,418)	(₱403,350,054)

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Parent Company has no subsidiaries with material non-controlling interests and there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 12.

- 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has no material impact the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 33.

- 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.

- PAS 19, *Employee Benefits* (Revised)
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

  The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

  <u>Consolidated Balance Sheets</u>

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Net defined benefits liability	**(₱11,915,977)**	₱12,838,000	₱8,248,100
Deferred income tax assets	**(3,574,793)**	3,851,400	2,474,430
Other comprehensive income	**8,341,184**	(3,474,800)	–
Retained earnings	–	(5,511,800)	(5,773,670)

Consolidated Statements of Income

	Years Ended December 31	
	2013	2012
Increase (decrease) in:		
General and administrative expenses	**₱–**	(₱374,100)
Income before income tax	**–**	(374,100)
Provision for income tax	**–**	112,230
Net income for the year	**₱–**	₱261,870
Basic/diluted earnings per share	**₱–**	₱0.00009

Consolidated Statements of Comprehensive Income

	Years Ended December 31	
	2013	2012
Increase (decrease) in:		
Remeasurement gains on defined benefit plan	**₱11,915,977**	(₱4,964,000)
Income tax effect	**(3,574,793)**	1,489,200
Other comprehensive income for the year, net of tax	**8,341,184**	(3,474,800)
Total comprehensive income for the year	**₱8,341,184**	(₱3,212,930)

The adoption did not have impact on the consolidated statements of cash flows.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate or standalone financial statements of the entities in the Company.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11 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 effect of the amendment is in relation to the adoption of PFRS 11 as explained above. Starting January 1, 2013, the Company will account for its investments in joint venture using equity method under PAS 28.

- Philippine Interpretation International Financial Reporting Interpretations Committee (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. This new interpretation is not relevant to the Company.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- 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 does 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 amendment does not have any significant impact on the Company's 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.

Standards Issued but not yet Effective

Standards issued but effective subsequent to December 31, 2013 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.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Company since none of the entities in the Company would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- 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 to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments will affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. Currently, the Company's employees or third parties do not contribute to the Company's defined benefit plans, thus, the Company does not expect that these amendments will have an impact on its financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace 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 fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Company shall consider this amendment in the Company's future share-based transactions.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment will have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.

Business Combinations and Goodwill
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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income. It is then considered in the determination of goodwill or gain on bargain purchase.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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 (CGUs), or groups of CGUs, 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 CGU (group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a CGU (group of CGUs) 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 CGU retained.

Business Combination Involving Entities Under Common Control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are combined and reflected at their carrying amounts reported in the Company's consolidated balance sheet. The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date entities had been under common control.

The assignment of shares of stocks of TAWPC by TAREC to the Parent Company is considered as a reorganization and was accounted for at historical cost in a manner similar to pooling of interests method (see Note 1). Under the pooling of interests method of accounting, the results of operations and cash flows of the Parent Company and its subsidiaries are combined from the beginning of the financial period in which the acquisition occurred and their assets and liabilities are combined at the amounts at which they were previously recorded at the Company's consolidated financial statements as if they had been part of the group for the whole of the current and preceding periods.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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 financial asset or financial liability at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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. Net changes in fair value on financial assets and financial 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 at December 31, 2013 and 2012, the Company has no financial asset or financial liability designated at FVPL on initial recognition.

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).

Net changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income as gain or loss 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 at December 31, 2013 and 2012, 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 33).

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 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 at December 31, 2013 and 2012, the Company's derivative asset, included under "Other current assets" account, and derivative liabilities, included under "Accounts payable and other current liabilities" account, are classified as financial assets and financial liabilities at FVPL (see Notes 10, 16 and 33).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR.
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 EIR 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 at December 31, 2013 and 2012, the Company's cash and cash equivalents, short-term investments and receivables are classified as loans and receivables (see Notes 6, 7, 9 and 33).

HTM Investments
Quoted non-derivative 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 EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR.

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 at December 31, 2013 and 2012, the Company did not classify any financial asset under HTM investments.

AFS Investments
AFS investments are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, AFS investments are measured at fair value with unrealized 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. Interest earned while holding AFS investments is reported as interest income using the EIR method.

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 at December 31, 2013 and 2012, 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, 13 and 33).

Loans and Borrowings
All loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of income.

As at December 31, 2013 and 2012, the Company's accounts payable and other current liabilities, due to stockholders, short-term loans and other noncurrent liabilities are classified as other financial liabilities (see Notes 16, 17, 29 and 33).

Impairment of Financial Assets
The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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, or collectively for financial assets that are not individually significant. If the Company determines 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 collectibility 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
The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

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. When 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 AFS debt instruments, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the Company also recognizes an impairment loss, if, and only if, it is probable that the Company will sell the investments and the expected cash flows to be realized from the disposal of the AFS investments are less than their carrying values.

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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement'; and either the Company (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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company’s continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

When 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.

Offsetting Financial Instruments
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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market. Where the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available an supportable market data as possible).

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at consolidated balance sheet date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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.

Assets Held for Sale
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.

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 situations 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
Wells, platforms and other facilities	10 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 and Interests in Joint Ventures
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in associates and interests in joint ventures are accounted for using the equity method of accounting. The investments in associates and interests in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates and joint ventures, less any impairment in value.

The consolidated statement of income reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When the Parent Company's accumulated share in net losses of an associate and joint venture 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 and joint venture 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 and interest in joint venture are 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.

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 pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any 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.

Impairment of Non-financial Assets
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 CGU'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.

The following assets have specific characteristics for impairment testing:

Property, plant and equipment and Investment properties
For property, plant and equipment and investment properties, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in associates and interests in joint ventures
The Company determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and its carrying amount. The amount of impairment loss is recognized in the consolidated income statement.

Deferred exploration costs
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.

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, plant 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.

Treasury Shares
Treasury shares are own equity instruments which are reacquired and recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserve
Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of joint ventures and share-based payment transactions.

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:

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.

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.
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.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

Costs and Expenses
Costs and expenses are recognized when incurred.

Pensions and Other Post-Employment Benefits
Defined benefit plan
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 net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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 fair value is determined using the binomial method. 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 balance sheet 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.

<u>Borrowing Costs</u>
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. All other borrowing costs are expensed as incurred.

<u>Foreign Currency-denominated Transactions</u>
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. Non-financial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-financial 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 Tax</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 at 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.

Creditable Withholding Tax (CWT)
CWT represents amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- where receivables and payables are stated with the amount of VAT included.

Unapplied input VAT is included in "Other current assets" in the consolidated balance sheet.

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 at 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.

4. 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 at 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 31). 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.

The Power Administration and Management Agreement (PAMA) between TA Oil and One Subic Power Generation Corporation (One Subic Power) qualifies as a lease on the basis that One Subic Power sells all its output to TA Oil and these agreements call for take-or-pay arrangement where payment is made principally on the basis of the availability of the power plant and not on actual deliveries of electricity generated. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by One Subic Power. Accordingly, the power plant is not recorded as part of the cost of TA Oil's property, plant and equipment and the fixed capacity fees paid to One Subic Power are recorded as trading costs on the applicable terms of the PAMA (see Note 31).

Classification of leases - the Company as lessee
The Company exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Company. Lease contracts, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. Otherwise, they are considered as operating leases.

The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset, which indicate the risks and rewards related to the asset are transferred to the Company. These leases are classified as finance leases.

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, where it has determined that the risks and rewards related to the properties are retained with the lessors (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The leases are, therefore, accounted for as operating leases.

Classification of leases - the Company as lessor
The Company 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.

Rental income from investment property amounted to ₱2.63 million, ₱2.51 million and ₱2.39 million in 2013, 2012 and 2011, respectively (see Notes 14 and 29).

Classification of joint venture
The Company holds 50% of the voting rights of its joint arrangements. The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Company's joint arrangements are structured through a separate vehicle and provide the Company and the parties to the agreements with rights to the net assets of the separate vehicle under the arrangements.

Upon adoption of PFRS 11, the Company has determined that its interests in SLTEC and ACTA should be continued to be classified as joint ventures.

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 33.

<u>Estimates</u>
Fair value of financial assets and financial liabilities
The fair value for financial instruments in share of stocks 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 ₱4.49 billion and ₱4.23 billion as at December 31, 2013 and 2012, respectively, while fair values of the Company's financial liabilities amounted to ₱2.61 billion and ₱474.76 million as at December 31, 2013 and 2012, respectively (see Note 33).

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 at December 31, 2013 and 2012, allowance for doubtful accounts amounted to ₱29.78 million and ₱12.10 million, respectively. The carrying value of receivables amounted to ₱2.67 billion and ₱670.23 million as at December 31, 2013 and 2012, respectively (see Note 9).

Impairment of AFS investments
The Company treats AFS investments in shares of stock 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.

The Company also determines whether its AFS investments in debt instruments are impaired if there is a loss event which has an impact on the future cash flows that can be reliably estimated. Examples of these loss events are significant financial difficulty of the issuer, observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets and adverse changes in the payment status of borrowers, among others.

Based on the foregoing criteria, the Company has assessed that its AFS investments in debt instruments are impaired as a result of the measurable decrease in estimated future cash flow from the AFS investments. Accordingly, an impairment loss of ₱49.70 million was recognized under the "Other income - net" account in the 2013 consolidated statement of income (see Note 26). No impairment loss was deemed necessary in 2012 and 2011. The carrying value of AFS investments amounted to ₱578.63 million and ₱278.56 million as at December 31, 2013 and 2012, respectively (see Notes 7 and 13).

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 at December 31, 2013 and 2012, deferred income tax assets recognized by the Company amounted to ₱81.10 million and ₱35.68 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 ₱158.83 million and ₱216.86 million as at December 31, 2013 and 2012, respectively (see Note 27).

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 total depreciation and amortization of property, plant and equipment and investment properties amounted to ₱99.14 million, ₱44.43 million and ₱55.55 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 11, 14 and 25).

The carrying value of property, plant and equipment amounted to ₱2.39 billion and ₱606.42 million as at December 31, 2013 and 2012, respectively (see Note 11). The carrying value of investment properties amounted to ₱30.26 million and ₱19.14 million as at December 31, 2013 and 2012, respectively (see Note 14).

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 (see Note 26).

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 test results, management has assessed that the carrying value of deferred exploration costs may not be recoverable. In 2013, the Company reversed the provision for impairment loss amounting to ₱12.87 million since management believes that it will be able to recover its costs on the basis of new studies and test results (see Note 26). Carrying value of deferred exploration costs amounted to ₱96.29 million and ₱72.22 million as at December 31, 2013 and 2012, 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 CGU 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 CGUs.

In 2012, property, plant and equipment with carrying value of ₱6.02 million were directly written-off and charged to "Other income - net" account in the consolidated statement of income (see Note 26). The carrying value of property, plant and equipment as at December 31, 2013 and 2012 amounted to ₱2.39 billion and ₱606.42 million, respectively (see Note 11). The carrying value of investment properties amounted to ₱30.26 million and ₱19.14 million as at December 31, 2013 and 2012, respectively (see Note 14).

Impairment of investments in associates and interests in joint ventures
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 2013, 2012 and 2011. Accumulated impairment loss amounted to ₱1.56 million as at December 31, 2013 and 2012. The carrying value of investments in associates and interests in joint ventures amounted to ₱3.25 billion and ₱2.39 billion as at December 31, 2013 and 2012, respectively (see Note 12).

Estimating the fair values of acquiree's identifiable assets and liabilities
Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from TA Power amounted to ₱974.06 million (see Note 5).

Purchase price allocation, gain on bargain purchase and gain on remeasurement of previously held interest
The Company's consolidated financial statements and financial performance reflect acquired business after the completion of TA Power's acquisition. The Company accounts for the acquired business using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated balance sheet or gain on bargain purchase in the consolidated statement of income. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisition of the 50% of TA Power also requires remeasurement of previously held interest in TA Power and has resulted into a gain on remeasurement and gain on bargain purchase. The gain on remeasurement of previously held interest and gain on bargain purchase pertaining to the acquisition of 50% interest in TA Power amounting to ₱168.58 million and ₱25.93 million, respectively, were presented under "Other income - net" account in the 2013 consolidated statement of income (see Notes 5 and 26).

Pension and other post-employment benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date. Pension and other post-employment benefits liability amounted to ₱33.63 million and ₱27.17 million as at December 31, 2013 and 2012, respectively (see Note 28).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 28.

Share-based payments
The Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the binomial method. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

Total expense arising from share-based payment recognized by the Company amounted to ₱12.28 million for the year ended December 31, 2013 (see Note 19).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position.

5. Business Combination

TA Power

In line with the Company's objective of increasing its portfolio of power generating assets, 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 ₱475.50 million. The said amount was fully paid on January 3, 2013. This additional acquisition of TA Power shares increased TA Oil's shareholding in TA Power from 50% equity interest with a carrying value of ₱318.44 million to 100% equity interest with a total carrying value at the time of acquisition of ₱654.15 million. Previously, the Company accounted for its investment in TA Power as interest in joint venture.

The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of fair values as follows at date of acquisition:

	Previous Carrying Values	Fair Values Recognized on Acquisition
Current Assets:		
Cash and cash equivalents	₱263,310,985	₱263,310,985
Investments held for trading	121,421,332	121,421,332
Trade and other receivables	233,295,833	228,157,137
Fuel and spare parts	104,132,883	104,132,883
Other current assets	128,342,990	127,167,747
Total Current Assets	850,504,023	844,190,084
Noncurrent Assets:		
Property, plant and equipment	14,299,400	475,849,172
Available-for-sale investments	70,138,917	70,138,917
Deferred income tax assets – net	859,643	859,643
Investment property	8,606,415	13,084,800
Other noncurrent assets	1,058,400	1,058,400
Total Noncurrent Assets	94,962,775	560,990,932
Current Liabilities:		
Trade and other payable	273,564,429	273,564,429
Due to related parties	7,386,838	7,386,838
Derivative liability	11,278	11,278
Total Current Liabilities	280,962,545	280,962,545
Noncurrent Liabilities:		
Provision	5,000,000	5,000,000
Other post-employment benefits	5,351,505	5,351,505
Deferred income tax liabilities	–	139,808,447
Total Noncurrent Liabilities	10,351,505	150,159,952
Total identifiable net assets acquired	₱654,152,748	₱974,058,519

Total identifiable net assets acquired	₱974,058,519
Gain on bargain purchase (Note 26)	25,925,597
Purchase consideration transferred	₱948,132,922

	Previous Carrying Values	Fair Values Recognized on Acquisition
Cash paid		₱475,500,000
Cash consideration allocated to pre-existing relationship		(14,396,337)
Cash paid for the additional acquisition		461,103,663
Fair value of previously held interest		487,029,259
Purchase consideration transferred		₱948,132,922
Cash flows from investing activity:		
Net cash acquired from subsidiary		₱263,310,985
Cash paid		(461,103,663)
Cash acquired – net of purchase of subsidiary		(₱197,792,678)

The fair value and gross amount of trade and other receivables amounted to ₱228.16 million. The amount of allowance for impairment for uncollectible trade and other receivables amounted to ₱5.14 million.

The Company recognized ₱168.58 million gain from remeasurement of previously held interest of 50% in TA Power, included in "Other income - net" in the consolidated statement of income (see Note 26) which is the difference of the fair value of previously held interest of ₱487.03 million and carrying value of investment in TA Power before business combination of ₱318.44 million (see Note 12).

As a result of the acquisition, the Company recognized gain on bargain purchase amounting to ₱25.93 million, included under "Other income - net" in the consolidated statement of income for the year ended December 31, 2013 (see Note 26). The gain resulted primarily from remeasurement of PPE based on expected future cash generation.

The cash consideration of ₱475.50 million paid by the Parent Company includes cash allocated to pre-existing relationship with TA Power. Prior to acquisition, TA Power has investments in the Parent Company amounting to ₱14.40 million.

Transaction costs of ₱0.56 million have been expensed and are included in "General and administrative expenses" in the consolidated statement of income for the year ended December 31, 2013 (see Note 23).

The revenues and net income of TA Power in the consolidated statement of income from January 1, 2013 to December 31, 2013 amounted to ₱4.91 billion and ₱282.10 million, respectively.

<u>Treasury shares</u>
As a result of TA Power becoming a wholly owned subsidiary of TA Oil effective January 1, 2013, Parent Company shares of stock held by TA Power was reclassified to Treasury shares account.

6. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱212,592,796**	₱177,805,788
Short-term deposits	**475,399,229**	729,789,605
	₱687,992,025	₱907,595,393

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 are the composition of the escrow fund and classification in the consolidated balance sheets:

	2013	2012
Short-term investments		
Savings account	**₱51,354,062**	₱326,967,170
Special deposit account	**–**	1,228,372,679
	51,354,062	1,555,339,849
Available-for-sale investments - current		
AFS investments in bonds and FXTNs	**341,832,482**	54,001,939
Less allowance for impairment loss	**49,696,670**	–
	292,135,812	54,001,939
	₱343,489,874	₱1,609,341,788

The Company expects to utilize the escrow account in accordance with the purpose and timing for which it was approved. The remaining balance of the account is expected to be disbursed in 2014.

In 2013, the Company acquired additional AFS investments in bonds and FXTNs totaling ₱344 million. Loss from fair value changes during the year amounted to ₱49.70 million. By the end of 2013, management has assessed that the estimated future cash flows from its AFS investments have decreased since the local 25-year interest rate as at December 31, 2013 increased by over 34% from the date of purchase of the instruments, resulting in the decline of the prices of the instruments by 15%. These AFS investments are expected to be disposed in 2014, and as such, impairment loss amounting to ₱49.70 million representing the cumulative marked-to-market loss recognized under other comprehensive income, was transferred to profit or loss in 2013.

8. Investments Held for Trading

	2013	2012
Investments in UITFs	**₱475,270,734**	₱588,542,638
Investments in bonds and FXTNs	**81,063**	246,466,134
	₱475,351,797	₱835,008,772

The changes in fair value of investments held for trading, included in net gains (losses) on investments held for trading under "Interest and other financial income" account in the consolidated statements of income, amounted to ₱58.29 million unrealized gains in 2013, and ₱18.68 million and ₱11.13 million unrealized losses in 2012 and 2011, respectively (see Note 26).

9. Receivables

	2013	2012 (As Restated – Note 3)	2011 (As Restated – Note 3)
Trade (Note 31)	**₱2,629,331,283**	₱516,131,079	330,018,116
Due from related parties (Notes 29 and 31)	**185,647**	87,018,093	173,321,256
Loan receivable	**–**	50,000,000	
Receivables from:			
Assignment of MPSA	**45,449,306**	–	–
Stockholders	**19,311,920**	–	–
Employees	**3,953,888**	276,419	1,695,330
Assignment of tax credit certificate	**–**	20,335,481	39,809,109
Others	**4,326,419**	8,577,288	9,194,630
	2,702,558,463	682,338,360	554,038,441
Less allowance for doubtful accounts	**29,783,710**	12,103,998	10,012,138
	₱2,672,774,753	₱670,234,362	₱544,026,303

Trade receivables mainly represent receivables from PEMC and from the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on terms of 30 to 60 days.

Loan receivable from a third party amounting to ₱50.00 million as at December 31, 2012 was settled in 2013.

As at December 31, the aging analysis of past due but not impaired receivables is as follows:

	2013						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	**Impaired**
Trade	**₱2,629,331,283**	**₱2,472,718,850**	**₱10,541,887**	**₱15,687,716**	**₱9,024,317**	**₱94,868,458**	**₱26,490,055**
Due from related parties	**185,647**	**185,647**	**–**	**–**	**–**	**–**	**–**
Others	**73,041,533**	**68,906,784**	**–**	**–**	**69,000**	**772,094**	**3,293,655**
	₱2,702,558,463	**₱2,541,811,281**	**₱10,541,887**	**₱15,687,716**	**₱9,093,317**	**₱95,640,552**	**₱29,783,710**

(Forward)

	2012 (As Restated - Note 3)						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱516,131,079	₱498,739,475	₱3,036,870	₱577,489	₱568,764	₱4,398,138	₱8,810,343
Due from related parties	87,018,093	87,018,093	–	–	–	–	–
Loan receivable	50,000,000	50,000,000	–	–	–	–	–
Others	29,189,188	25,444,592	–	33,600	–	417,341	3,293,655
	₱682,338,360	₱661,202,160	₱3,036,870	₱611,089	₱568,764	₱4,815,479	₱12,103,998

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

	2013		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱8,810,343**	**₱3,293,655**	**₱12,103,998**
Provision for the year (Note 26)	**17,679,712**	**–**	**17,679,712**
Balances at end of year	**₱26,490,055**	**₱3,293,655**	**₱29,783,710**

	2012		
	Trade	Others	Total
Balances at beginning of year	₱6,718,483	₱3,293,655	₱10,012,138
Provision for the year (Note 26)	2,091,860	–	2,091,860
Balances at end of year	₱8,810,343	₱3,293,655	₱12,103,998

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

10. **Other Current Assets**

	2013	2012
Creditable withholding tax	**₱154,297,757**	₱8,457,544
Prepaid expenses	**113,112,902**	48,551,256
Prepaid taxes	**91,510,976**	–
Input VAT	**54,502,095**	3,705,288
Deposit receivables	**22,334,509**	5,083,463
Derivative assets (Note 33)	**11,671,303**	1,187,250
	₱447,429,542	₱66,984,801

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

Prepaid expenses pertain to insurance (₱34.97 million), professional fees (₱14.20 million), rent and other expenses paid in advance. Prepaid expenses also include debt issue costs and other charges amounting to ₱17.09 million incurred in relation to the ₱4.3-Billion Term Loan Facility (see Note 31). Upon drawdown, the related debt issue costs will be amortized over the life of the debt instruments using the effective interest method and any unamortized debt issue costs will be presented as a reduction in the long term debt.

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

Deposit receivables pertain to cash deposits on lease agreements.

11. **Property, Plant and Equipment**

The details and movements of this account are shown below:

	Land and Land Improvements	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, 2012	₱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 (Note 26)	–	–	(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
Additions	–	1,623,214	21,337,565	–	5,224,714	626,061	5,455,884	1,372,107,513	1,406,374,951
Acquisition through business combination (Note 5)	27,701,000	15,844,000	427,163,689	–	2,562,728	–	2,577,755	–	475,849,172
Disposals	–	–	–	–	(2,811,622)	–	–	–	(2,811,622)
Reclassifications	–	–	–	–	–	(11,240,565)	–	11,240,565	–
At December 31, 2013	**38,501,000**	**188,730,373**	**1,162,990,607**	**20,346,661**	**21,811,719**	**25,887,994**	**39,312,040**	**1,383,348,078**	**2,880,928,472**
Accumulated Depletion, Depreciation, Amortization and Impairment									
At January 1, 2012	–	66,124,812	228,296,911	20,346,661	11,199,117	15,291,332	28,646,618	–	369,905,451
Depreciation and amortization (Note 25)	–	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 (Note 26)	–	–	(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
Depreciation and amortization (Note 25)	618,067	12,328,325	76,303,002	–	4,034,614	1,221,636	2,669,773	–	97,175,417
Disposals	–	–	–	–	(1,959,593)	–	–	–	(1,959,593)
At December 31, 2013	**618,067**	**89,910,214**	**318,239,667**	**20,346,661**	**9,849,870**	**19,436,553**	**31,911,110**	**–**	**490,312,142**
Net Book Value									
At January 1, 2012	₱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
At December 31, 2013	**37,882,933**	**98,820,159**	**844,750,940**	**–**	**11,961,849**	**6,451,441**	**7,400,930**	**1,383,348,078**	**2,390,616,330**

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 22).

In December 2010, CIPP's BOD approved the transfer of its 21MW bunker C-fired power plant from Laguna to La Union. As at December 31, 2012, the Company has substantially completed the transfer of CIPP's power plant. Certain assets not included in the transfer with a net book value of ₱6.02 million and ₱14.25 million were written-off in 2012 and 2011, respectively (see Note 26).

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 (see Note 26).

TAREC continues to implement 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 for which, in 2013, TAREC obtained approval for the commerciality of the wind project. Construction costs related to the project were included under construction in progress (see Note 31).

12. **Investments in Associates and Interests in Joint Ventures**

Details of investments in associates and interests in joint ventures and the carrying values as at December 31, 2013 and 2012 and January 1, 2012 are as follows:

	Percentage of Ownership	**December 31, 2013**	December 31, 2012 (As Restated – Note 3)	January 1, 2012 (As Restated – Note 3)
Associates:				
Maibarara Geothermal, Inc. (MGI)	25.00	**₱219,510,294**	₱177,550,744	₱119,029,329
Asia Coal Corporation (Asia Coal)*	28.18	**631,029**	631,029	631,029
Union Aggregates Corporation (UAC)**	31.25	**–**	–	–
		220,141,323	178,181,773	119,660,358
Joint ventures:				
SLTEC	50.00	**3,028,740,878**	1,894,564,447	1,458,766,005
TA Power***	50.00	**–**	318,444,316	321,043,354
ACTA	50.00	**62,134**	74,969	–
		3,028,803,012	2,213,083,732	1,779,809,359
		₱3,248,944,335	₱2,391,265,505	₱1,899,469,717

**Shortened corporate life to October 31, 2009.*
***Ceased operations.*
****Became a wholly-owned subsidiary on January 1, 2013 (Note 5).*

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

	2013	2012 (As Restated – Note 3)	2011 (As Restated – Note 3)
Acquisition costs:			
Balance at beginning of year	**₱2,355,088,413**	₱1,831,385,073	₱294,313,038
Addition	**1,237,250,000**	523,703,340	1,537,072,035
Business combination (Note 5)	**(225,000,000)**	–	–
Balance at end of year	**3,367,338,413**	2,355,088,413	1,831,385,073
Accumulated equity in net income (losses):			
Balance at beginning of year	**11,851,241**	32,798,940	79,230,938
Equity in net losses for the year	**(61,699,060)**	(20,947,699)	(23,931,998)
Dividends	**–**	–	(22,500,000)
Business combination (Note 5)	**(91,771,127)**	–	–
Balance at end of year	**(141,618,946)**	11,851,241	32,798,940
Accumulated share in other comprehensive income:			
Balance at beginning of year	**13,140,777**	13,635,665	13,185,776
Share in other comprehensive income (loss)	**4,687,860**	(494,888)	449,889
Business combination (Note 5)	**(13,140,777)**	–	–
Balance at end of year	**4,687,860**	13,140,777	13,635,665
Other equity transactions:			
Balance at beginning of year	**12,744,325**	23,209,290	(3,923,869)
Share in additional investment of a venturer in the joint venture company	**–**	–	30,540,000
Share in expenses directly attributable to issuance of stocks of a joint venture	**(4,115,654)**	(6,328,087)	–
Parent Company shares of stock held by a joint venture	**–**	(4,136,878)	(3,406,841)
Business combination (Note 5)	**11,467,588**	–	–
Balance at end of year	**20,096,259**	12,744,325	23,209,290
Less accumulated impairment losses	**1,559,251**	1,559,251	1,559,251
	₱3,248,944,335	₱2,391,265,505	₱1,899,469,717

Investments in Associates

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 at December 31 are shown below:

	2013	2012	2011
Current assets	**₱219,787,836**	₱634,614,694	₱385,540,999
Noncurrent assets	**2,960,722,700**	1,847,572,461	716,369,458
Total assets	**3,180,510,536**	2,482,187,155	1,101,910,457
Current liabilities	**(114,972,699)**	(173,355,806)	(25,793,138)
Noncurrent liabilities	**(2,187,496,661)**	(1,598,628,371)	(600,000,000)
Net assets	**₱878,041,176**	₱710,202,978	₱476,117,319

The results of operations of MGI for the year ended December 31 are shown below:

	2013	2012
Interest income	**₱3,668,979**	₱10,368,175
General and administrative expenses	**(48,830,780)**	(36,995,876)
Net loss	**₱45,161,801**	₱26,627,701

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 at 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 28MW or higher capacity for 25 years.

As at December 31, 2012, MGI completed the balance of well requirements and overall progress of steamfield construction is around 60%. The Engineering, Procurement and Construction contract for the construction and delivery of the geothermal power plant and related site facilities has achieved 57% overall accomplishment as at yearend.

MGI completed the commissioning of the steamfield facilities including the.connection of the transmission line to MERALCO's distribution system and its energization in September 2013. Testing of high voltage systems were done in October 2013 while commissioning and testing of the 20MW power plant commenced in November 2013.

Commercial operation is anticipated in early February 2014.

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.

In 2013, MGI made several cash calls and TA Oil, as a Project Sponsor, infused additional investment amounting to ₱53.25 million.

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 at 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 at 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

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

Interests in Joint Venture

The summarized information in respect of the Company's material joint venture as at and for the years ended December 31, 2013, 2012 and 2011 and the reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

SLTEC

Balance sheets

	2013	2012	2011
Current assets	**₱2,834,087,636**	₱574,046,384	₱463,389,619
Noncurrent assets	**11,096,891,967**	3,352,035,688	2,506,661,400
Current liabilities	**(809,000,017)**	(136,953,179)	(52,519,009)
Noncurrent liabilities	**(7,064,497,831)**	–	–
Equity	**6,057,481,755**	3,789,128,893	2,917,532,010
Proportion of the Company's ownership	**50%**	50%	50%
Carrying amount of investment	**₱3,028,740,878**	₱1,894,564,447	₱1,458,766,005

Additional information:

Cash and cash equivalents	**₱2,752,972,906**	₱567,071,221	₱463,081,194
Current financial liabilities*	**83,948,837**	–	–
Noncurrent financial liabilities*	**7,064,497,831**	–	–

**Excluding trade, other payables and provision.*

Statements of income

	2013	2012	2011
Expenses	**(₱143,012,876)**	(₱35,078,712)	(₱47,260,246)
Other income	**57,053,012**	8,705,842	4,640,168
Provision for deferred income tax	**(14,831,684)**	(5,424,075)	(927,913)
Net loss	**(100,791,548)**	(31,796,945)	(43,547,991)
Other comprehensive income	**9,375,721**	–	–

Additional information:

Depreciation and amortization	**1,318,820**	5,091,079	83,959
Interest income	**13,599,780**	10,556,415	4,639,920
Interest expense	**192,116,308**	–	–

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.

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.

In 2013, the Company invested additional capital amounting to ₱1.18 billion in response to several equity calls for the expansion of the coal-fired power plant in Calaca (see Note 1).

TA Power

Balance sheets

	2012	2011
Current assets	₱847,175,236	₱776,014,916
Noncurrent assets	80,557,870	209,525,970
Current liabilities	(280,492,968)	(328,886,242)
Noncurrent liabilities	(10,351,506)	(14,567,936)
Equity	636,888,632	₱642,086,708
Proportion of the Company's ownership	50%	50%
Carrying amount of investment	₱318,444,316	₱321,043,354
Additional information:		
Cash and cash equivalents	₱263,310,985	₱243,239,082
Current financial liabilities*	29,917,829	74,376,037

**Excluding trade, other payables and provision.*

Statements of Income

	2012	2011
Revenues	₱1,913,709,444	₱1,778,389,346
Cost of power generation	(1,862,271,756)	(1,716,859,020)
Expenses	(60,723,646)	(55,078,372)
Other income - net	10,657,933	12,432,333
Provision for (benefit from) income tax	(2,693,487)	8,736,790
Net income	4,065,462	10,147,497
Other comprehensive income	830,447	1,688,218
Additional information:		
Depreciation and amortization	128,637,916	128,504,135
Dividends received	2,522,629	2,249,261
Interest income	5,668,710	4,534,359

13. **Available-for-sale Investments**

	2013	2012
Shares of stock:		
Listed	**₱156,508,636**	₱97,136,676
Unlisted	**83,246,573**	83,246,573
Golf club shares	**46,742,587**	44,180,000
	₱286,497,796	₱224,563,249

AFS investments are stated at fair value as at December 31, 2013 and 2012, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Loss from change in fair value of ₱6.30 million was recognized as other comprehensive income, net of deferred income tax of ₱1.00 million in 2013. 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.

14. **Investment Properties**

The details and movements of this account are shown below.

	2013	2012
Cost		
Balance at beginning of year	**₱28,133,288**	₱28,133,288
Acquisition through business combination (Note 5)	**13,084,800**	–
Balance at end of year	**41,218,088**	28,133,288
Less accumulated depreciation		
Balance at beginning of year	**8,994,077**	7,033,467
Depreciation	**1,960,610**	1,960,610
Balance at end of year	**10,954,687**	8,994,077
	₱30,263,401	₱19,139,211

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 ₱50.73 million and ₱35.82 million as at December 31, 2013 and 2012, 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 2013, 2012 and 2011 amounted to ₱2.63 million, ₱2.51 million and ₱2.39 million, respectively, recognized in the consolidated statements of income, while related direct costs and expenses amounted to ₱2.35 million in 2013 and 2012 and ₱2.47 million in 2011 included as part of "General and administrative expenses" account in the consolidated statement of income.

15. Deferred Exploration Costs

The details and movements of this account are shown below:

	Oil Exploration Costs	Mineral Exploration Costs	Total
Cost			
At January 1, 2012	₱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
Additions	11,197,297	–	11,197,297
At December 31, 2013	**96,290,568**	**–**	**96,290,568**
Allowance for impairment loss and amortization			
At January 1, 2012	–	–	–
Additions	12,874,373	–	12,874,373
At December 31, 2012	12,874,373	–	12,874,373
Reversal	(12,874,373)	–	(12,874,373)
At December 31, 2013	**–**	**–**	**–**
Net book value			
At January 1, 2012	₱87,212,210	₱11,473,481	₱98,685,691
At December 31, 2012	72,218,898	–	72,218,898
At December 31, 2013	**96,290,568**	–	**96,290,568**

Deferred Oil and Mineral Exploration Costs

The balance of deferred oil exploration costs consists of expenditures incurred in the following production-sharing petroleum projects:

	2013	2012
SC No. 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,665,864**	₱32,665,864
SC No. 69 (Camotes Sea)	**15,972,361**	14,667,555
SC No. 6 (Northwest Palawan)	**20,384,761**	19,172,269
SC No. 55 (Southwest Palawan)	**5,713,210**	5,713,210
SC No. 52 (Cagayan Province)	**21,554,372**	12,874,373
	₱96,290,568	₱85,093,271

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 series of developments related to the foregoing projects:

a. SC 51/GSEC 93 (East Visayas)

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

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

In view of said development, the DOE granted on September 30, 2012 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 December 31, 2012.

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 Energy and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy 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 Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil 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 Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well last August 30, 2013 and is conducting post-well studies. This new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

The Company owns 6.67% participating interest in SC 51.

b. SC 69 (Camotes Sea)

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

The DOE granted the consortium's request for a nine-month extension of the current Sub-Phase 2 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of the current Sub-Phase to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to the Company that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to the Company pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified the Company and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 last October 4, 2013. The Company and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which starts on November 7, 2013. An additional extension of the contract term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.

Otto Philippines, the Company and Frontier Gasfields currently hold 79%, 6%, and 15% participating interests in SC 69, respectively. The earlier reassignment of Otto Philippines' 9% participating interests to the Company awaits DOE approval.

Upon DOE approval of the assignment of Otto Philippines' interests to the Company and Frontier Gasfields, the Company's participating interest in SC 69 will be adjusted from the current 6% to 50%.

c. SC 6 (Northwest Palawan)

Block A
Pitkin Petroleum Plc. (Pitkin), 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 TA Oil and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads. As at February 7, 2014, processing of the seismic data is on-going at a contractor's facility in Vietnam.

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 SC 6 Block B consortium, which includes TA Oil ("Farmors").

Under the Farm-in Agreement, the Farminees were supposed to shoulder all the Farmors' share of exploration and development expenditures in the Block up to the production of first oil.

The DOE denied the applications for the transfer of participating interests to the Farminees and transfer of operatorship due to failure of the Farminees to comply with DOE requirements. Under the Farm-in Agreement, the Farminees would have been eligible to earn a combined 70% of the participating interest of the farming out parties. On August 7, 2013, the DOE directed the original Operator, the Philodrill Corporation, to submit a new and comprehensive work program and budget of exploration activities over the Block.

On September 13, 2013, the DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. The pertinent geological and geophysical program is commenced in October 2013 and was completed in January 2014.

The consortium is formulating a work program for the next five years of the extension period which starts on March 1, 2014.

The Company holds 2.334% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to certain conditions.

d. SC 55 (Southwest Palawan)

On May 2, 2012, the DOE approved a twelve-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation (BHP Billiton), 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. (Otto Energy) [formerly "NorAsian Energy Ltd."].

In May 2013, BHP Billiton filed a Notice of Force Majeure under SC 55 with the DOE in order to preserve the term of the current exploration sub-phase that requires the drilling of one exploratory well. It is deemed that the Force Majeure event commenced on September 7, 2012, at which time the endorsement of the Sangguniang Panlalawigan of the province of Palawan and the Strategic Environmental Plan (SEP) Clearance from the Palawan Council for Sustainable Development (PCSD) would have been released in the ordinary course of business.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco-1 drilling to the PCSD. The PCSD approved the issuance of the SEP clearance for the drilling of Cinco-1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. The SEP was issued by the PCSD and signed by all parties in October 2013.

BHP Billiton requested from the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farm-out Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. Approval of the reassignment of interest is pending with the DOE.

Otto Energy presented a revised work program to the DOE which focused on the drilling of an ultra deepwater prospect and commenced a farmout campaign.

e. 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 2012 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Frontier elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

Trans-Asia and Frontier Oil signed a Second Amendment to their Farm-in Option Agreement in July 2013 that extended the option period and expanded the coverage of Trans-Asia's option to include the untested deeper prospective gas-bearing intervals identified in the well.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well.

f. 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. (Investwell), 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 - net" in the 2012 consolidated statement of income (see Note 26).

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

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

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell and the Company accordingly recognized US$870,000 (₱37.93 million) representing a portion of final the tranche (see Note 26). As at December 31, 2013, receivable from Investwell amounted to ₱45.45 million (see Note 9).

16. Accounts Payable and Other Current Liabilities

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
Trade	**₱2,261,459,690**	₱304,656,631	₱312,103,769
Non-trade	**67,469,420**	26,315,828	24,661,628
Output VAT - net	**102,980,660**	88,799,049	47,336,507
Accrued directors' and annual incentives (Note 29)	**17,972,852**	23,287,808	26,012,094
Due to related parties (Note 29)	**37,350,507**	91,379,917	98,603,189
Accrued expenses	**13,833,145**	16,034,006	385,657
Accrued interest	**4,098,978**	–	–
Deferred rent income	**220,156**	209,672	199,688
Derivative liabilities (Note 33)	–	812,579	3,741,300
Others	**3,519,236**	3,242,875	987,276
	₱2,508,904,644	₱554,738,365	₱514,031,110

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

17. Short-term Loans

In November and December 2013, the Company availed of ₱910 million 90-day to 120-day unsecured short-term loans from local banks, with interest rate of 3.2% per annum which remained outstanding as at December 31, 2013.

Total interest expense on short-term loans amounted to ₱1.11 million for the year ended December 31, 2013 (see Note 26).

18. Equity

Capital stock

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

	Number of Shares		
	2013	2012	2011
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000	4,200,000,000
Issued and outstanding:			
Balance at beginning of year	**4,857,258,870**	2,829,863,527	1,664,625,604
Issuance during the year:			
Exercise of stock options (Note 19)	**5,908,010**	–	–
Stock grants (Note 19)	**695,877**	142,105	–
Stock rights offering and others	–	2,027,253,238	1,165,237,923
	6,603,887	2,027,395,343	1,165,237,923
Balance at end of year	**4,863,862,757**	4,857,258,870	2,829,863,527

The issued and outstanding shares as at December 31, 2013, 2012 and 2011 are held by 3,274, 3,269 and 3,313 equity holders, respectively.

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 at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the 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 at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on

November 20, 2012. The 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

Retained earnings

The Company's retained earnings balance amounted to ₱2.13 billion and ₱1.94 billion as at December 31, 2013 and 2012, respectively, while paid-up capital is ₱4.90 billion and ₱4.88 billion as at December 31, 2013 and 2012, respectively. Undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱489.39 million and ₱145.86 million as at December 31, 2013 and 2012, respectively, are not currently available for dividend distribution.

Dividends declared

Cash dividends declared in 2013, 2012 and 2011 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	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
March 21, 2013	Cash	0.04 per share	194,318,190*	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,056,892	August 5, 2013

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

On July 22, 2013, the Company's BOD also approved the declaration of property dividends to stockholders of record date of August 5, 2013 which consist of shares of stock in TA Petroleum at the rate of 2.55 TA Petroleum shares for every 100 TA Oil shares held and cash in the amount of ₱0.23 per share to TA Oil's shareholders.

As at December 31, 2013, unpaid cash and property dividends amounted to ₱183.60 million, and included under due to stockholders. By virtue of an exemptive relief granted by the SEC, the payment date of the property dividend included under "Due to stockholders" account shall be 10 trading days from the date all of the following are secured: a) SEC approval of property dividend; b) SEC approval of registration of TA Petroleum shares; and c) issuance of the Certificate Authorizing Registration (CAR) authorizing transfer of TA Petroleum shares to the shareholder. As at December 31, 2013, only the SEC approval of the property dividend has been secured.

19. Employee Stock Options and Executive Stock Grants

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 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 Stock Option 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 implement only the Company's Stock Grant for its executives which resulted in the issuance of 0.70 million shares in 2013 and 0.14 million shares in 2012. No stock grants have been granted and awarded to any of the executives of the Company in 2011.

On July 22, 2013, the grant date, the Company lifted the suspension of the plan and awarded additional options under the same plan. Exercise price is ₱2.29 per share.

The following illustrates the number of outstanding share options in 2013:

Outstanding at January 1	–
Granted during the year	42,090,303
Forfeited during the year	(515,609)
Exercised during the year*	(5,908,010)
Outstanding at December 31	35,666,684
Exercisable at December 31	7,606,482

** The weighted average stock price at the date of exercise of these options was ₱2.46.*

The remaining contractual life for the stock options outstanding as at December 31, 2013 is 2.55 years.

The fair value of options granted during the year was ₱23.03 million.

A summary of the stock option plan for the year ended December 31, 2013 follows:

Vesting date	July 22, 2013	July 22, 2014	July 22, 2015
Vesting shares	14,030,101	14,030,101	14,030,101

The fair value of the options granted is estimated at the date of grant using binomial method, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the Stock Option Plan in 2013:

	33.33% vesting on July 22, 2013	33.33% vesting on July 22, 2014	33.33% vesting on July 22, 2015
Spot price	₱2.40	₱2.40	₱2.40
Exercise price	2.29	2.29	2.29
Risk-free rate	2.162%	2.162%	2.162%
Expected volatility	31.25%	31.25%	31.25%
Term to vesting	3 years	3 years	3 years
Fair value of stock options	₱0.5472 per option	₱0.5472 per option	₱0.5472 per option

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Equity-based compensation expense recognized by the Company under "Salaries and directors' fees" account amounted to ₱12.28 million in 2013.

Carrying value of the stock option plan recognized under the "Other equity reserve - stock option plan" account in the equity section of the consolidated balance sheet amounted to ₱8.77 million as at December 31, 2013.

20. **Trading Revenue**

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
Trading revenue	**₱8,260,460,943**	₱3,493,337,803	₱2,828,824,998
Cost of power purchased	**7,736,370,765**	2,591,656,027	2,116,151,771
	₱524,090,178	₱901,681,776	₱712,673,227

21. **Cost of Power Generation**

	2013	2012	2011
Fuel	**₱846,890,905**	₱36,550,934	₱28,071,085
Depreciation and amortization (Note 25)	**81,334,515**	5,863,910	5,802,988
Repairs and maintenance	**50,927,679**	5,628,386	4,628,596
Salaries (Note 24)	**37,743,727**	5,936,168	4,561,086
Taxes and licenses	**26,373,262**	1,372,189	1,430,022
Insurance	**15,351,606**	635,507	683,757
Pension and employee benefits (Note 24)	**12,064,450**	1,193,761	1,185,412
Station used	**5,921,455**	3,247,545	1,580,383
Rental	**811,147**	564,136	549,474
Others	**5,819,983**	918,435	895,115
	₱1,083,238,729	₱61,910,971	₱49,387,918

22. **Cost of Power Plant on Standby**

	2012	2011
Depreciation and amortization (Note 25)	₱19,674,522	₱22,117,173
Fuel	8,432,292	–
Building maintenance and repairs	8,390,007	4,756,197
Salaries (Note 24)	5,710,873	916,773
Transportation and travel	1,982,042	87,747
Insurance	1,640,528	3,332,088
Employee benefits (Note 24)	981,186	116,796
Taxes and licenses	630,865	166,657
Concession and other fees	312,200	312,200
Rental	246,442	–
Dismantling costs (Note 11)	–	26,102,675
Others	1,105,467	570,201
	₱49,106,424	₱58,478,507

As discussed in Note 11, CIPP sold its distribution assets and presented the related costs of the power plant as of part of “Cost of Power Plant on Standby”. Starting January 2013, CIPP resumed its power generation activities.

23. **General and Administrative Expenses**

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
Management and professional fees (Note 29)	**₱108,305,580**	₱97,122,354	₱123,062,065
Salaries and directors' fees (Notes 24 and 29)	**85,909,361**	82,814,446	69,554,568
Taxes and licenses	**45,264,310**	28,800,229	10,347,512
Other taxes and fees	**20,681,598**	2,010,452	1,306,843
Insurance, dues and subscriptions	**18,267,932**	8,866,687	5,364,752
Depreciation and amortization (Note 25)	**17,801,512**	18,887,652	27,626,288
Building maintenance and repairs	**13,041,081**	11,251,583	11,948,577
Pension and employee benefits (Note 24)	**15,420,038**	11,216,191	10,695,754
Donation and contribution	**6,819,359**	6,120,769	380,994
Transportation and travel	**5,303,490**	4,432,350	3,700,894
Office supplies	**2,216,471**	1,978,424	1,973,928
Entertainment, amusement and recreation	**694,715**	403,711	354,734
Rent	**566,577**	510,616	486,424
Plug and abandonment	–	5,127,443	–
Others	**8,873,695**	10,555,998	12,312,655
	₱349,165,719	₱290,098,905	₱279,115,988

24. **Personnel Expenses**

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
Salaries and directors' fees included under:			
Cost of power generation (Note 21)	**₱37,743,727**	₱5,936,168	₱4,561,086
Cost of power plant on standby (Note 22)	–	5,710,873	916,773
General and administrative expenses (Note 23)	**85,909,361**	82,814,446	69,554,568
Pension and employee benefits included under:			
Cost of power generation (Note 21)	**12,064,450**	1,193,761	1,185,412
Cost of power plant on standby (Note 22)	–	981,186	116,796
General and administrative expenses (Note 23)	**15,420,038**	11,216,191	10,695,754
	₱151,137,576	₱107,852,625	₱87,030,389

25. Depreciation and Amortization

	2013	2012	2011
Depreciation expense of property, plant and equipment and investment properties included under Notes 11 and 14:			
Cost of power generation (Note 21)	**₱81,334,515**	₱5,863,910	₱5,802,988
Cost of power plant on standby (Note 22)	**–**	19,674,522	22,117,173
General and administrative expenses (Note 23)	**17,801,512**	18,887,652	27,626,288
	₱99,136,027	₱44,426,084	₱55,546,449

26. Other Income - Net

	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
Gain on remeasurement of previously held interest (Note 5)	**₱168,584,943**	₱–	₱–
Gain on bargain purchase (Note 5)	**25,925,597**	–	–
Gain on derivatives - net (Note 33)	**31,158,641**	9,364,316	9,625,976
Interest and other finance charges (Note 17)	**(13,936,447)**	(1,343,138)	(1,663,154)
Foreign exchange loss - net	**(8,862,614)**	(27,198,788)	(5,957,951)
Property and equipment written-off (Note 11)	**–**	(6,024,978)	(14,246,800)
Gain on assignment of MPSA (Note 15)	**37,934,464**	–	–
Gain (loss) on sale of:			
AFS investments	**621,819**	75,499	(1,893,238)
Property and equipment (Note 11)	**335,661**	175,773	(162,397)
Interest in service contract	**–**	–	4,048,828
Asset held for sale (Note 11)	**–**	11,016,834	–
Reversal of (provisions for):			
Impairment loss on AFS investments (Note 7)	**(49,696,670)**	–	–
Doubtful accounts (Note 9)	**(17,679,712)**	(2,091,860)	–
Impairment loss on deferred exploration costs (Note 15)	**12,874,373**	(12,874,373)	11,473,481
Inventory obsolescence	**(486,522)**	–	–
Reimbursement of expenses (Note 29)	**–**	–	22,502,065
Option fee (Note 15)	**–**	30,729,019	21,935,000
Others	**8,389,704**	6,341,948	11,507,265
	₱195,163,237	₱8,170,252	₱57,169,075

Interest and Other Financial Income

The details of interest and other financial income are as follows:

	2013	2012	2011
Interest income on:			
Cash in bank	**₱53,399**	₱460,293	₱4,324,356
Short-term deposits and investments	**32,344,964**	15,628,130	27,124,107
Bonds	**2,314,018**	6,679,593	7,157,172
FXTN	**3,168,673**	6,583,548	8,598,669
Others	**2,718,896**	6,274,712	1,103,641
	40,599,950	35,626,276	48,307,945
Net gains (losses) on investments held for trading:			
Amortization of bond premium/discount - net	**(2,532,027)**	(2,901,725)	(5,686,313)
Gain (loss) on sale of investments in bond	**(11,761,247)**	2,426,227	1,895,276
Fair value gains on investments held for trading:			
Realized gain (loss)	**46,528,437**	22,035,415	21,429,534
Unrealized gain (loss)	**(58,294,367)**	18,676,638	11,133,607
	(26,059,204)	40,236,555	28,772,104
	₱14,540,746	₱75,862,831	₱77,080,049

27. **Income Tax**

a. Current income tax pertains to the following:

	2013	2012	2011
RCIT	**₱194,329,323**	₱180,071,004	₱148,551,273
MCIT	**1,093,917**	–	848
	₱195,423,240	₱180,071,004	₱148,552,121

b. The components of the Company’s net deferred income tax assets (liabilities) as at December 31 are as follows:

	2013	2012
Deferred income tax assets:		
Accrued expenses	**₱36,590,989**	₱5,838,037
NOLCO	**21,151,689**	12,142,920
Pension and other post-employment benefits	**11,738,432**	3,851,400
Allowance for doubtful accounts	**6,141,778**	627,558
Allowance for impairment loss	**2,013,835**	2,013,835
Asset retirement obligation	**1,833,569**	1,722,317
Unamortized past service cost	**1,333,042**	341,473
Unrealized foreign exchange losses	**230,638**	4,972,264
Deferred rent income	**66,047**	62,902
Allowance for probable losses	–	3,862,312
Derivative liabilities	–	243,773
	81,100,019	35,678,791

(Forward)

	2013	2012
Accrued revenues	**(₱26,852,284)**	₱–
Derivative asset	**(3,506,654)**	(356,175)
Unrealized fair value gains on available-for-sale investments	**(3,207,110)**	(4,211,610)
Asset retirement obligation	**(489,600)**	(532,800)
Unrealized fair value gains on investment held for trading and derivatives	**(17,425)**	(5,172,314)
	(34,073,073)	(10,272,899)
Deferred income tax assets - net	**₱47,026,946**	₱25,405,892

Deferred income tax liabilities		
Excess of fair value over cost of power plant	**₱142,454,438**	₱13,571,402
Unrealized fair value gains on investment held for trading and derivatives	**1,496**	–
Unrealized foreign exchange gain	**320**	–
Deferred income tax liabilities	**₱142,456,254**	₱13,571,402

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:

	2013	2012
NOLCO	**₱41,168,979**	₱101,178,020
Allowance for impairment loss on property and equipment	**105,008,532**	105,008,532
Allowance for probable losses on mineral exploration	**3,096,746**	3,096,746
Allowance for doubtful accounts	**6,718,483**	6,718,483
Allowance for inventory obsolescence	**486,522**	–
Unrealized foreign exchange losses	**135,066**	4,342
Derivative liability	**–**	812,579
MCIT	**1,094,765**	41,003
Pension and other post-employment benefits	**1,123,005**	–
	₱158,832,098	₱216,859,705

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 at December 31, 2013, NOLCO totaling ₱117.56 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱1.09 million can be credited against future RCIT due as follows:

Expiry Date	MCIT	NOLCO
December 31, 2014	₱848	₱36,831,138
December 31, 2015	–	48,442,368
December 31, 2016	1,093,917	32,287,612
	₱1,094,765	₱117,561,118

NOLCO amounting to ₱46.69 million, ₱5.26 million and ₱25.47 million were applied against taxable income in 2013, 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 ₱12.08 million, ₱12.71 million and ₱11.82 million expired in 2013, 2012 and 2011, respectively.

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2013	2012	2011
Applicable statutory income tax rates	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Dividend income exempt from tax	**(0.33)**	(0.38)	(0.90)
Equity in net losses of associates	**2.53**	9.62	0.91
Application of NOLCO, MCIT and others	**(10.40)**	(11.37)	(8.29)
Effective income tax rates	**21.80%**	27.87%	21.72%

28. 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:

	2013	2012 (As Restated - Note 3)
Pension liability	**₱16,006,931**	₱13,883,700
Vacation and sick leave accrual	**17,618,453**	13,288,304
	₱33,625,384	₱27,172,004

Employee benefits included under costs of power generation and general and administrative expenses consist of:

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
Pension expense	**₱12,990,513**	₱6,640,860	₱5,772,163
Vacation and sick leave accrual*	**(752,752)**	648,529	3,027,397
	₱12,237,761	₱7,289,389	₱8,799,560

**Included in Cost of power generation and general and administrative expenses as of December 31, 2013 and 2012.*

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 ₱86.89 and ₱29.88 million as at December 31, 2013 and 2012, respectively.

Changes in net defined benefit liability of funded plan in 2013 are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At January 1, 2013, before effect of business combination	**₱43,759,000**	**₱29,875,300**	**₱13,883,700**
Effect of business combination	**58,013,600**	**43,449,600**	**14,564,000**
At January 1, 2013, as adjusted	**101,772,600**	**73,324,900**	**28,447,700**
Pension expense in consolidated statement of income:			
Current service cost	**11,715,800**	**–**	**11,715,800**
Net interest	**5,380,092**	**4,183,384**	**1,196,708**
	17,095,892	**4,183,384**	**12,912,508**
Benefits paid	**(3,810,364)**	**(3,810,364)**	**–**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**–**	**(245,851)**	**245,851**
Actuarial changes arising from changes in financial assumptions	**(12,161,828)**	**–**	**(12,161,828)**
	(12,161,828)	**(245,851)**	**(11,915,977)**
Contributions	**–**	**13,437,300**	**(13,437,300)**
At December 31, 2013	**₱102,896,300**	**₱86,889,369**	**₱16,006,931**

Changes in net defined benefit liability of funded plan in 2012 are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At January 1, 2012	₱41,123,100	₱32,324,700	₱8,798,400
Pension expense in consolidated statement of income:			
Current service cost	4,967,800	–	4,967,800
Net interest	2,402,500	1,908,800	493,700
	7,370,300	1,908,800	5,461,500
Benefits paid	(8,322,600)	(8,322,600)	–
Remeasurements in other comprehensive income for actuarial changes arising from changes in financial assumptions	3,588,200	(1,283,400)	4,871,600
	3,588,200	(1,283,400)	4,871,600
Contributions	–	5,247,800	(5,247,800)
At December 31, 2012	₱43,759,000	₱29,875,300	₱13,883,700

Changes in net defined benefit liability of funded funds in 2011 are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At January 1, 2011	₱31,948,100	₱27,322,200	₱4,625,900
Pension expense in consolidated statement of income:			
Current service cost	4,149,100	–	4,149,100
Net interest	2,539,300	2,389,100	150,200
	6,688,400	2,389,100	4,299,300
Benefits paid	(1,393,200)	(1,393,200)	–
Remeasurements in other comprehensive income for actuarial changes arising from changes in financial assumptions	3,879,800	(1,241,200)	5,121,000
Contributions	–	5,247,800	(5,247,800)
At December 31, 2011	₱41,123,100	₱32,324,700	₱8,798,400

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31, 2013	December 31, 2012 (As Restated - Note 3)	January 1, 2012 (As Restated - Note 3)
Investments in:			
Equity instruments	**₱62,759,950**	₱23,582,558	₱24,907,980
Government securities	**9,731,906**	3,595,494	4,345,385
Deposit instruments	**5,066,897**	–	–
UITF	**2,240,338**	1,217,079	438,423
Corporate bonds	**1,156,496**	–	–
Cash and cash equivalents	**7,359,668**	2,019,286	2,735,806
Liabilities	**(1,425,886)**	(539,117)	(102,894)
	₱86,889,369	₱29,875,300	₱32,324,700

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 ₱0.06 and ₱0.03 million as at December 31, 2013 and 2012, respectively. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2013 and 2012. 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 plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rate	**5.13%**	6.07%
Salary increase rate	**6.00%**	7.00%
Expected rate of return on plan assets	**5.13%**	9.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

		Increase (decrease)	Amount
Discount rate	(Actual + 1.00%)	6.13%	(₱5,822,400)
	(Actual – 1.00%)	4.13%	6,879,300
Salary increase rate	(Actual + 1.00%)	7.00%	6,536,600
	(Actual – 1.00%)	5.00%	5,501,100
Expected rate of return on plan assets	(Actual + 1.00%)	6.13%	(3,911,600)
	(Actual – 1.00%)	4.13%	4,678,500

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Company's current strategic investment strategy consists of 72% of equity instruments, 20% fixed income instruments, 1% of debt instruments, 8% cash and cash equivalents and 2% liabilities.

The Company expects to contribute ₱13.44 million to the defined benefit pension plan in 2014.

The average duration of the defined benefit obligation at the end of the reporting period is 17.94 years.

29. **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, 2013 and 2012, 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 2013 and 2012 with related parties are as follows (in thousands):

		2013			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
Phinma, Inc					
Revenues	**₱811,866**	Rent and share in expenses	**₱52,825**	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	**61,456,748**	Management fees and share in expenses	**(34,961,046)**	30-day, non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	**2,515,769**	Rent and share in expenses	**132,822**	30-day, non-interest bearing	Unsecured, no impairment
Payable	**–**	Rental deposit	**(589,680)**	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	**–**	Advances	**(253,620)**	On demand	Unsecured
MGI					
Payable	**730,767**	Trading cost	**(730,767)**	30-day, non-interest bearing	Unsecured
Other Related Parties					
PPHC					
Payable	**–**	Advances	**(171,354)**	On demand	Unsecured
Phinma Corp.					
Cash Dividend	**5,155,572**	Dividend income	**–**		
Costs and Expenses	**938,404**	Share in expenses	**(4,747)**	30-day, non-interest bearing	Unsecured
Payable	**120,000,000**	Share in expenses	**–**		
Union Galvasteel Corp.					
Cash Dividend	**1,520,381**	Dividend income	**–**		
Costs and Expenses	**12,820**	Roofing materials	**–**		
Asian Plaza Inc.					
Cash Dividend	**1,318,940**	Dividend income	**–**		
Araullo University Advances	**3,700,000**	Advances	**–**		
T-O Insurance, Inc.					
Costs and Expenses	**56,626,713**	Insurance expense	**(639,293)**	30-day, non-interest bearing	Unsecured
Directors					
Expenses	**19,657,605**	Annual incentives	**(17,972,852)**	On demand	Unsecured
Stockholders					
Payable	**194,318,190**	Cash dividend	**(5,851,190)**	On demand	Unsecured
Payable	**187,218,202**	Cash and Property Dividend	**(184,596,526)**	Upon issuance of CAR	Unsecured

2012 (As Restated - Note 3)					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱729,766	Rent and share in expenses	₱115,386	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	36,148,702	Management fees and share in expenses	(22,329,004)	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	826,424,451	Electricity sold, rent and share in expenses	85,535,597	30-day, non-interest bearing	Unsecured, no impairment
Cost and Expenses	513,575,986	Electricity purchases	(63,957,490)	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	3,926,369	Rent and share in expenses	1,367,110	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(589,680)	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(253,620)	On demand	Unsecured
Other Related Parties					
PPHC					
Revenue	2,172,084	Dividend income	–		
Payable	–	Advances	(171,354)	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,255,921	Dividend income	–		
Costs and Expenses	1,535,177	Share in expenses	(73,244)	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	1,520,384	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	1,318,940	Dividend income	–		
Fuld & Company					
Costs and expenses	4,976,802	Professional fees	(3,949,552)	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and Expenses	6,666,522	Insurance expense	(55,974)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,682,808	Annual incentives	(23,287,808)	On demand	Unsecured
Stockholders					
Payable	113,194,541	Unclaimed cash dividend	(9,034,206)	On demand	Secured, no impairment

		2011 (As Restated - Note 3)			
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱739,789	Rent and share in expenses	₱87,015	30-day, non-interest bearing	Unsecured, no impairment
Cost and Expenses	47,212,684	Professional andmanagement fees and share in expenses	(20,995,786)	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	851,175,871	Electricity sold, rentand share in expenses	173,184,003	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	448,757,591	Electricity purchases	(76,470,870)	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	23,205,247	Rent and share in expenses	50,238	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(589,6800)	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(253,620)	On demand	Unsecured
Other Related Parties					
PPHC					
Revenues	41,018	Return of Construction fund	–		
Payable	–	Advances	(171,354)	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,255,925		–		
Cost and Expenses	737,479	Share in expenses	(22,676)	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	3,800,958	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	8,700,040	Dividend income	–		
AB Capital and Investment Corp.					
Revenue	2,081,451	Rent and share in expenses	–		
T-O Insurance, Inc.					
Costs and Expenses	5,282,133	Insurance expense	(99,203)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,072,094	Annual incentives	(26,012,094)	On demand	Unsecured
Stockholders					
Payable	66,585,024	Unclaimed cash dividend	(7,932,125)	On demand	Secured, no impairment

PHINMA

The Parent Company and its subsidiaries TA Power, CIPP, TAREC and TA Petroleum have management contracts with Philippine Investment-Management (PHINMA), Inc. up to August 31, 2018 except for TA Power whose contract with PHINMA is up to 2016, renewable thereafter upon mutual agreement. Under these contracts, 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 2013 and 2012. 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.

On December 26, 2013, a PAMA valid for ten years was entered into by and between TA Power as generator and the Parent Company as Administrator, for the administration and management by the Parent of the entire capacity and net output of TA Power.

CIPP

Effective January 1, 2013, CIPP granted the Parent Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to the Parent's customers. Sales of electricity are based on WESM prices. On June 26, 2013, a PAMA valid for ten years was entered into by and between CIPP as generator and the Parent Company as Administrator, for the administration and management by the Parent of the entire capacity and net output of CIPP.

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 manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. TA Oil sells the entire capacity of the power plant in the WESM, for a period of five years. TA Oil pays One Subic Power each month all electricity generated by the power plant based on a formula (actual fuel consumption and electricity generated) under the PAMA and shall be payable monthly. The PAMA became effective on February 17, 2011, and was amended on February 27, 2013.

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 Corporation granted advances to TA Oil for its working capital requirements.

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.

Araullo University
Trans-Asia Petroleum granted advances to Araullo University, an entity under common control, for its working capital requirement.

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
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 ₱32.32 million and ₱29.88 million as at December 31, 2013 and 2012, respectively.

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.

Except for the Company's contributions to the fund and benefit to employees, there were no transactions with the fund for 2013 and 2012.

The plan assets include shares of stock of the Parent Company with fair value of ₱0.06 million and ₱0.03 million as at December 31, 2013 and 2012, respectively. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2013 and 2012. 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.

30. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2013	2012 (As Restated - Note 3)	2011 (As Restated - Note 3)
(a) Net income	**₱572,794,985**	₱471,431,825	₱408,217,109
Common shares outstanding at beginning of year (see Note 18)	**4,857,258,870**	2,829,863,527	1,664,625,604
Weighted average number of shares issued during the year	**2,976,053**	181,878,126	616,139,504
(b) Weighted average common shares outstanding	**4,860,234,923**	3,011,741,653	2,280,765,108
Basic/Diluted EPS (a/b)	**₱0.12**	₱0.16	₱0.18

The Company's stock option has no dilutive effect in 2013. 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.

31. **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- wnership 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 with One Subic Power
On November 18, 2010, TA Oil and One Subic Power, a third party entered into a 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.

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.

On February 27, 2013, TA Oil amended the existing Contract to Purchase Generated Electricity. Under the new contract, TA Oil can purchase up to 45MW of electricity from Sem-Calaca's power plant. Moreover, TA Oil renewed the contract for another three years from February 1, 2013 to March 25, 2016.

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 five 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-Lot1 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.

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.

Electricity Sale Contract

On April 17, 2013, TA Oil entered into Electricity Sale Contract with Direct Power Services, Inc. (Direct Power) for a period of 11 years from July 2013 to June 2024. Under the said agreement, TA Oil agreed to supply all the electricity requirements of Direct Power facilities.

Power Sale Contract
On April 23, 2013, TA Oil entered into Power Sales Contract with KEPCO SPC Power Corporation (KEPCO) for a period of five years from May 2013 to April 2018. KEPCO agreed to supply TA Oil the Contract Quantity upon the terms and subject to the condition set out in the Power Service Contract.

Contract to Purchase Generated Energy
TA Oil entered in Contract to Purchase Generated Energy with Vivant Sta. Clara Northern Renewables Corporation (Vivant) on April 26, 2013 for a period of 2 years. TA Oil agreed to purchase 15MW from the 70MW Bakun Hydro Power Plant administered by Vivant.

Electricity Sales Contract
On June 7, 2013, TA Oil entered into Electricity Sales Contract with BATELEC I Electric Cooperative, Inc. (BATELEC I) for a period of 5 years upon ERC approval. TA Oil will supply the Load Following Requirements of BATELEC I.

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

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest rate is to be fixed at the higher of 10-year PDST-F plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.50%. Since the interest rate floor pricing arrangement exposes the Company to a fixing rate higher than the related market rate upon drawdown of the loan, the interest rate floor on the loan is an embedded derivative that needs to be assessed if it is clearly and requires to be bifurcated. The Company has assessed that the interest floor is not clearly and closely related to the host contract, therefore, required to be bifurcated. As at December 31, 2013, the Company did not recognize any derivative liability from the interest rate floor since its fair value is not significant.

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

As at December 31, 2013, no drawdown has been made. The Company has incurred debt issue costs and other charges amounting to ₱17.09 million in relation to the debt facility and recorded as prepaid expenses, included under "Other current assets" account in the consolidated balance sheet (see Note 10).

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 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 at 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 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 200MW installation target for wind.

SC 50 (Offshore Northwest Palawan)
In 2013, the Company commenced negotiations with Frontier Energy Limited, the Operator, regarding a Farm-in Agreement that would provide for the Company's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, the Company has committed to subscribe to 136 million in Frontier Oil shares through the latter's forthcoming initial public offering.

Mabini Geothermal Service Contract (Batangas)
TA Oil signed a Memorandum of Agreement with Basic Energy Corporation (Basic) on December 3, 2013, under which TA Oil shall acquire from Basic a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased to up to 40%, at the option of TA Oil, after TA Oil completes a gravity program in the contract area at its sole cost.

Operating Lease Commitments
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 lease payments under this operating lease agreement follows:

	2013	2012
Within one year	**₱480,000**	₱480,000
After one year but not more than five years	**160,000**	640,000
	₱640,000	₱1,120,000

Finance Lease
The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amounted to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are transferred to the Company. These leases are classified as finance leases and have terms of 20 to 25 years.

Future minimum lease payments under these agreements are as follows:

	2013
Within one year	**₱650,448**
After one year but not more than five years	**7,123,510**
More than 5 years	**49,413,335**
	₱57,187,293

32. **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 at December 31, 2013 and 2012 are as follows:

	2013			2012		
	In Thousands					
	US Dollar (US$)	**AU Dollar (AU$)**	**Euro (€)**	US Dollar (US$)	AU Dollar (AU$)	Euro (€)
Financial assets:						
Cash and cash equivalents	**533,658**	–	–	294,029	523,364	–
Investments in bonds and FXTNs	–	–	–	2,111,557	–	–
Investments in UITFs and mutual funds	–	–	–	1,550,487	–	–
Other receivables	**1,024,029**		–	32,733	144	–
	1,557,687	–	–	3,988,806	523,508	–
Financial liabilities -						
Accounts payable and other current liabilities	**250,000**	–	**78,022**	357,447	–	9,432
Net foreign currency-denominated assets (liabilities)	**1,307,687**	–	**(78,022)**	3,631,359	523,508	(9,432)
Peso equivalent	**₱58,054,764**	**₱–**	**(₱4,744,986)**	₱149,067,289	₱ 22,339,186	(₱514,327)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rate used were ₱44.395 to US$1.00, and ₱60.816 to Euro€1.00 as at December 31, 2013 and ₱41.050 to US$1.00, ₱42.673 to AUS$1.00 and ₱54.530 toEuro€1.00 as at December 31, 2012.

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, 2013 and 2012. 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 33).

	Increase (Decrease) in	**Effect on Profit Before Tax**		
Year	**Foreign Exchange Rate**	**US$**	**EURO**	**AU$**
2013	**(₱0.25)**	**(₱326,922)**	**₱19,506**	**₱–**
	(0.50)	**(653,844)**	**39,011**	**–**
	0.25	**326,921**	**(19,505)**	**–**
	0.50	**653,843**	**(39,011)**	**–**
2012	(₱0.25)	(₱907,840)	₱2,358	(₱130,877)
	(0.50)	(1,815,680)	4,716	(261,754)
	0.25	907,839	(2,358)	130,877
	0.50	1,815,679	(4,716)	261,754

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.

	2013					
	Neither Past Due nor Impaired			**Past Due but not**	**Past Due Individually**	
	Class A	**Class B**	**Class C**	**Impaired**	**Impaired**	**Total**
Trade and other receivables						
Trade receivables	**₱2,472,718,850**	**₱–**	**₱–**	**₱130,122,378**	**₱26,490,055**	**₱2,629,331,283**
Due from related parties	**185,647**	–	–	–	–	**185,647**
Others	**68,906,784**	–	–	**841,094**	**3,293,655**	**73,041,533**
	₱2,541,811,281	**₱–**	**₱–**	**₱130,963,472**	**₱29,783,710**	**₱2,702,558,463**

	2012					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Trade receivables	₱498,739,475	₱–	₱–	₱8,581,261	₱8,810,343	₱516,131,079
Due from related parties	87,018,093	–	–			87,018,093
Loans receivable	50,000,000	–	–			50,000,000
Others	25,444,592	–	–	450,941	3,293,655	29,189,188
	₱661,202,160	₱–	₱–	₱9,032,202	₱12,103,998	₱682,338,360

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 at December based on contractual undiscounted payments:

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Accounts payable and other current liabilities:					
Trade and nontrade accounts payable	**₱3,670,389**	**₱2,325,967,686**	**₱–**	**₱–**	**₱2,329,638,075**
Accrued expenses*	**5,511,776**	**3,019,689**	**–**	**–**	**8,531,465**
Accrued interest*	**–**	**959,093**	**–**	**–**	**959,093**
Accrued directors' and annual incentives	**17,972,852**	**–**	**–**	**–**	**17,972,852**
Due to related parties	**36,574,716**	**–**	**775,791**		**37,350,507**

(Forward)

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Short-term loans	**₱910,000,000**	**₱–**	**₱–**	**₱–**	**₱910,000,000**
Due to stockholders	**190,447,716**	**–**	**–**	**–**	**190,447,716**
Other noncurrent liabilities	**–**	**–**	**–**	**18,747,425**	**18,747,425**
	₱1,164,177,449	**₱2,329,946,468**	**₱775,791**	**₱18,747,425**	**₱3,513,647,133**

	2012				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and other current liabilities:					
Trade and nontrade accounts payable	₱7,311,278	₱313,862,736	₱10,262,500	₱–	₱331,436,514
Accrued expenses	10,882,887	25,000	5,126,119	–	16,034,006
Accrued directors' and annual incentives	23,287,808	–	–	–	23,287,808
Due to related parties	91,379,918	–	–	–	91,379,918
Due to stockholders	9,034,206	–	–	–	9,034,206
	₱141,896,097	₱313,887,736	₱15,388,619	₱–	₱471,172,452

As at December 31, 2013 and 2012, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱687,992,025**	**₱–**	**₱–**	**₱–**	**₱687,992,025**
Short-term investments	**51,354,062**	**–**	**–**	**–**	**51,354,062**
Receivables:					
Trade	**157,313,456**	**2,472,017,827**	**–**	**–**	**2,629,331,283**
Due from related parties	**–**	**185,647**	**–**	**–**	**185,647**
Others	**4,134,749**	**68,906,784**	**–**	**–**	**73,041,533**
Other noncurrent assets	**–**	**–**	**–**	**13,747,425**	**13,747,425**
Financial assets at FVPL:					
Investments held for trading	**475,351,797**	**–**	**–**	**–**	**475,351,797**
Derivative asset**	**–**	**11,671,303**	**–**	**–**	**11,671,303**
AFS Investments:					
Quoted	**–**	**–**	**–**	**203,251,223**	**203,251,223**
Unquoted	**–**	**–**	**–**	**83,246,573**	**83,246,573**
Government securities	**–**	**292,135,812**	**–**	**–**	**292,135,812**
	₱1,376,146,089	**₱2,844,917,373**	**₱–**	**₱300,245,221**	**₱4,521,308,683**

	2012				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Cash and cash equivalents	₱907,595,393	₱–	₱–	₱–	₱907,595,393
Short-term investments	1,555,339,848	–	–	–	1,555,339,848
Receivables:					
Trade	17,391,604	498,739,475	–	–	516,131,079
Due from related parties	–	87,018,093	–	–	87,018,093
Loans receivable	–	50,000,000	–	–	50,000,000
Others	3,744,596	5,109,110	–	–	8,853,706
Financial assets at FVPL:					
Investments held for trading	835,008,772	–	–	–	835,008,772
Derivative asset	–	1,187,250	–	–	1,187,250

(Forward)

	2012				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
AFS Investments:					
Quoted	₱–	₱–	₱–	₱141,316,676	₱141,316,676
Unquoted	–	–	–	83,246,573	83,246,573
Government securities	–	54,001,939	–	–	54,001,939
	₱3,319,080,213	₱696,055,867	₱–	₱224,563,249	₱4,239,699,329

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**
2013 Fixed Rate							
Special savings account (SSA)	**0.375%-2.75%**	**₱475,399**	**₱–**	**₱–**	**₱–**	**₱–**	**₱475,399**
Investments in bonds and FXTNs	**11.88%**	**81**	**–**	**–**	**–**	**–**	**81**
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

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, 2013 and 2012. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2013	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax**
FXTN	**25**	**₱203**
Special deposit account (SDA)	**25**	**730**
SSA	**25**	**1,187,768**
Short-term loan	**25**	**(2,275,000)**
FXTN	**(25)**	**(203)**
SDA	**(25)**	**(730)**
SSA	**(25)**	**(1,187,768)**
Short-term loan	**(25)**	**2,275,000**

	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)

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 6.5% and 8.1% in 2013 and 2012, respectively, resulting in an increase in equity of ₱4.82 million and ₱5.14 million as at December 31, 2013 and 2012, 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 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, 2013 and 2012.

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.

	2013	2012 (As Restated)
Total liabilities	**₱3,858,908,648**	₱635,657,322
Total equity	**7,127,358,883**	6,928,831,636
Debt-to-equity ratio	**0.54:1**	0.09:1

33. 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	
	2013	2012	**2013**	2012
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱687,992,025**	₱907,595,393	**₱687,992,025**	₱907,595,393
Short-term investments	**51,354,062**	1,555,339,849	**51,354,062**	1,555,339,849
Receivables:				
Trade	**2,602,841,228**	507,320,737	**2,602,841,228**	507,320,737
Due from related parties	**185,647**	87,018,093	**185,647**	87,018,093
Loan receivable	**–**	50,000,000	**–**	50,000,000
Others*	**69,747,878**	5,562,426	**69,747,878**	5,562,426
Other noncurrent assets	**13,474,425**	–	**13,474,425**	–
	3,425,595,265	3,112,836,498	**3,425,595,265**	3,112,836,498
Financial assets at FVPL:				
Investments held for trading	**475,351,797**	835,008,772	**475,351,797**	835,008,772
Derivative assets**	**11,671,303**	1,187,250	**11,671,303**	1,187,250
	487,023,100	836,196,022	**487,023,100**	836,196,022

(Forward)

	Carrying Value		Fair Value	
	2013	2012	**2013**	2012
AFS investments:				
Quoted	**₱203,251,223**	₱141,316,676	**₱203,251,223**	₱141,316,676
Unquoted	**83,246,573**	83,246,573	**83,246,573**	83,246,573
Government securities and FXTNs	**292,135,812**	54,001,939	**292,135,812**	54,001,939
	578,633,608	278,565,188	**578,633,608**	278,565,188
	₱4,491,251,973	₱4,227,597,708	**₱4,491,251,973**	₱4,227,597,708
Financial Liabilities				
Financial liability at FVPL -				
Derivative liabilities***	**₱–**	₱812,579	**₱–**	₱812,579
Other financial liabilities				
Accounts payable and other current liabilities****	**2,405,703,828**	464,917,065	**2,405,703,828**	464,917,065
Due to stockholders	**190,447,716**	9,034,206	**190,447,716**	9,034,206
Short-term loans	**910,000,000**	–	**910,000,000**	–
Other noncurrent liabilities*****	**18,747,425**	–	**18,747,425**	–
	3,524,898,969	473,951,271	**3,524,898,969**	473,951,271
	₱3,524,898,969	₱474,763,850	**₱3,524,898,969**	₱474,763,850

**Excludes nonfinancial asset amounting to ₱20.33 million as at December 31, 2012.*
***Presented as part of other current assets.*
****Presented as part of accounts payable and other current liabilities.*
*****Excludes nonfinancial items amounting to ₱103.20 million and ₱89.01 million as at December 31, 2013 and 2012, respectively.*
******Excludes nonfinancial item amounting to ₱6.11 million and ₱5.74 million as at December 31, 2013 and 2012, 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.

Other noncurrent liabilities
The fair value of the Company's long-term payable to a third party amounting to ₱13.47 million is based on the discounted value of the expected future cash flow using applicable interest rate for similar type of instrument.

Fair Value Hierarchy

As at December 31, the fair value measurement of the Company's financial assets and liabilities carried at fair value is categorized as follows (in thousands):

	2013		
	Level 1	**Level 2**	**Total**
		(In thousands)	
Assets:			
Investments held for trading	**₱475,271**	**₱81**	**₱475,352**
AFS investments	**203,251**	**–**	**203,251**
Derivative asset	**–**	**11,671**	**11,671**
	₱678,522	**₱11,752**	**₱690,274**

	2012		
	Level 1	Level 2	Total
		(In thousands)	
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)
	₱729,860	₱246,840	₱976,700

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.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the consolidated financial statements as at December 31, 2013 and 2012.

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 at December 31, 2012. The Company has no outstanding currency forward contacts as at December 31, 2013. The net fair value of these currency forward contracts amounted to ₱1.19 million gain as at December 31, 2012.

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

The Company's outstanding embedded forwards have an aggregate notional amount of US$7.07 and US$1.94 million as at December 31, 2013 and 2012, respectively. The weighted average fixing rate amounted to ₱45.23 to US$1.00 and ₱41.10 to US$1.00 as at December 31, 2013 and 2012, respectively. The net fair value of these embedded derivatives amounted to ₱11.67 and ₱0.81 million losses at December 31, 2013 and 2012, respectively.

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

	2013	2012
Balance at beginning of year	**₱374,671**	(₱1,851,236)
Net changes in fair value during the year	**31,158,641**	9,364,316
Fair value of settled contracts	**(19,862,009)**	(7,138,409)
Balance at end of year	**₱11,671,303**	₱374,671

The net changes in fair value during the year are included in the "Other income - net" account in the consolidated statements of income.

The fair values of the outstanding derivative assets (liabilities) of the Company as at December 31 are as follows:

	2013	2012
Embedded	**₱11,671,303**	(₱812,579)
Freestanding	**–**	1,187,250
	₱11,671,303	₱374,671

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.

34. **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 andis 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.

	2013			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱2,002,983,792**	**₱–**	**₱28,413,530**	**₱2,031,397,322**
Results				
Depreciation and amortization	**83,220,401**	**472,957**	**15,442,669**	**99,136,027**
Provision for doubtful accounts	**17,679,712**	**–**	**–**	**17,679,712**
Reversal of impairment loss on deferred exploration costs	**–**	**(12,874,373)**	**–**	**(12,874,373)**
Segment profit	**₱864,276,545**	**₱32,434,403**	**(₱164,253,897)**	**₱732,457,051**
Operating assets	**₱9,810,074,377**	**₱321,832,192**	**₱854,360,962**	**₱10,986,267,531**
Operating liabilities	**₱2,506,787,152**	**₱19,410,378**	**₱1,332,711,118**	**₱3,858,908,648**
Other disclosure				
Capital expenditure	**₱1,879,137,733**	**₱79,563**	**₱3,006,827**	**₱1,882,224,123**

a. Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱14.54 million, ₱8.10 million and ₱5.78 million, respectively.

b. Profit for operating segment does not include general and administrative expenses, foreign exchange loss and mark to market gain on derivatives amounting to ₱143.10 million. Provision for impairment loss on AFS investments and other income - net not included in the profit for operating segment amounted to ₱49.56 million.

c. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱344.61 million, receivables and other current assets totaling ₱136.61 million and other noncurrent assets amounting to ₱373.14 million as these are managed on a group basis.

d. Segment liabilities do not include accounts payable and other current liabilities of ₱264.87 million, short-term loan of ₱910.00 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱157.84 million.

e. Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination.

	2012			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱976,749,704	₱–	₱90,707,850	₱1,067,457,554
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
Impairment loss on deferred exploration costs	–	12,874,373	–	12,874,373
Property, plant and equipment write-off	6,024,978	–	–	6,024,978
Segment profit	₱785,700,300	(₱485,678)	(₱131,650,813)	₱653,563,809
Operating assets	₱5,426,364,224	₱258,871,591	₱1,879,253,143	₱7,564,488,958
Operating liabilities	₱478,213,276	₱17,542,300	₱139,901,746	₱635,657,322
Other disclosure				
Capital expenditure	₱170,409,053	₱1,295,156	₱2,156,046	₱173,860,255

a. Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱75.86 million, ₱8.30 million and ₱6.55 million, respectively.

b. Profit for operating segment does not include general and administrative expenses, foreign exchange loss and mark to market gain on derivatives amounting to ₱228.04 million. Other income - net not included in the profit for operating segment amounted to ₱5.68 million.

c. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.50 billion, receivables and other current assets totaling ₱7.34 million and other noncurrent assets amounting to ₱370.96 million as these are managed on a group basis.

d. 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 ₱34.98 million.

e. Capital expenditure consists of additions to property, plant and equipment.

	2011			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱776,270,668	₱–	₱99,074,547	₱875,345,215
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	14,246,800	–	–	14,246,800
Segment profit	₱530,138,857	₱30,385,446	(₱38,924,424)	₱521,599,879
Operating assets	₱3,033,828,174	₱102,576,319	₱2,079,271,373	₱5,215,675,866
Operating liabilities	₱460,282,046	₱13,494,398	₱176,281,577	₱650,058,021
Other disclosure				
Capital expenditure	₱144,017,496	₱80,385	₱3,668,557	₱147,766,438

a. Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱77.08 million, ₱15.79 million and ₱6.20 million, respectively.

b. Profit for operating segment does not include general and administrative expenses, foreign exchange loss and mark to market gain on derivatives amounting to ₱139.88 million. Other income - net not included in the profit for operating segment amounted to ₱1.89 million.

c. 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 ₱372.84 million as these are managed on a group basis.

d. Segment liabilities do not include accounts payable and other current liabilities of ₱141.40 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱34.88 million.

e. Capital expenditure consists of additions to property, plant and equipment.

SyCip Gorres Velayo & Co.
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ey.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
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 (the Company) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated February 7, 2014. 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.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

February 7, 2014

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

**These schedules are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or notes to consolidated financial statements*

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Association 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	₱81,063	₱81,063	₱81,063	₱6,012
Investment in Unit Investment Trust Fund and Money Market Fund (UITF & MMF)				
Banco De Oro	296,430,000	296,730,329	296,730,329	-
Metropolitan Bank & Trust Company	121,780,000	120,424,123	120,424,123	-
Rizal Commercial Banking Corp.	56,395,552	56,397,397	56,397,397	-
Bank of the Phil. Island	1,036,458	1,041,410	1,041,410	-
AB Capital Investment Corp.	750,000	677,475	677,475	-
		475,351,797	475,351,797	6,012
Available-for-sale financial assets				
Government securities and FXTNs	341,832,482	292,135,812	292,135,812	22,913,186
Phinma Corporation	12,788,708	164,932,080	164,932,080	5,155,572
Union Galvasteel Corp./Atlas Holdings Corporation	1,462,999	27,579,357	27,579,357	1,520,381
Phinma Property Holdings Corporation	266,191,807	37,234,059	37,234,059	-
Asian Plaza, Inc.	37,684	18,433,158	18,433,158	1,318,940
Manila Golf & Country Club	1 share (100 units)	30,000,000	30,000,000	-
Tagaytay Midlands Golf Club, Inc.	2	900,000	900,000	-
Alabang Country Club, Inc.	1	2,300,000	2,300,000	-
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	55,000	55,000	-
Metro Club A	2	500,000	500,000	-
Rockwell Club	2	700,000	700,000	-
Tagaytay Highlands Golf Club, Inc.	1	500,000	500,000	-
Philam Tower Club	1	140,000	140,000	-
Camp John Hay	1	100,000	100,000	-
Aboitiz Equity Ventures, Inc.	1,000	54,550	54,550	2,000
Ayala Land	7,497	185,551	185,551	-
Banco de Oro	1,671	115,660	115,660	1,346
First Philippine Holdings Corporation	5,260	282,465	282,465	9,993
Globe Telecom, Inc.	30	49,200	49,200	8,710
Philex Mining Corp "B	11,500	91,080	91,080	-
BPI	1,079	91,715	91,715	682
Ayala Corp.	500	259,000	259,000	2,112
Aboitiz Power Corporation	4,300	146,200	146,200	16,094
Metropolitan Bank and Trust Company	4,697	354,858	354,858	58
Atlas Consolidated Mining	5,500	79,970	79,970	-
A. Soriano	179	1,198	1,198	673
Energy Development Corp.	20,000	106,600	106,600	3,400
Security Bank	1,473	170,279	170,279	-
Philippine Long Distance Telephone Company		19,500	19,500	-
Pepsi Cola	15,000	67,500	67,500	5,856
First Generation Corp.	29,000	378,740	378,740	1,000
Metro Pacific Investment Corporation	8,600	37,152	37,152	1,382
East West Bank	2,880	69,984	69,984	-
D & L Industries, Inc.	8,000	50,400	50,400	14,700
San Miguel Corp.	640	152,320	152,320	-
Asia United Bank	575	39,158	39,158	-
JG Summit Holdings, Inc.	1,750	67,462	67,462	1,590
Del Monte Pacific Ltd.	4,000	90,800	90,800	-
Robinsons Retail Holdings	1,500	82,800	82,800	-
		578,633,608	578,633,608	30,977,675
		₱1,053,985,405	₱1,053,985,405	₱30,983,687

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule B. Accounts Recevable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2013

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Not Applicable: The Company has no amounts receivable from directors, employees, related parties and principal stockholders as at December 31, 2013.							

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, 2013

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	₱303,527,325	₱9,606,864	(₱223,526,408)	₱ -	₱89,607,781	₱ -	₱89,607,781
Trans-Asia Power Generation Corporation	85,535,597	907,479,509	(944,914,048)	-	48,101,057	-	48,101,057
Trans-Asia Renewable Energy Corporation	1,566,272	357,013,615	(2,631,221)	-	355,948,666	-	355,948,666
Trans-Asia Gold & Minerals Dev. Corporation	200	-	(200)	-	-	-	-
	₱390,629,394	₱1,274,099,988	(₱1,171,071,877)	₱ -	₱493,657,504	₱ -	₱493,657,504

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2013

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	₱19,172,269	₱ -	₱ -	₱ -	₱1,212,491	₱20,384,760
SC 51	32,665,864	-	-	-	-	32,665,864
SC 55	5,713,210	-	-	-	-	5,713,210
SC 69	14,667,555	-	-	-	1,304,806	15,972,361
SC 52	12,874,373	8,680,000	-	-	-	21,554,373
Mineral exploration costs	-		-	-		-
	85,093,271	8,680,000	-	-	2,517,297	96,290,568
Allowance for probable losses	(12,874,373)	-	-	-	12,874,373	-
	₱72,218,898	₱8,680,000	₱ -	₱ -	₱15,391,670	₱96,290,568

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule E. Long-Term Debt
December 31, 2013

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
Not Applicable: The Company has no long-term debt as at December 31, 2013.			

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule F. Indebtedbess to Related Parties (Long-Term Loans from Related Companies)
December 31, 2013

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not Applicable: The Company has no indebtedness to related party as at December 31, 2013.		

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2013

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

Not Applicable: The Company has no guarantees of securities of other issuers as at December 31, 2013.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2013

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	Directors, Officers and Employees	Others
Common stock	8,400,000,000	4,863,862,757	86,213,496	2,623,997,003	63,631,509	2,176,234,245

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2013

Retained earnings, beginning	₱ 1,831,660,604
Adjustment:	
Deferred income tax asset as of December 31, 2012	(19,684,471)
Derivative asset as of December 31, 2012	(1,187,250)
Unrealized FV gain of FVPL as of December 31, 2012	(18,762,880)
Retained earnings, as adjusted to amount available for dividend declaration, beginning	1,792,026,003
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	165,730,965
Add (deduct):	
Unrealized fair value gains on investments held for trading and derivative assets in 2013	70,856,857
Effect of the adoption of Revised PAS 19	(5,511,800)
Movement of recognized deferred income tax assets	1,235,607
Net income actually realized during the year	232,311,629
Less: Dividends declared during the year	(381,536,392)
Retained earnings available for dividend declaration, end	₱1,642,801,240

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)

A. List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		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	X		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			X
	Amendments to PFRS 1: Government Loans			X
	Amendments to PFRS 1: First-time Adoption of PFRS-Borrowing Cost			X
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*	Not Early Adopted		
PFRS 2	Share-based Payment	X		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X		
	Amendments to PFRS 2: Share-based Payment – Definition of Vesting Condition*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations	X		
	Business Combinations – Accounting for Contingent Consideration in a Business Combination*	Not Early Adopted		
	Business Combinations – Scope Exceptions for Joint Arrangements*	Not Early Adopted		
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		

**Standards and interpretations which will become effective subsequent to December 31, 2013.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		X
PFRS 8	Operating Segments	X		
	Amendments to PFRS 8: Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	Not Early 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	X		
	Amendments to PFRS 10: Investment Entities*	Not Early Adopted		
PFRS 11	Joint Arrangements	X		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Investment Entities*	Not Early Adopted		
PFRS 13	Fair Value Measurement	X		
	Amendment to PFRS 13: Short-term Receivables and Payables*	Not Early Adopted		
	Amendment to PFRS 13: Fair Value Measurement – Portfolio Exception*	Note Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
	Amendments to PAS 1: Presentation of Financial Statements – Clarification of the Requirements for Comparative Information	X		
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		
	Amendments to PAS 16: Classification of Servicing Equipment*			X
	Amendment to PAS 16: Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
PAS 17	Leases	X		
PAS 18	Revenue	X		

***Standards and interpretations which will become effective subsequent to December 31, 2013.**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	X		
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23 (Revised)	Borrowing Costs	X		
PAS 24 (Revised)	Related Party Disclosures	X		
	Amendments to PAS 27: Related Party Disclosures – Key Management Personnel*	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27 (Amended)	Separate Financial Statements	X		
	Amendments to PAS 27: Investment Entities*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues	X		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*	Not Early Adopted		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			X
	Amendents to PAS 32: Offsetting Financial Assets and Financial Liabilities*	Not Early Adopted		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities*	X		
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*	Not Early Adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
	Amendments to PAS 38: Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		

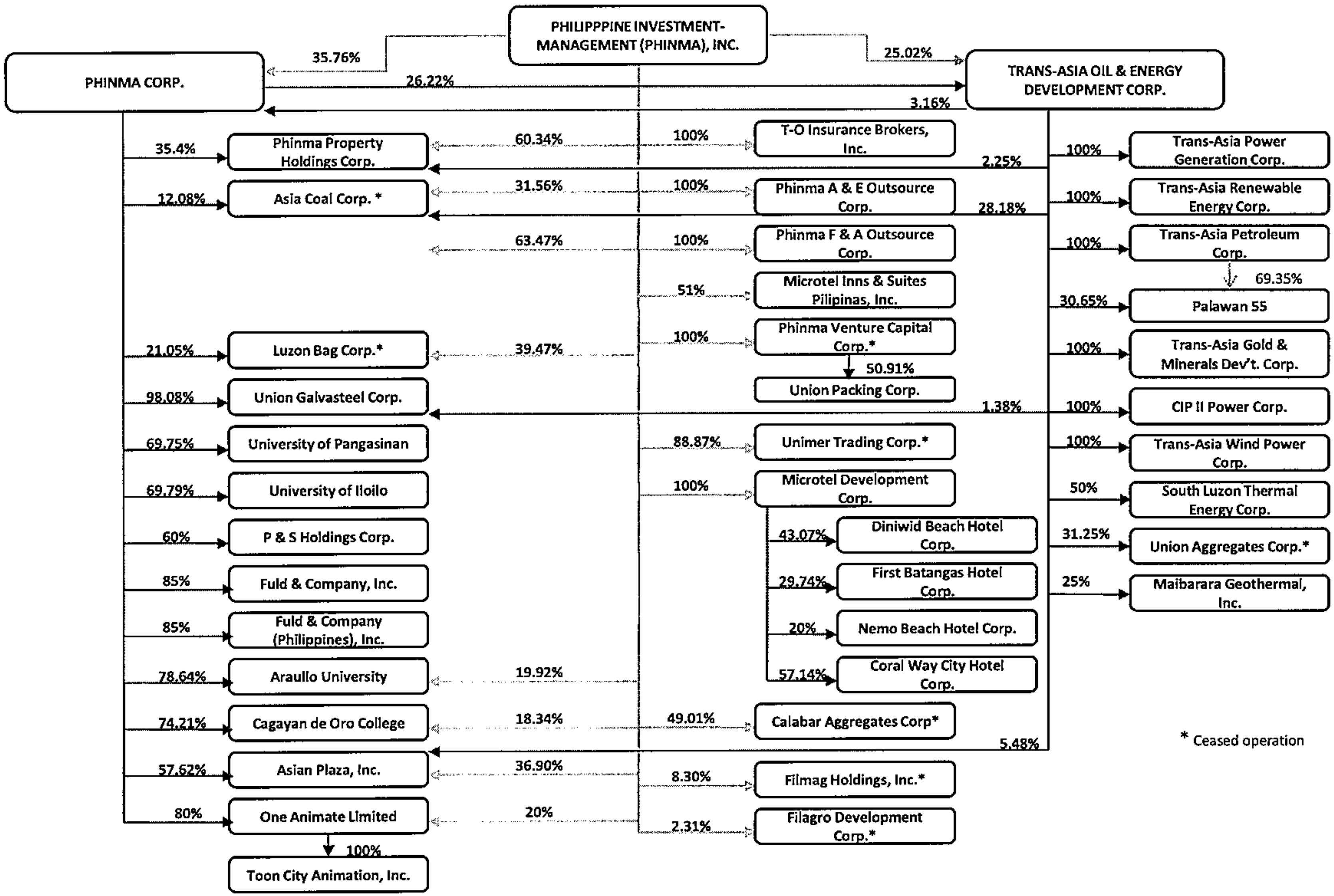
**Standards and interpretations which will become effective subsequent to December 31, 2013.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			X
	Amendments to PAS 39: The Fair Value Option	X		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
	Amendment to PAS 39: Eligible Hedged Items			X
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*	Not Early Adopted		
PAS 40	Investment Property	X		
	Amendment to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property*	Not Early Adopted		
PAS 41	Agriculture			X
Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	X		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 8	Scope of PFRS 2	X		
IFRIC 9	Reassessment of Embedded Derivatives	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
IFRIC 10	Interim Financial Reporting and Impairment	X		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X		
IFRIC 12	Service Concession Arrangements			X
IFRIC 13	Customer Loyalty Programmes			X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	X		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			X

**Standards and interpretations which will become effective subsequent to December 31, 2013.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	X		
IFRIC 18	Transfers of Assets from Customers			X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X
IFRIC 21	Levies*	Not Early Adopted		
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			X
SIC-15	Operating Leases - Incentives	X		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures			X
SIC-31	Revenue - Barter Transactions Involving Advertising Services			X
SIC-32	Intangible Assets - Web Site Costs			X

**Standards and interpretations which will become effective subsequent to December 31, 2013.*



Map of relationships of the Companies within the Group

As of December 31, 2013

EXHIBIT C

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Annual Report of Use of Proceeds from Stock Rights Offering

101142014001866

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000039274
Company Name	TRANS-ASIA OIL & ENERGY DEV. CORP
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	101142014001866
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	January 14, 2014
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

January 14, 2014

SECURITIES AND EXCHANGE COMMISSION
SEC Building
Epifania 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, 2013, Trans-Asia Oil and Energy Development Corporation (TA):

- has used P237.8 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 P1.251 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,

Mary L

Mariejo P. Bautista
VP – Controller

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A **PHINMA** Company

January 14, 2014

THE DISCLOSURE DEPARTMENT
4/F Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

Attention: **Janet Encarnacion**
OIC, Disclosure 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, 2013, Trans-Asia Oil and Energy Development Corporation (TA):

- has used P237.8 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 P1.251 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

Trans-Asia Oil & Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2007 Stock Rights Offering (SRO)
As of December 31, 2013
(Amounts in Millions)

	Estimate			Actual disbursement for the period November 28, 2007 to Dec. 31, 2012			Actual disbursement for the period January - December 2013			Balance of Gross Proceeds As of Dec. 31, 2013		
Original Gross Proceeds - 2007 SRO			**607.8**			**607.8**			**-**			**607.8**
Application of Gross Proceeds												
Renewable Energy Projects												
Previously earmarked for CIPP Plant Expansion	378.5			30.8			10.8			41.6		
Previously earmarked for Mineral Projects	34.6	413.1		-	30.8		-	10.8		-	41.6	
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	-	-	10.8	0.4	8.8	237.8
Balance			**-**			**380.7**			**(10.8)**			**370.0**

Prepared by:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
VP - Controller

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.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 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) for the period May 30, 2011 to December 31, 2013. 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 2011 Stock Rights Offering for the period May 30, 2011 to December 31, 2013 (the "Schedule") and checked its mathematical accuracy. We noted no exceptions. The schedule shows the following information:
    a. Estimated gross proceeds and estimated application of gross proceeds
    b. Actual gross proceeds
    c. Actual disbursements for the period May 30, 2011 to December 31, 2012
    d. Actual disbursements for the period January 1, 2013 to December 31, 2013
    e. Balance of the gross proceeds as at December 31, 2013.

2. Using the schedule obtained in No. 1, we performed the following:
    a. Traced the estimated gross proceeds and estimated application of gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering for the period May 30, 2011 to December 31, 2012 submitted to SEC and noted no exceptions.
    b. Traced the actual disbursements for the period May 30, 2011 to December 31, 2012 to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering for the period May 30, 2011 to December 31, 2012 submitted to SEC and noted no exceptions.

3. From the schedule obtained in No. 1, we noted that there are no actual disbursements for the period January 1, 2013 to December 31, 2013.

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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.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

January 13, 2014

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, 2013
(Amounts in Millions)

	Estimate			Actual disbursement for the period May 30, 2011 to December 31, 2012			Actual disbursement for the period January 1, 2013 to December 31, 2013			Balance of the Gross Proceeds As at December 31, 2013		
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 exemption	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:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
VP - Controller

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Building a better working world

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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 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, 2013. 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, 2013 (the "Schedule") and checked its mathematical accuracy. We noted no exceptions. The schedule shows the following information:
   a. Estimated gross proceeds and estimated application of gross proceeds
   b. Actual gross proceeds
   c. Actual disbursements for the period November 14, 2012 to December 31, 2012
   d. Actual disbursements for the period January 1, 2013 to December 31, 2013
   e. Balance of the gross proceeds as at December 31, 2013.

2. Using the schedule obtained in No. 1, we performed the following:
   a. Traced the estimated gross proceeds and estimated application of gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period November 14, 2012 to December 31, 2012 submitted to SEC, which were also traced to the estimated amounts indicated in the prospectus. We noted no exceptions.
   b. Traced the actual gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period November 14, 2012 to December 31, 2012 submitted to SEC, which were also previously traced to bank validated deposit slips and bank statements in prior year. We noted no exceptions.

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c. Traced the actual disbursements for the period November 14, 2012 to December 31, 2012 to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period November 14, 2012 to December 31, 2012 submitted to SEC and noted no exceptions.
d. Vouched the actual disbursements for the period January 1, 2013 to December 31, 2013 to supporting documents such as Letter of Instructions, trust account financial statements, 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 representations 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.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

January 13, 2014

Trans-Asia Oil & Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering
As of December 31, 2013
(Amounts in Millions)

	Estimate			Actual disbursement for the period Nov. 14, 2012 to Dec. 31, 2012			Actual disbursement for the period January - December 2013			Balance of the Gross Proceeds As of Dec. 31, 2013		
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			-			649.8			649.8	
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			-			589.0			589.0	
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			0.1			1.7		
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	0.1	0.2	1,239.0	0.7	12.1	1,250.9
Balance			-			(11.9)			(1,239.0)			376.1

Prepared by:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
VP - Controller

EXHIBIT D

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Parent Company Financial Statements
December 31, 2013 and 2012
And Years Ended December 31, 2013 and 2011

COVER SHEET

069-039274
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)

12	31
Month	*Day*

(Calendar Year)

AAPFS
(Form Type)

03	24
Month	*Day*

(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

–
Amended Articles Number/Section

3,274
Total No. of Stockholders

Total Amount of Borrowings

₱910.0million	–
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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Fax: (632) 819 0872
ey.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 parent company financial statements of Trans-Asia Oil and Energy Development Corporation, which comprise the parent company balance sheets as at December 31, 2013 and 2012, and the parent company statements of income, 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 Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company 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 parent company 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company 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 parent company financial statements present fairly, in all material respects, the financial position of Trans-Asia Oil and Energy Development Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations Nos. 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 Nos. 19-2011 and 15-2010 in Note 34 to the parent company 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.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

February 7, 2014

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31, 2013	December 31, 2012 (As Restated - Note 3)	January 1, 2012 (As Restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 31 and 32)	**₱236,252,275**	₱718,061,218	₱865,162,858
Short-term investments (Notes 7, 31 and 32)	**51,354,062**	1,555,339,847	–
Investments held for trading (Notes 8, 31 and 32)	**108,356,391**	782,880,456	831,501,926
Receivables (Notes 9, 31 and 32)	**3,025,462,181**	954,882,285	648,496,126
Available-for-sale investments (Notes 7, 31 and 32)	**292,135,812**	54,001,940	–
Fuel and spare parts - at cost	**90,998,259**	108,175,008	62,614,823
Other current assets (Note 10)	**155,745,551**	2,476,359	5,134,528
Total Current Assets	**3,960,304,531**	4,175,817,113	2,412,910,261
Noncurrent Assets			
Property, plant and equipment (Note 11)	**154,672,642**	169,449,349	186,475,775
Investments in subsidiaries and associates and interests in joint ventures (Note 12)	**5,635,517,049**	2,812,894,626	2,039,423,846
Available-for-sale investments (Notes 13, 31 and 32)	**210,713,604**	217,483,893	198,307,218
Investment property (Note 14)	**17,178,600**	19,139,210	21,099,821
Deferred exploration costs (Note 15)	**21,554,373**	–	87,212,210
Deferred income tax assets - net (Note 26)	**13,141,537**	13,350,095	23,444,700
Other noncurrent assets	**15,826,771**	2,379,346	331,677
Total Noncurrent Assets	**6,068,604,576**	3,234,696,519	2,556,295,247
TOTAL ASSETS	**₱10,028,909,107**	₱7,410,513,632	₱4,969,205,508

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities (Notes 16, 31 and 32)	**₱2,247,778,488**	₱554,614,318	₱501,516,119
Due to stockholders (Notes 28, 31 and 32)	**193,614,200**	9,034,206	7,932,125
Short-term loans (Notes 17, 31 and 32)	**910,000,000**	–	–
Income and withholding taxes payable	**40,952,609**	25,007,457	77,004,356
Total Current Liabilities	**3,392,345,297**	588,655,981	586,452,600
Noncurrent Liabilities			
Pension and other post-employment benefits (Note 27)	**21,132,677**	27,172,004	21,438,176
Deposits payable (Notes 31 and 32)	**13,747,425**	–	1,761,810
Other noncurrent liabilities	**6,111,896**	5,741,056	5,368,183
Total Noncurrent Liabilities	**40,991,998**	32,913,060	28,568,169
Total Liabilities	**3,433,337,295**	621,569,041	615,020,769
Equity			
Capital stock (Note 18)	**4,863,862,757**	4,857,258,870	2,829,863,527
Additional paid-in capital (Note 18)	**35,573,407**	24,026,492	42,821,420
Other equity reserve - stock option plan (Note 19)	**8,765,344**	–	–
Unrealized fair value gains on available-for-sale investments (Note 13)	**77,187,369**	84,985,225	74,174,480
Remeasurement losses on defined benefit plan (Note 27)	**(160,442)**	(3,474,800)	–
Retained earnings (Note 18)	**1,610,343,377**	1,826,148,804	1,407,325,312
Total Equity	**6,595,571,812**	6,788,944,591	4,354,184,739
TOTAL LIABILITIES AND EQUITY	**₱10,028,909,107**	₱7,410,513,632	₱4,969,205,508

See accompanying Notes to Parent Company Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2013	2012 (As Restated - Note 3)
REVENUE		
Generation revenue	**₱75,901,349**	₱75,067,928
Trading revenue - net (Note 20)	**419,474,275**	901,681,776
Interest and other financial income (Note 25)	**27,396,117**	73,788,297
Dividend income (Note 28)	**6,237,098**	8,295,610
Rental income (Notes 14 and 28)	**7,221,783**	6,549,409
	536,230,622	1,065,383,020
COSTS AND EXPENSES		
Cost of power generation (Notes 21 and 28)	**57,948,647**	61,910,971
General and administrative expenses (Notes 22 and 28)	**225,380,751**	278,245,247
	283,329,398	340,156,218
OTHER EXPENSES - NET (Note 25)	**3,167,524**	3,289,525
INCOME BEFORE INCOME TAX	**249,733,700**	721,937,277
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**84,210,116**	179,693,439
Deferred	**(207,381)**	10,225,805
	84,002,735	189,919,244
NET INCOME	**₱165,730,965**	₱532,018,033
Basic/Diluted Earnings Per Share (Note 29)	**₱0.03**	₱0.18

See accompanying Notes to Parent Company Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 (As Restated - Note 3)
NET INCOME FOR THE YEAR	**₱165,730,965**	₱532,018,033
OTHER COMPREHENSIVE INCOME		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized fair value gains (losses) on available-for-sale investments (Note 13)	**(8,802,356)**	12,168,745
Income tax effect	**1,004,500**	(1,358,000)
	(7,797,856)	10,810,745
Net other comprehensive income to be reclassified directly to retained earnings in subsequent periods		
Remeasurement gains (losses) on defined benefit plan (Note 27)	**4,734,797**	(4,964,000)
Income tax effect	**(1,420,439)**	1,489,200
	3,314,358	(3,474,800)
Other comprehensive income (loss) for the year, net of tax	**(4,483,498)**	7,335,945
TOTAL COMPREHENSIVE INCOME	**₱161,247,467**	₱539,353,978

See accompanying Notes to Parent Company Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Other Equity Reserve - Stock Option Plan (Note 19)	Unrealized Fair Value Gains (Losses) on Available-for-Sale Investments (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 27)	Retained Earnings (Note 18)	Total
BALANCES AT JANUARY 1, 2013, AS PREVIOUSLY REPORTED	**₱4,857,258,870**	**₱24,026,492**	**₱–**	**₱84,985,225**	**₱–**	**₱1,831,660,604**	**₱6,797,931,191**
Effect of adoption of Revised PAS 19	–	–	–	–	**(3,474,800)**	**(5,511,800)**	**(8,986,600)**
BALANCES AT JANUARY 1, 2013, AS RESTATED	**4,857,258,870**	**24,026,492**	–	**84,985,225**	**(3,474,800)**	**1,826,148,804**	**6,788,944,591**
Net income for the year	–	–	–	–	–	**165,730,965**	**165,730,965**
Other comprehensive income for the year	–	–	–	**(7,797,856)**	**3,314,358**	–	**(4,483,498)**
Total comprehensive income for the year	–	–	–	**(7,797,856)**	**3,314,358**	**165,730,965**	**161,247,467**
Dividends declared (Note 18)	–	–	–	–	–	**(381,536,392)**	**(381,536,392)**
Issuance of stocks - stock grant (Notes 18 and 19)	**695,877**	**410,578**	–	–	–	–	**1,106,455**
Cost of employee stock option plan (Note 19)	–	–	**12,280,348**	–	–	–	**12,280,348**
Issuance of stocks - stock option (Notes 18 and 19)	**5,908,010**	**10,854,196**	**(3,232,863)**	–	–	–	**13,529,343**
Forfeiture of stock options (Note 19)	–	**282,141**	**(282,141)**	–	–	–	–
	6,603,887	**11,546,915**	**8,765,344**	–	–	**(381,536,392)**	**(354,620,246)**
BALANCES AT DECEMBER 31, 2013	**₱4,863,862,757**	**₱35,573,407**	**₱8,765,344**	**₱77,187,369**	**(₱160,442)**	**₱1,610,343,377**	**₱6,595,571,812**
BALANCES AT JANUARY 1, 2012, AS PREVIOUSLY REPORTED	₱2,829,863,527	₱42,821,420	₱–	₱74,174,480	₱–	₱1,413,098,982	₱4,359,958,409
Effect of adoption of Revised PAS 19	–	–	–	–	–	(5,773,670)	(5,773,670)
BALANCES AT JANUARY 1, 2012, AS RESTATED	2,829,863,527	42,821,420	–	74,174,480	–	1,407,325,312	4,354,184,739
Net income for the year	–	–	–	–	–	532,018,033	532,018,033
Other comprehensive income for the year	–	–	–	10,810,745	(3,474,800)	–	7,335,945
Total comprehensive income for the year	–	–	–	10,810,745	(3,474,800)	532,018,033	539,353,978
Cash dividends - (Note 18)	–	–	–	–	–	(113,194,541)	(113,194,541)
Issuance of stocks - stock grant (Notes 18 and 19)	142,105	–	–	–	–	–	142,105
Issuance of capital stock from stock rights offering, net of direct costs of ₱18.79 million (Note 18)	2,027,253,238	(18,794,928)	–	–	–	–	2,008,458,310
	2,027,395,343	(18,794,928)	–	–	–	(113,194,541)	1,895,405,874
BALANCES AT DECEMBER 31, 2012, AS RESTATED	₱4,857,258,870	₱24,026,492	₱–	₱84,985,225	(₱3,474,800)	₱1,826,148,804	₱6,788,944,591

See accompanying Notes to Parent Company Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 (As Restated – Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱249,733,700**	₱721,937,277
Adjustments for:		
Interest and other financial income (Note 25)	**(27,396,117)**	(73,788,297)
Dividend income	**(6,237,098)**	(8,295,610)
Gain assignment of Mineral Production Sharing Agreement (Notes 15 and 25)	**(37,934,464)**	–
Gain on option fee (Notes 15 and 25)	**–**	(24,150,000)
Gain on derivatives - net (Notes 24 and 32)	**(14,675,484)**	(9,364,316)
Depreciation and amortization (Note 24)	**23,116,586**	23,319,136
Unrealized foreign exchange (gain) - net	**(4,673,939)**	10,800,242
Interest and other financial charges	**9,993,233**	1,343,136
Provision for (reversal of):		
Impairment loss on deferred exploration costs (Notes 15 and 25)	**(12,874,373)**	12,874,373
Doubtful accounts (Notes 9 and 25)	**13,242,040**	2,091,860
Impairment loss on available-for-sale investments (Notes 7 and 25)	**49,696,670**	–
Equity-based compensation expense (Note 19)	**11,419,435**	–
Gain on sale of:		
Available-for-sale investments	**(621,819)**	(75,499)
Property and equipment	**(201,375)**	(61,885)
Operating income before working capital changes	**252,586,995**	656,630,417
Decrease (increase) in:		
Receivables	**(2,050,402,594)**	(309,223,562)
Fuel and spare parts	**17,176,749**	(45,728,673)
Other current assets	**(154,561,378)**	1,955,356
Increase (decrease) in:		
Accounts payable and other current liabilities	**1,694,665,291**	55,949,331
Income and withholding taxes payable	**60,973,557**	6,155,484
Net cash generated from (used in) operations	**(179,561,380)**	365,738,353
Interest received	**38,251,582**	35,873,608
Interest paid	**(5,894,255)**	(970,264)
Income taxes paid, including creditable withholding taxes	**(129,234,126)**	(237,845,821)
Net cash flows provided by (used in) operating activities	**(276,438,179)**	162,795,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	**(7,916,328,601)**	–
Investments in subsidiaries and associates and interests in joint ventures (Note 12)	**(2,821,761,510)**	(773,470,780)
Available-for-sale investments	**(292,252,796)**	(61,533,215)
Short-term investments	**1,503,985,785**	(1,555,339,847)
Property and equipment (Note 10)	**(7,231,298)**	(5,336,249)
Deferred exploration costs (Note 15)	**(8,680,000)**	(18,928,348)
Cash dividends received	**6,237,098**	8,295,610
Proceeds from:		
Sale/redemption of investments held for trading	**8,595,311,308**	76,654,036
Sale of available-for-sale investments	**3,012,006**	598,844
Sale of property and equipment	**1,053,404**	1,066,034

	Years Ended December 31	
	2013	2012 (As Restated – Note 3)
Settlement of currency forward contracts (Note 30)	**₱9,681,434**	₱7,138,409
Assignment of interests in service contract (Note 15)	**–**	72,218,897
Receipt of option fee (Note 15)	**–**	24,150,000
Reimbursement of deferred exploration costs (Note 15)	**–**	21,047,288
Decrease in other noncurrent assets	**(13,447,425)**	(2,047,669)
Net cash flows used in investing activities	**(940,420,595)**	(2,205,486,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock (Note 18)	**14,635,798**	2,008,600,415
Proceeds from short-term loans (Note 17)	**910,000,000**	–
Payments of cash dividends (Note 18)	**(196,956,398)**	(112,092,460)
Decrease in pension liability	**(1,304,530)**	–
Increase in deposits payable	**13,747,425**	–
Increase in other noncurrent liabilities	**370,840**	(991,981)
Net cash flows provided by financing activities	**740,493,135**	1,895,515,974
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,443,304)**	73,500
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(481,808,943)**	(147,101,640)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**718,061,218**	865,162,858
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱236,252,275**	₱718,061,218

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information and Status of Operations**

Trans-Asia Oil and Energy Development Corporation (TA Oil or "the Company") is incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 8, 1969. The direct and ultimate parent company of TA Oil is Philippine Investment-Management Inc. (PHINMA, Inc.), also incorporated in the Philippines. TA Oil is managed by PHINMA, Inc. 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.

TA Power is engaged in power generation. Previously, the Company had a 50% interest in TA Power, a joint venture with Holcim Philippines, Inc. 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. 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.

TAREC was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Development/Commercial Stage. As at December 31, 2013, the 54MW Wind Power project is under construction.

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 at February 7, 2014, 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. 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 at December 31, 2012, CIPP has completed the transfer of its power plant. As at February 7, 2014, 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. As at February 7, 2014, TA Gold's exploration activities remain suspended.

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. As at February 7, 2014, Palawan55 has not started commercial operations.

TAWPC was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to the Company. As a result of the assignment, TAWPC became a wholly-owned subsidiary of the Company. As at February 7, 2014, TAWPC has not started commercial operations.

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 at February 7, 2014, 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 at February 7, 2014.

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

The parent company financial statements of the Company were authorized for issuance by the BOD on February 7, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company 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 liabilities, and available-for-sale (AFS) investments which have been measured at fair value. The parent company financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise stated. The parent company financial statements are prepared for submission to the Bureau of Internal Revenue (BIR) and Philippine SEC.

The accompanying financial statements are the Company's separate financial statements prepared in compliance with Philippine Accounting Standard (PAS) 27, *Separate Financial Statements.*

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with Philippine Financial Reporting Standards (PFRS). The consolidated financial statements are filed with and may be obtained at the SEC.

The parent company financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in parent company financial statements. An additional balance sheet as at January 1, 2012 is presented in these parent company financial statements due to retrospective application of PAS 19 (Revised), *Employee Benefits*.

Statement of Compliance
The parent company financial statements have been prepared in accordance with PFRS.

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 PFRS and Philippine Interpretations which were adopted as at January 1, 2013.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

- 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, *Financial*

Instruments: Presentation. 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 balance sheet;
c) The net amounts presented in the balance sheet;
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 affect disclosures only and have no impact on the Company's financial position or performance since there was no offsetting of financial assets and financial liabilities as at December 31, 2013 and 2012.

- 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 Interpretations 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.

  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 adoption of PFRS 11 resulted in a change in the Company's accounting of its interests in joint ventures in the Company's consolidated financial statements but no impact in the parent company financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The new standard affects disclosures only in the Company's consolidated financial statements.

- 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 32.

- 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.

- PAS 19, *Employee Benefits* (Revised)
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the parent company financial statements are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in parent company balance sheets:			
Net defined benefit liability	**₱7,495,217**	₱12,838,000	₱8,248,100
Deferred income tax assets	**2,248,565**	3,851,400	2,474,430
Other comprehensive income	**(160,442)**	(3,474,800)	–
Retained earnings	**(5,086,210)**	(5,511,800)	(5,773,670)

	2013	2012
Increase (decrease) in parent company statements of income:		
Cost of sales	**₱–**	₱–
Gross profit	**–**	–
General and administrative expenses	**(607,986)**	(374,100)
Income before income tax	**607,986**	374,100
Provision for income tax	**182,396**	112,230
Net income for the year	**₱425,590**	₱261,870
Basic/diluted earnings per share	**₱0.00009**	₱0.00009

	2013	2012
Increase (decrease) in parent company statements of comprehensive income:		
Remeasurement gains on defined benefit plan	**₱4,734,797**	(₱4,964,000)
Income tax effects	**(1,420,439)**	1,489,200
Other comprehensive income for the year, net of tax	**3,314,358**	(3,474,800)
Total comprehensive income for the year	**₱3,739,948**	(₱3,212,930)

The adoption did not have impact on parent company statements of cash flows.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10 and PFRS 12, 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 did not have a significant impact on the Company's financial position or performance.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11 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 adoption of the amended PAS 28 did not have a significant impact on the Company's financial position or performance.

- Philippine Interpretation International Financial Reporting Interpretations Committee (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. This new interpretation is not relevant to the Company.

Annual Improvements to PFRSs (2009–2011 cycle)
The *Annual Improvements to PFRSs* (2009–2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- 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 balance sheet 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 does 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 amendment does not have any significant impact on the Company's 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.

Standards Issued but not yet Effective
Standards issued but effective subsequent to December 31, 2013 are listed below. The Company intends to adopt these standards when they become effective.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will affect disclosures only and have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments will have no significant impact in the Company's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- 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 to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments will affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will have no significant impact in the Company's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace 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 fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the parent company financial statements of the Company.

<u>Annual Improvements to PFRSs (2010–2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010–2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Company shall consider this amendment for future share-based transactions.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations, if any.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

    b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

    The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

    b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011–2013 Cycle)
The *Annual Improvements to PFRSs* (2011–2013 Cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment will have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant 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 parent company balance sheet when it becomes a party to the contractual provisions of the instruments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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 financial asset or financial liability at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 parent company balance sheet at fair value. Net changes in fair value on financial assets and financial liabilities designated at FVPL are recorded in the parent company 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 at December 31, 2013 and 2012, the Company has no financial asset or financial liability designated at FVPL on initial recognition.

b. Financial assets or financial liabilities held for trading
These financial instruments are recorded in the parent company 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).

Net changes in fair value relating to the held-for-trading positions are recognized in the parent company statement of income as gain or loss 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 at December 31, 2013 and 2012, 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 Note 8).

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 parent company 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 parent company statement of income. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

As at December 31, 2013 and 2012, the Company's derivative assets, included under "Other current assets", and derivative liabilities, included under "Accounts payable and other current liabilities", are classified as financial assets and financial liabilities at FVPL (see Notes 10, 16 and 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 parent company 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 at December 31, 2013 and 2012, 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 parent company 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 at December 31, 2013 and 2012, 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 parent company 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 at December 31, 2013 and 2012, 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, 13 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 parent company statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2013 and 2012, the Company's accounts payable and other current liabilities (excluding statutory payables), due to stockholders, short-term loans and deposits payable are classified as other financial liabilities (see Notes 16, 17, 28 and 32).

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 parent company 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 parent company 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 parent company statement of income, is removed from equity and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company 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 parent company 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 parent company statement of income, the impairment loss is reversed through the parent company 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 parent company statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company 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.

Fair Value Measurement
The Company measures financial instruments at fair value at the end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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 are stated at cost less accumulated depletion, depreciation and amortization and 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant 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 parent company statement of income in the year the asset is derecognized.

Investments in Subsidiaries, Associates and Interests in Joint Ventures

Investments in subsidiaries and associates and interests in joint ventures are accounted for and presented at cost less any impairment in value. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other companies, are considered when assessing whether a Company has control or significant influence. A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and that control shall be contractually agreed must be present to account for an interest as joint venture. The Company recognizes dividend income from its subsidiaries, associates and joint ventures when its right to receive the dividend is established.

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 parent company 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 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.

Impairment of Non-financial Assets
The Company assesses at each balance sheet 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 CGU'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 parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet 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.

The following assets have specific characteristics for impairment testing:

Property, plant and equipment and Investment property
For property, plant and equipment and investment property, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in subsidiaries and associates and interests in joint ventures
The Company determines at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries and associates and interests in joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in subsidiaries and associates and interests in joint ventures, and its carrying amount. The amount of impairment loss is recognized in the parent company statement of income.

Deferred exploration costs
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.

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.

Other Equity Reserve

Other equity reserves are made up of equity transactions other than capital contributions such as share-based payment transactions.

Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the parent company 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 Income
Dividend income is recognized when the Company's right to receive the payment is established.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Rental Income
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

Defined Benefit Plan
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 net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Stock Option
The Company has 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 at January 1, 2005. There were no stock options granted after November 7, 2002 which remained unvested as at 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 fair value is determined using the binomial method. 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 balance sheet 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 parent company 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 parent company 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 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.

Income Taxes

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 taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at 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 parent company 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.

Creditable Withholding Tax (CWT)
CWT represents amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

Unapplied input VAT is included in "Other current assets" in the parent company balance sheet.

<u>Earnings Per Share (EPS)</u>
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 at 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.

<u>Contingencies</u>
Contingent liabilities are not recognized in the parent company 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 parent company 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 parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The parent company financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. In preparing the parent company 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 parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company 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 parent company 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 the Company's ESA with Guimelco, the Company sells all of its output to Guimelco (see Note 30). The Company has evaluated the arrangement and the terms of the ESA and determined that the agreement does not qualify as a lease. Accordingly, fees billed to Guimelco are recognized as operating revenues.

The Power Administration and Management Agreement (PAMA) with One Subic Power Generation Corporation (One Subic Power) and the Independent Power Purchase Agreement (IPPA) with CIPP qualify as leases on the basis that One Subic Power and CIPP sell all their output to the Company and payment is made principally on the basis of the availability of the power plant and not on actual deliveries of electricity generated. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by One Subic Power and CIPP. Accordingly, the power plant is not recorded as part of the cost of the Company's property, plant and equipment and the fixed capacity fees paid to One Subic Power and CIPP are recorded as trading costs on a straight-line basis over the applicable terms of the PAMA and IPPA (see Note 30).

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 parent company 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 parent company 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 parent company statement of comprehensive income and statement of changes in equity. The fair values of the Company's financial assets amounted to ₱3.95 billion and ₱4.29 billion as at December 31, 2013 and 2012, respectively, while fair values of Company's financial liabilities amounted to ₱3.24 billion and ₱474.64 million as at December 31, 2013 and 2012, 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 at December 31, 2013 and 2012, allowance for doubtful accounts amounted to ₱18.60 million and ₱5.36 million, respectively. The carrying value of receivables amounted to ₱3.03 billion and ₱954.88 million as at December 31, 2013 and 2012, respectively (see Note 9).

Impairment of AFS Investments
The Company treats AFS investments in shares of stock 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.

The Company also determines whether its AFS investments in debt instruments are impaired if there is a loss event which has an impact on the future cash flows that can be reliably estimated. Examples of these loss events are significant financial difficulty of the issuer, observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets and adverse changes in the payment status of borrowers, among others.

Based on the foregoing criteria, the Company has assessed that its AFS investments in debt instruments are impaired as a result of the measurable decrease in estimated future cash flow from the AFS investments. Accordingly, an impairment loss of ₱49.70 million was recognized under the "Other expense - net" account in the 2013 parent company statement of income (see Note 25). No impairment loss was deemed necessary in 2012. The carrying value of AFS investments amounted to ₱502.85 million and ₱271.49 million as at December 31, 2013 and 2012, respectively (see Notes 7 and 13).

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 at December 31, 2013 and 2012, the Company recognized deferred income tax assets amounting to ₱18.45 million and ₱23.54 million, respectively (see Note 26).

Estimated Useful Lives of Property, Plant and Equipment and Investment Property
The Company estimates the useful lives of property, plant and equipment and investment property 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 property 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 property 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 total depreciation and amortization of property, plant and equipment and investment property for the years ended December 31, 2013 and 2012 amounted to ₱23.12 million and ₱23.32 million, respectively (see Note 24). The carrying value of property, plant and equipment as at December 31, 2013 and 2012 amounted to ₱154.67 million and ₱169.45 million, respectively (see Note 11). The carrying value of investment property as at December 31, 2013 and 2012 amounted to ₱17.18 million and ₱19.14 million, respectively (see Note 14).

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.

Provision for probable losses of ₱12.87 million to a service contract was set-up in 2012 since based on the test results, management has assessed that the carrying value of deferred exploration costs may not be recoverable. In 2013, the Company reversed the provision for impairment loss amounting to ₱12.87 million since management believes that it will be able to recover its costs on the basis of new studies and test results (see Note 25). As at December 31, 2013, the carrying value of deferred exploration costs amounted to ₱21.55 million (see Note 15).

Impairment of Property, Plant and Equipment and Investment Property
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 and investment property with indications of impairment requires an estimation of the value-in-use of the cash-generating units. No impairment loss was deemed necessary in 2013 and 2012. The carrying value of property, plant and equipment as at December 31, 2013 and 2012 amounted to ₱154.67 million and ₱169.45 million, respectively (see Note 11). The carrying value of investment property amounted to ₱17.18 million and ₱19.14 million as at December 31, 2013 and 2012, respectively (see Note 14).

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. No impairment loss was deemed necessary in 2013 and 2012. The carrying value of investments in subsidiaries and associates and interests in joint ventures as at December 31, 2013 and 2012 amounted to ₱5.64 billion and ₱2.81 billion, respectively (see Note 12).

Pension and Other Post-employment Benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date. Pension and other post-employment benefits liability amounted to ₱21.13 million and ₱27.17 million as at December 31, 2013 and 2012, respectively (see Note 27).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 27.

Share-based Payments
The Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the binomial method. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Company.

For the year ended December 31, 2013, the cost of share-based payment recognized by the Company charged to "Salaries and directors' fees" and "Investments in subsidiaries and associates and interests in joint ventures" amounted to ₱11.42 million and ₱0.86 million, respectively (see Notes 12, 19 and 23).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position.

6. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱175,736,032**	₱10,715,612
Short-term deposits	**60,516,243**	707,345,606
	₱236,252,275	₱718,061,218

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:

- 54 MW Wind Energy Project in San Lorenzo, Guimaras
- Equity investment in SLTEC to fund the second 135 MW clean coal-fired power plant in Calaca, Batangas
- Other potential investments in power project opportunities

Following are the composition of the escrow fund and the classification in the parent company balance sheets:

	2013	2012
Short-term investments		
Savings account	**₱51,354,062**	₱326,967,170
Special deposit account	–	1,228,372,677
	51,354,062	1,555,339,847
Available-for-sale investments – current		
AFS investments in bonds and FXTNs	**341,832,482**	54,001,940
Less allowance for impairment loss	**49,696,670**	–
	292,135,812	54,001,940
	₱343,489,874	₱1,609,341,787

The Company expects to utilize the escrow account in accordance with the purpose and timing for which it was approved. The remaining balance of the account is expected to be disbursed in 2014.

In 2013, the Company acquired additional AFS investments in bonds and FXTNs totaling ₱344.79 million. Loss from fair value changes during the year amounted to ₱49.70 million. By the end of 2013, management has assessed that the estimated future cash flows from its AFS investments have decreased since the local 25-year interest rate as at December 31, 2013 increased by over 34% from the date of purchase of the instruments, resulting in the decline of the prices of the instruments by 15%. These AFS investments are expected to be disposed in 2014, and as such, impairment loss amounting to ₱49.70 million representing the cumulative marked-to-market loss recognized under other comprehensive income, was transferred to profit or loss in 2013 (see Note 25).

8. Investments Held for Trading

	2013	2012
Investments in:		
UITFs and mutual funds	**₱108,275,328**	₱536,414,322
Bonds and FXTNs	**81,063**	246,466,134
	₱108,356,391	₱782,880,456

The changes in fair value of investments held for trading, included in fair value gains (losses) on investments held for trading under "Interest and other financial income" account in the parent company statements of income, amounted to ₱56.28 million unrealized loss and ₱18.76 million unrealized gain for the years ended December 31, 2013 and 2012, respectively (see Note 25).

9. Receivables

	2013	2012
Trade	**₱2,479,906,107**	₱509,412,596
Due from related companies (Notes 28 and 30)	**493,945,715**	392,111,890
Loan receivable	**–**	50,000,000
Receivable from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (Note 15)	**45,449,381**	–
Stockholders	**19,311,920**	–
Employees	**1,343,788**	170,049
Others	**4,109,535**	8,549,975
	3,044,066,446	960,244,510
Less allowance for doubtful accounts	**18,604,265**	5,362,225
	₱3,025,462,181	₱954,882,285

Trade receivables mainly represent receivables from PEMC and the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on terms of 30 to 60 days.

Loan receivable from a third party amounting to ₱50.00 million as at December 31, 2012 was settled in 2013.

As at December 31, the aging analysis of past due but not impaired receivables is as follows:

	2013						
		Neither Past Due	Past Due but not Impaired				Past Due and
	Total	nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱2,479,906,107	₱2,329,311,133	₱10,541,887	₱15,687,716	₱9,024,317	₱100,007,154	₱15,333,900
Due from related parties	493,945,715	404,337,934	–	–	–	89,607,781	–
Others	70,214,624	66,103,165	–	–	69,000	772,094	3,270,365
	₱3,044,066,446	₱2,799,752,232	₱10,541,887	₱15,687,716	₱9,093,317	₱190,387,029	₱18,604,265

	2012						
		Neither Past Due	Past Due but not Impaired				Past Due and
	Total	nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱509,412,596	₱498,739,474	₱3,036,870	₱577,489	₱568,764	₱4,398,139	₱2,091,860
Due from related parties	392,111,890	196,165,450	–	–	–	195,946,440	–
Loan receivable	50,000,000	50,000,000	–	–	–	–	–
Others	8,720,024	5,010,668	–	–	–	438,991	3,270,365
	₱960,244,510	₱749,915,592	₱3,036,870	₱577,489	₱568,764	₱200,783,570	₱5,362,225

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

	2013		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱2,091,860**	**₱3,270,365**	**₱5,362,225**
Provision for the year (Note 25)	**13,242,040**	**–**	**13,242,040**
Balances at end of year	**₱15,333,900**	**₱3,270,365**	**₱18,604,265**

	2012		
	Trade	Others	Total
Balances at beginning of year	₱–	₱3,270,365	₱3,270,365
Provision for the year (Note 25)	2,091,860	–	2,091,860
Balances at end of year	₱2,091,860	₱3,270,365	₱5,362,225

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

10. **Other Current Assets**

	2013	2012
Prepaid taxes	**₱93,221,240**	₱–
Input VAT – net	**26,403,697**	–
Creditable withholding tax	**22,374,028**	–
Deposit receivables	**7,022,449**	304,600
Derivative assets (Note 32)	**5,368,722**	1,187,250
Prepaid expenses	**1,355,415**	984,509
	₱155,745,551	₱2,476,359

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

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

Deposit receivables pertain to advance payment made for the construction of the mezzanine.

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

11. **Property, Plant and Equipment**

The details and movements of this account are shown below:

	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Total
Cost							
At January 1, 2012	₱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	171,263,160	102,596,427	20,346,661	16,905,384	8,658,061	29,177,223	348,946,916
Additions	–	–	–	3,020,250	566,507	3,644,541	7,231,298
Disposals	–	–	–	(2,162,940)	–	–	(2,162,940)
At December 31, 2013	**171,263,160**	**102,596,427**	**20,346,661**	**17,762,694**	**9,224,568**	**32,821,764**	**354,015,274**
Accumulated Depreciation, Amortization, Depletion and Impairment							
At January 1, 2012	66,124,812	34,733,409	20,346,661	10,236,664	5,047,146	27,163,919	163,652,611
Depreciation and amortization (Note 24)	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
Depreciation and amortization (Note 24)	11,190,897	5,101,985	–	3,114,596	752,022	996,476	21,155,976
Disposals	–	–	–	(1,310,911)	–	–	(1,310,911)
At December 31, 2013	**88,772,786**	**44,937,379**	**20,346,661**	**9,653,379**	**7,042,681**	**28,589,746**	**199,342,632**
Net Book Value							
At January 1, 2012	₱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
At December 31, 2013	**82,490,374**	**57,659,048**	**–**	**8,109,315**	**2,181,887**	**4,232,018**	**154,672,642**

12. Investments in Subsidiaries and Associates and Interests in Joint Ventures

This account consists of investments in following investee companies:

Investee	Principal Activity	Percentage of Direct Ownership **2013**	Percentage of Direct Ownership 2012
Subsidiaries:			
TAREC	Renewable energy generation	**100.00**	100.00
TA Power[(a)]	Power generation	**100.00**	50.00
TA Petroleum	Oil and gas exploration	**100.00**	100.00
TA Gold	Mineral exploration	**100.00**	100.00
CIPP	Power generation	**100.00**	100.00
TAWPC[(b)]	Renewable energy generation	**100.00**	–
Palawan55[(c)]	Oil and gas exploration	**31.00**	31.00
Associates:			
Union Aggregates Corporation (UAC)[(d)]		**31.25**	31.25
Asia Coal Corporation (Asia Coal)[(e)]		**28.18**	28.18
Maibarara Geothermal, Inc. (MGI)	Power generation	**25.00**	25.00
Joint ventures:			
SLTEC	Power generation	**50.00**	50.00
ACTA	Power generation	**50.00**	50.00

(a) Acquired the 50% share in TA Power on January 1, 2013.
(b) Incorporated on July 26, 2013.
(c) Palawan55 is a wholly owned subsidiary of the Company through TA Petroleum with 69% ownership.
(d) Ceased commercial operations.
(e) Shortened corporate life to October 31, 2009.

All of the above investees were incorporated in the Philippines.

The carrying value of the Company's investments follows:

	2013	2012
Investments in subsidiaries:		
TAREC	**₱1,063,125,000**	₱70,250,000
TA Power	**701,182,816**	–
TA Petroleum	**246,710,536**	246,710,536
CIPP	**151,412,300**	151,234,203
TAWPC	**116,136,510**	–
TA Gold	**12,661,546**	12,661,546
Palawan55	**3,064,897**	3,064,897
	2,294,293,605	483,921,182
Investments in associates:		
MGI	**248,078,500**	194,828,500
Asia Coal	**619,944**	619,944
	248,698,444	195,448,444

(Forward)

	2013	2012
Interests in joint ventures:		
SLTEC	**₱3,092,025,000**	₱1,908,025,000
ACTA	**500,000**	500,000
TA Power	**–**	225,000,000
	3,092,525,000	2,133,525,000
	₱5,635,517,049	₱2,812,894,626

Movements of investments are as follows:

	December 31, 2013			
	Subsidiaries	**Associates**	**Joint Ventures**	**Total**
Cost				
Balance at beginning of year	**₱504,549,099**	**₱221,563,413**	**₱2,133,525,000**	**₱2,859,637,512**
Additions during the year	**1,109,011,510**	**53,250,000**	**1,184,000,000**	**2,346,261,510**
Step acquisition	**700,500,000**	**–**	**(225,000,000)**	**475,500,000**
Cost of share-based payment (Note 19)	**860,913**	**–**	**–**	**860,913**
	2,314,921,522	**274,813,413**	**3,092,525,000**	**5,682,259,935**
Less accumulated impairment losses	**20,627,917**	**26,114,969**	**–**	**46,742,886**
	₱2,294,293,605	**₱248,698,444**	**₱3,092,525,000**	**₱5,635,517,049**

	December 31, 2012			
	Subsidiaries	Associates	Joint Ventures	Total
Cost				
Balance at beginning of year	₱254,781,659	₱156,385,073	₱1,675,000,000	₱2,086,166,732
Additions during the year	249,767,440	65,178,340	458,525,000	773,470,780
	504,549,099	221,563,413	2,133,525,000	2,859,637,512
Less accumulated impairment losses	20,627,917	26,114,969	–	46,742,886
	₱483,921,182	₱195,448,444	₱2,133,525,000	₱2,812,894,626

As at December 31, 2013 and 2012, allowance for impairment loss amounted to ₱46.74 million. No additional impairment was recognized for the years ended December 31, 2013 and 2012.

Investments in Subsidiaries

TAREC
TAREC was incorporated to engage in the development of renewable energy resources. TAREC has not yet started commercial operations as at February 7, 2014 but its wind projects are already in different phases of the feasibility and development stages. In 2013, the Company made additional investment in TAREC totaling ₱992.88 million, ₱649.83 million of which came from the escrow account. The additional investment made by the Company was used to finance TAREC's 54 MW San Lorenzo Wind Farm composed of 27 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid.

TA Power
In line with the Company's objective of increasing its portfolio of power generating assets, 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 ₱475.50 million. The said amount was fully paid on January 3, 2013. This additional acquisition of TA Power shares increased TA Oil's shareholding in TA Power from 50% equity interest with a carrying value of ₱318.44 million to 100% equity interest with a total carrying value at the time of acquisition of ₱654.15 million. Previously, the Company accounted for its investment in TA Power as interest in joint venture.

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 at February 7, 2014. As at December 31, 2013 and 2012, the Company's investment in TA Petroleum has an allowance for impairment losses of ₱3.29 million.

On July 22, 2013, the Company declared property dividends to stockholders in the form of the Company's shares of stock in TA Petroleum at a rate of 2.55 TA Petroleum shares for every 100 TA Oil shares held (see Note 18). Upon distribution of the property dividends, the Company's ownership on TA Petroleum will be reduced to 50.74%.

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. In December 2012, the Company completed the transfer of CIPP's power plant. As at February 7, 2014, the Company and CIPP have not filed their application for merger with the SEC and have deferred the plan for merger.

TAWPC
TAWPC was incorporated by TAREC and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to the Company for ₱116.14 million. As a result of the assignment, TAWPC became a wholly owned subsidiary of the Company. As at February 7, 2014, TAWPC has not started commercial operations.

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 15), the Company believes that its investment in TA Gold

will be recoverable and accordingly, in 2011, 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.

As at December 31, 2013 and 2012, the Company's investment in TA Gold has an allowance for impairment losses of ₱17.34 million.

Palawan55
Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. As at February 7, 2014, Palawan55 has not started commercial operations.

Investments in Associates

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.

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 at 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 at December 31, 2012, MGI completed the balance of well requirements and overall progress of steam field construction is around 60% as at 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 at yearend.

MGI completed the commissioning of the steam field facilities including the connection of the transmission line to MERALCO's distribution system and its energization in September 2013. Testing of high voltage systems was done in October 2013 while commissioning and testing of the 20MW power plant commenced in November 2013.

Commercial operation is anticipated in early February 2014.

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.

In 2013, MGI made several cash calls and TA Oil, as a Project Sponsor, infused additional investment amounting to ₱53.25 million.

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 at February 7, 2014, 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.

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.

The Company has recognized allowance for impairment losses of ₱13.90 million on its investment in Asia Coal as at December 31, 2013 and 2012.

UAC
As at December 31, 2013 and 2012, the Company's investment in UAC amounting to ₱12.22 million is fully provided with allowance for impairment losses.

Interests in Joint Ventures

SLTEC
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 at December 31, 2011 includes deposit for future stock subscriptions amounting to ₱1.35 billion.

In 2013, the Company invested additional capital amounting to ₱1.18 billion in response to several equity calls for the expansion of the coal-fired power plant in Calaca.

ACTA
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 at February 7, 2014.

13. **Available-for-Sale Investments**

	2013	2012
Shares of stock:		
Listed	**₱100,711,387**	₱97,136,676
Unlisted	**76,167,217**	76,167,217
Quoted golf club shares	**33,835,000**	44,180,000
	₱210,713,604	₱217,483,893

AFS investments are stated at fair value as at December 31, 2013 and 2012, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Loss from change in fair value of ₱7.80 million was recognized as other comprehensive income, net of deferred income tax of ₱1.00 million in 2013. 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.

14. **Investment Property**

	2013	2012
Cost	**₱28,133,288**	₱28,133,288
Less accumulated depreciation		
Balance at beginning of the year	**8,994,078**	7,033,468
Depreciation (Note 24)	**1,960,610**	1,960,610
Balance at end of year	**10,954,688**	8,994,078
	₱17,178,600	₱19,139,210

Investment properties are stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment property amounting to ₱37.65 million and ₱35.80 million as at December 31, 2013 and 2012, respectively, is based on the latest valuation by an independent firm of appraisers. 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 2013 and 2012 amounted to ₱2.63 million and ₱2.51 million, respectively, while related direct costs and expenses amounted to ₱2.35 million in 2013 and 2012 included as part of "General and administrative expenses" account in the parent company statement of income (see Note 22).

15. **Deferred Exploration Costs**

	2013	2012
Cost:		
Balance at beginning of year	**₱12,874,373**	₱87,212,210
Additions	**8,680,000**	18,928,348
Transfer to TA Petroleum and Palawan55	**–**	(72,218,897)
Reimbursement	**–**	(21,047,288)
Balance at end of year	**21,554,373**	12,874,373

(Forward)

	2013	2012
Allowance for impairment loss:		
Balance at beginning of year	**₱12,874,373**	₱–
Provision (Note 25)	–	12,874,373
Reversal of provisions (Note 25)	**(12,874,373)**	–
Balance at end of year	–	12,874,373
Net book value	**₱21,554,373**	₱–

The balance of the deferred oil exploration costs as at December 31, 2013 consists of expenditures incurred in SC 52 (Cagayan Province).

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 series of developments related to the Company's projects:

a. SC 52 (Cagayan Province)

The Company and Frontier Oil Corporation (Frontier) executed on January 12, 2012 a Farm-in Option Agreement which granted the Company 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.

The Company 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 8, 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.

Frontier elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

The Company and Frontier signed a Second Amendment to their Farm-in Option Agreement in July 2013 that extended the option period and expanded the coverage of the Company's option to include the untested deeper prospective gas-bearing intervals identified in the well.

In December 2013, Frontier signed a drilling rig contract for the deepening and testing of the Nassiping-2 well.

b. 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. (Investwell), 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$0.50 million (₱21.93 million) was recognized in the 2011 parent company statement of income. The receipt of the second and third nonrefundable tranches amounting to US$1.0 million (₱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 gain on option fee included under "Other expenses - net" in the 2012 parent company statement of income (see Note 25).

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

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

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell and the Company accordingly recognized US$0.87 million (₱37.93 million) representing a portion of final the tranche (see Note 25). As at December 31, 2013, receivable from Investwell amounted to ₱45.45 million (see Note 9).

16. **Accounts Payable and Other Current Liabilities**

	2013	2012
Trade	**₱1,321,301,376**	₱304,091,058
Non-trade	**17,790,316**	19,115,721
Due to related parties (Note 28)	**883,134,629**	99,982,834
Accrued expenses	**11,785,664**	15,536,776
Accrued directors' and annual incentives (Note 28)	**6,637,098**	23,287,808
Accrued interest payable	**4,098,978**	–
Deferred rent income	**220,156**	209,672
Derivative liability (Note 32)	–	812,579
Output tax - net	–	88,799,049
Others	**2,810,271**	2,778,821
	₱2,247,778,488	₱554,614,318

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

17. **Short-term Loans**

In November and December 2013, the Company availed of ₱910.00 million 90-day to 120-day unsecured short-term loans from local banks, with interest rate of 3.2% per annum which remained outstanding as at December 31, 2013.

Total interest expense on short-term loans, included in interest and other financing charges under "Other expenses - net" account, amounted to ₱1.11 million for the year ended December 31, 2013 (see Note 25).

18. **Equity**

Capital stock

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

	Number of Shares	
	2013	2012
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**4,857,258,870**	2,829,863,527
Issuance during the year:		
Exercise of stock options (Note 19)	**5,908,010**	–
Stock grants (Note 19)	**695,877**	142,105
Stock rights offering and others	–	2,027,253,238
	6,603,887	2,027,395,343
Balance at end of year	**4,863,862,757**	4,857,258,870

The issued and outstanding shares as at December 31, 2013 and 2012 are held by 3,274 and 3,269 equity holders, respectively.

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 stock rights offering (SRO) of 1.165 billion shares of the Parent Company at the rate of seven shares for every 10 shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the 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 (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 at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The 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 the 54 MW wind energy project in San Lorenzo, Guimaras and the second 135 MW 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

Retained Earnings

The Company's retained earnings balance amounted to ₱1.61 billion and ₱1.83 billion while paid-up capital is ₱4.90 billion and ₱4.88 billion as at December 31, 2013 and 2012, respectively.

Dividends Declared

Dividends declared in 2013 and 2012 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
February 16, 2012	Cash	₱0.04 per share	₱113,194,541	March 1, 2012
March 21, 2013	Cash	0.04 per share	194,318,190	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,056,892	August 5, 2013
July 22, 2013	Property	2.55 TA Petroleum shares for every 100 TA Oil shares	123,161,310	August 5, 2013

On July 22, 2013, the Company's BOD also approved the declaration of property dividends to stockholders of record date of August 5, 2013 which consist of shares of stock in TA Petroleum at the rate of 2.55 TA Petroleum shares for every 100 TA Oil shares held and cash in the amount of ₱0.23 per share to TA Oil's non-resident shareholders.

As at December 31, 2013, unpaid cash and property dividends amounted to ₱187.22 million, and included under due to stockholders. By virtue of an exemptive relief granted by the SEC, the payment date of the property dividend included under "Due to stockholders" account shall be 10 trading days from the date all of the following are secured: a) SEC approval of property dividend; b) SEC approval of registration of TA Petroleum shares; and c) issuance of the Certificate Authorizing Registration (CAR) authorizing transfer of TA Petroleum shares to the shareholders. As at December 31, 2013, only the SEC approval of the property dividend has been secured.

19. **Employee Stock Options and Executive Stock Grants**

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 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 Stock Option 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 implement only the Company's Stock Grant for its executives which resulted in the issuance of 0.70 million shares in 2013 and 0.14 million shares in 2012 (see Note 18).

On July 22, 2013, the grant date, the Company lifted the suspension of the plan and awarded additional options under the same plan. Exercise price is ₱2.29 per share.

The stock option plan granted to officers and employees of certain subsidiaries of the Company amounting to ₱0.86 million as at December 31, 2013 is presented as additional investment in those subsidiaries (see Note 12).

The following illustrates the number of outstanding share options in 2013:

Outstanding at January 1	–
Granted during the year	42,090,303
Forfeited during the year	(515,609)
Exercised during the year*	(5,908,010)
Outstanding at December 31	35,666,684
Exercisable at December 31	7,606,482

** The weighted average stock price at the date of exercise of these options was ₱2.46.*

The remaining contractual life for the stock options outstanding as at December 31, 2013 is 2.55 years.

The fair value of options granted during the year was ₱23.03 million.

The fair value of the options granted is estimated at the date of grant using binomial method, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the Stock Option Plan in 2013:

	33.33% vesting on July 22, 2013	33.33% vesting on July 22, 2014	33.33% vesting on July 22, 2015
Vesting shares	14,030,101	14,030,101	14,030,101
Spot price	₱2.40	₱2.40	₱2.40
Exercise price	2.29	2.29	2.29
Risk-free rate	2.162%	2.162%	2.162%
Expected volatility	31.25%	31.25%	31.25%
Term to vesting	3 years	3 years	3 years
Fair value of stock options	₱0.5472 per option	₱0.5472 per option	₱0.5472 per option

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

In 2013, ₱3.23 million and ₱0.28 million of total equity based compensation expense recognized under "Other equity reserve - stock option plan" in the parent company balance sheet pertain to the options exercised and forfeited, respectively, that were transferred to additional paid-in capital.

The carrying value of the stock option plan recognized under the "Other equity reserve - stock option plan" account in the equity section of the parent company balance sheet amounted to ₱8.77 million as at December 31, 2013.

The total cost of stock option plan charged to "Salaries and directors' fees", under General and administrative expenses, and "Investments in subsidiaries and associates and interests in joint ventures" for the year ended December 31, 2013 amounted to ₱11.42 million and ₱0.86 million, respectively (see Notes 12, 22 and 23).

20. **Trading Revenue - Net**

	2013	2012
Trading revenue	**₱9,091,992,102**	₱3,493,337,802
Cost of power purchased	**(8,672,517,827)**	(2,591,656,026)
	₱419,474,275	₱901,681,776

21. **Cost of Power Generation**

	2013	2012 (As Restated - Note 3)
Fuel	**₱33,025,189**	₱36,550,934
Repairs and maintenance	**5,967,746**	5,628,385
Depreciation and amortization (Note 24)	**5,897,685**	5,863,910
Salaries (Note 23)	**5,183,620**	5,936,168
Station used	**2,631,007**	3,247,545
Taxes and licenses	**1,511,706**	1,372,189
Employee benefits (Note 23)	**1,257,307**	1,193,761
Insurance	**693,318**	635,507
Rental	**589,737**	564,136
Others	**1,191,332**	918,436
	₱57,948,647	₱61,910,971

22. **General and Administrative Expenses**

	2013	2012 (As Restated - Note 3)
Salaries and directors' fees (Note 23)	**₱67,541,082**	₱80,540,550
Management and professional fees (Note 28)	**47,097,862**	96,403,520
Taxes and licenses	**34,268,041**	26,935,148
Depreciation and amortization (Note 24)	**17,218,901**	17,455,226
Other taxes and fees	**12,897,392**	2,205,623
Pension and employees benefits (Notes 23 and 27)	**11,483,015**	11,153,292
Building maintenance and repairs	**11,134,976**	11,071,992
Donation and contribution	**6,818,359**	6,120,768
Insurance, dues and subscriptions	**3,977,311**	6,203,500
Transportation and travel	**3,477,157**	3,851,135
Office supplies	**1,868,713**	1,755,268
Rent	**346,308**	333,976
Entertainment, amusement and recreation	**339,715**	377,084
Plug and abandonment	–	5,127,443
Others	**6,911,919**	8,710,722
	₱225,380,751	₱278,245,247

23. **Personnel Expenses**

	2013	2012 (As Restated - Note 3)
Salaries and directors' fees included under:		
Cost of power generation (Note 21)	**₱5,183,620**	₱5,936,168
General and administrative expenses (Notes 19 and 22)	**67,541,082**	80,540,550
Pension and employee benefits included under:		
Cost of power generation (Notes 21 and 27)	**1,257,307**	1,193,761
General and administrative expenses (Notes 22 and 27)	**11,483,015**	11,153,292
	₱85,465,024	₱98,823,771

24. **Depreciation and Amortization**

	2013	2012
Property, plant and equipment included under:		
Cost of power generation (Notes 11 and 21)	**₱5,897,685**	₱5,863,910
General and administrative expenses (Notes 11 and 22)	**15,258,291**	15,494,616
Investment property included under -		
General and administrative expenses (Notes 14 and 22)	**1,960,610**	1,960,610
	₱23,116,586	₱23,319,136

25. **Other Expenses - Net**

	2013	2012
Gain on derivatives - net	**₱14,675,485**	₱9,364,316
Foreign exchange loss - net	**(3,884,085)**	(27,251,270)
Gain on sale of:		
AFS investments	**621,819**	75,499
Property and equipment	**201,375**	61,885
Reversal of (provision for):		
Impairment loss on AFS investments (Note 7)	**(49,696,670)**	–
Doubtful accounts (Note 9)	**(13,242,040)**	(2,091,860)
Impairment loss on deferred exploration costs (Note 15)	**12,874,373**	(12,874,373)
Gain on option fee (Note 15)	**–**	24,150,000
Gain on assignment of MPSA (Note 15)	**37,934,464**	–
Interest and other financial charges	**(9,993,233)**	(1,343,136)
Others	**7,340,988**	6,619,414
	(₱3,167,524)	(₱3,289,525)

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

	2013	2012
Interest income on:		
Cash in banks	**₱53,399**	₱196,882
Short-term deposits and investments	**25,584,898**	15,378,959
Bonds	**2,314,018**	6,679,593
FXTNs	**3,168,673**	6,583,547
Others	**2,615,146**	6,274,712
Net gains on investments held for trading:		
Unrealized fair value gains (losses) on investments held for trading - net (Note 8)	**(56,275,449)**	18,762,880
Realized fair value gains (losses) on investments held for trading - net	**46,630,232**	20,387,222
Gain on redemption/sale of investments held for trading	**4,986,855**	2,426,227
Amortization of bond premium/discount - net	**(1,681,655)**	(2,901,725)
	₱27,396,117	₱73,788,297

26. **Income Tax**

a. The provision for current income tax pertains to regular corporate income tax (RCIT) in 2013 and 2012.

b. The components of the Company's net deferred income tax assets as at December 31 are as follows:

	2013	2012 (As Restated - Note 3)
Deferred income tax assets on:		
Pension and other post-employment benefits	**₱6,339,803**	₱8,151,600
Allowance for doubtful accounts	**4,600,170**	627,558
Accrued expenses	**3,026,207**	1,537,836
Allowance for impairment losses	**2,013,835**	2,013,835
Asset retirement obligation	**1,833,569**	1,722,317
Unrealized foreign exchange losses	**296,449**	4,972,264
Unamortized past service cost	**272,784**	341,473
Deferred rent income	**66,047**	62,902
Allowance for probable losses	–	3,862,312
Derivative liability	–	243,774
	18,448,864	23,535,871
Deferred income tax liabilities on:		
Unrealized fair value gains on AFS investments	**(3,207,110)**	(4,211,610)
Derivative asset	**(1,610,617)**	(356,175)
Other noncurrent liabilities	**(489,600)**	(532,800)
Unrealized gain on change in fair value of investments held for trading	–	(5,085,191)
	(5,307,327)	(10,185,776)
Deferred income tax assets - net	**₱13,141,537**	₱13,350,095

c. The reconciliation between the effective income tax rates and the statutory income tax rate follows:

	2013	2012 (As restated - Note 3)
Applicable statutory income tax rate	**30.00%**	30.00%
Decrease in tax rate resulting from:		
Interest income subjected to final tax	**(11.54)**	(1.03)
Dividend income exempt from tax	**(2.50)**	(0.34)
Nontaxable income	**(20.92)**	–
Nondeductible expenses	**51.48**	–
Others	**(12.88)**	(2.33)
Effective income tax rates	**33.64%**	26.30%

27. 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:

	2013	2012 (As Restated - Note 3)
Pension liability	**₱8,301,098**	₱13,883,700
Vacation and sick leave accrual	**12,831,579**	13,288,304
	₱21,132,677	₱27,172,004

Employee benefits included under costs of power generation and general and administrative expenses consist of:

	2013	2012 (As Restated - Note 3)
Pension expense	**₱5,752,495**	₱5,369,100
Adjustment for cross-assigned employees	**627,716**	897,660
Vacation and sick leave accrual	**(456,726)**	648,529
	₱5,923,485	₱6,915,289

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 ₱36.69 million and ₱29.88 million as at December 31, 2013 and 2012, respectively.

Changes in net defined benefit liability of funded plan in 2013 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2013, as restated	**₱43,759,000**	**₱29,875,300**	**₱13,883,700**
Pension expense in parent company statement of income:			
Current service cost	**5,170,400**	**–**	**5,170,400**
Net interest	**2,366,711**	**1,784,616**	**582,095**
	7,537,111	**1,784,616**	**5,752,495**
Benefits paid	**(1,455,772)**	**(1,455,772)**	**–**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**–**	**(119,042)**	**119,042**
Actuarial changes arising from changes in financial assumptions	**(4,853,839)**	**–**	**(4,853,839)**
	(4,853,839)	**(119,042)**	**(4,734,797)**
Contributions	**–**	**6,600,300**	**(6,600,300)**
At December 31, 2013	**₱44,986,500**	**₱36,685,402**	**₱8,301,098**

Changes in net defined benefit liability of funded plan in 2012 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2012, as restated	₱41,123,100	₱32,324,700	₱8,798,400
Pension expense in parent company statement of income:			
Current service cost	4,967,800	–	4,967,800
Net interest	2,402,500	2,001,200	401,300
	7,370,300	2,001,200	5,369,100
Benefits paid	(8,322,600)	(8,322,600)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(1,375,800)	1,375,800
Actuarial changes arising from changes in financial assumptions	3,588,200	–	3,588,200
	3,588,200	(1,375,800)	4,964,000
Contributions	–	5,247,800	(5,247,800)
At December 31, 2012, as restated	₱43,759,000	₱29,875,300	₱13,883,700

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2013	2012
Investments in:		
Equity instruments	**₱26,472,158**	₱23,582,558
Government securities	**4,104,920**	3,595,494
Deposit instruments	**2,132,494**	–
UITFs	**944,975**	1,217,079
Corporate bonds	**487,810**	–
Mutual funds	**4,725**	–
Cash and cash equivalents	**3,139,759**	2,019,286
Liabilities	**(601,439)**	(539,117)
	₱36,685,402	₱29,875,300

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 ₱0.06 million and ₱0.03 million as at December 31, 2013 and 2012, respectively. The shares were acquired at a cost of ₱0.03million. 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, 2013 and 2012. 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 plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rate	**5.50%**	6.50%
Salary increase rate	**6.00%**	8.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Increase (decrease)	Amount
Discount rate	+ 1.00%	(₱2,274,300)
	– 1.00%	2,796,900
Salary increase rate	+ 1.00%	2,660,100
	– 1.00%	(2,229,100)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Company's current strategic investment strategy consists of 72% of equity instruments, 20% fixed income instruments, 1% of debt instruments, 8% cash and cash equivalents and 2% liabilities.

The Company expects to contribute ₱6.08 million to the defined benefit pension plan in 2014.

The average duration of the defined benefit obligation at the end of the reporting period is 22.56 years.

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. 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, 2013 and 2012, 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 subsidiaries associates, affiliates, joint ventures 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 ended December 2013 and 2012 with related parties are as follows:

		2013			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Ultimate Parent					
Phinma, Inc.					
Revenues	**₱811,866**	Rent and share in expenses	**₱52,825**	30-day, noninterest-bearing	Unsecured, no impairment
Costs and expenses	**22,184,978**	Management fees and share in expenses	**(5,820,964)**	30-day, noninterest-bearing	Unsecured
Subsidiaries					
TA Power					
Revenues	**836,003,965**	Electricity sold, rent and share in expenses	**48,101,057**	30-day, noninterest-bearing	Unsecured, no impairment
Cost and expenses	**3,593,456,364**	Electricity purchases and share in expenses	**(819,554,997)**	30-day, noninterest-bearing	Unsecured
Cash and property dividend	**4,159,336**	Cash and property dividend	**(3,166,485)**	Upon issuance of CAR	Unsecured
Payable	**50,000,000**	Advances	**–**		

(Forward)

			2013		
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
CIPP					
Revenues	**₱5,074,986**	Share in expenses	**₱38,867,357**	30-day, noninterest-bearing	Unsecured, no impairment
Cost and expenses	**580,447,930**	Electricity purchases and share in expenses	**(55,648,817)**	30-day, noninterest-bearing	Unsecured
Advances	**–**	Advances	**50,845,360**	30-day, noninterest-bearing	Unsecured, no impairment
TAREC					
Revenues	**1,008,675**	Share in expenses	**64,767**	30-day, noninterest-bearing	Unsecured, no impairment
Advances	**355,883,899**	Advances	**355,883,899**	30-day, noninterest-bearing	Unsecured, no impairment
	–	Advances	**(4,248)**	30-day, noninterest-bearing	Unsecured
TA Petroleum					
Revenues	**140,000**	Share in expenses	**–**		
Joint Ventures					
SLTEC					
Revenues	**2,515,769**	Rent and share in expenses	**130,450**	30-day, noninterest-bearing	Unsecured, no impairment
Payable	–	Rental deposit	**(589,680)**	Refundable at the end of lease term	Unsecured
Associate					
Asia Coal					
Advances	–	Advances	**(253,620)**	On demand	Unsecured
MGI					
Cost and expenses	**730,767**	Trading cost	**(730,767)**	30-day, noninterest-bearing	Unsecured
Other Related Parties					
Phinma Corp.					
Revenues	**3,296,014**	Cash dividend	–		
Costs and expenses	**910,950**	Rent and share in expenses	–		
Payable	**120,000,000**	Advances	–		
PPHC					
Advances	–	Advances	**(171,354)**	On demand	Unsecured
Union Galvasteel Corp.					
Revenues	**1,520,381**	Cash dividend	**–**		
Asian Plaza Inc.					
Revenues	**1,318,940**	Cash dividend	**–**		
Payable	**60,000,000**	Advances	**–**		
Araullo University					
Payable	**3,700,000**	Advances	**–**		
T-O Insurance, Inc.					
Costs and expenses	**2,949,598**	Insurance expense	**(360,182)**	30-day, noninterest-bearing	Unsecured
Directors					
Expenses	**8,286,548**	Annual incentives	**(6,637,098)**	On demand	Unsecured
Stockholders					
Payable	**193,325,339**	Cash dividend	**(9,017,675)**	On demand	
Payable	**184,051,717**	Cash and property dividend	**(181,430,040)**	Upon issuance of CAR	Unsecured
Due from related parties (Note 9)			**₱493,945,715**		
Due to related parties (Note 16)			**(883,134,629)**		
Accrued directors and annual incentives (Note 16)			**(6,637,098)**		
Due to stockholders			**(193,614,200))**		

			2012		
Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Ultimate Parent					
Phinma, Inc.					
Revenues	₱729,766	Rent and share in expenses	₱115,386	30-day, noninterest-bearing	Unsecured, no impairment
Costs and expenses	36,236,902	Management fees and share in expenses	(22,317,426)	30-day, noninterest-bearing	Unsecured
Subsidiaries					
TA Gold					
Cost and expenses	18,052,500	Termination fee	200	30-day, noninterest-bearing	Unsecured, no impairment
CIPP					
Revenues	835,415	Share in expenses	–		
Advances	–	Advances	303,527,325	30-day, noninterest-bearing	Unsecured, no impairment
Payable	500	Advances	(500)	30-day, noninterest-bearing	Unsecured
Palawan55					
Revenues	5,713,210	Assignment of participating interest in service contract	–		
Advances	–	Advances	(685,585)	30-day, noninterest-bearing	Unsecured
TAREC					
Advances	1,566,272	Advances	1,566,272	30-day, noninterest-bearing	Unsecured, no impairment
Payable	–	Payable	(465)	30-day, non-interest bearing	Unsecured
TA Petroleum					
Revenues	140,000	Share in expenses	–		
Advances	–	Advances	(7,980,683)	30-day, noninterest-bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	3,926,369	Rent and share in expenses	1,367,110	30-day, noninterest-bearing	Unsecured, no impairment
Payable	–	Rental deposit	(589,680)	End of term	Unsecured
TA Power					
Revenues	826,424,451	Electricity sold, rent and share in expenses	85,535,597	30-day, noninterest-bearing	Unsecured, no impairment
Cost and expenses	513,575,986	Electricity purchases and share in expenses	(63,946,756)	30-day, noninterest-bearing	Unsecured
Associate					
Asia Coal					
Advances	–	Advances	(253,620)	On demand	Unsecured
Other Related Parties					
Phinma Corp.					
Revenues	3,255,921	Cash dividend	–		
Costs and expenses	1,468,815	Rent and share in expenses	(73,244)	30-day, noninterest-bearing	Unsecured
PPHC					
Revenues	2,172,084	Cash dividend	–		
Advances	–	Advances	(171,354)	On demand	Unsecured
Union Galvasteel Corp.					
Revenues	1,520,384	Cash dividend	–		
Asian Plaza Inc.					
Revenues	1,318,940	Cash dividend	–		
T-O Insurance, Inc.					
Costs and expenses	3,077,059	Insurance expense	(13,969)	30-day, noninterest-bearing	Unsecured

(Forward)

			2012		
Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Fuld and Company					
Cost and expenses	₱4,976,802	Professional fee	(₱3,949,552)	30-day, noninterest-bearing	Unsecured
Directors					
Expenses	26,682,808	Annual incentives	(23,287,808)	On demand	Unsecured
Stockholders					
Payable	113,194,541	Cash dividend	(9,034,206)	On demand	Unsecured
Due from related parties (Note 9)			₱392,111,890		
Due to related parties (Note 16)			(99,982,834)		
Accrued directors and annual incentives (Note 16)			(23,287,808)		
Due to stockholders			(9,034,206)		

PHINMA, Inc.
The Company has a management contract with PHINMA, Inc. up to August 31, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Company pays PHINMA Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income.

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 2013 and 2012. 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.

On December 26, 2013, a PAMA valid for ten years was entered into by and between TA Power as generator and the Company as administrator, for the administration and management by the Company of the entire capacity and net output of TA Power.

CIPP
Effective January 1, 2013, CIPP granted the Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to the Company's customers. Sales of electricity are based on WESM prices. On June 26, 2013, an IPPA valid for ten years was entered into by and between CIPP as generator and the Company as administrator, for the administration and management by the Company of the entire capacity and net output of CIPP.

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 15).

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 15).

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 15).

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.

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.

PHINMA Corporation (PHINMA Corp.)
PHINMA Corp. is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corp. bills the Company for its share in expenses. The Company also receives cash dividend from PHINMA Corp.

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)
T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance.

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 ₱36.69 million and ₱29.88 million as at December 31, 2013 and 2012, respectively (see Note 27).

Except for the Company's contributions to the fund and benefit to employees, there were no transactions with the fund for 2013 and 2012.

The plan assets include shares of stock of the Company with fair value of ₱0.06 million and ₱0.03 million as at December 31, 2013 and 2012, respectively (see Note 27). The shares were acquired at a cost of ₱0.20 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, 2013 and 2012. 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
Compensation of key management personnel of the Company are as follows:

	2013	2012
Short-term employee benefits	**₱42,996,657**	₱42,996,657
Post-employment benefits	**1,767,752**	3,866,674
	₱44,764,409	₱46,863,331

Stockholders
Amounts due to stockholders for unclaimed dividends totaled ₱193.61 million and ₱9.03 million as at December 31, 2013 and 2012, respectively.

29. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2013	2012 (As Restated - Note 3)
(a) Net income	**₱165,730,965**	₱532,018,033
Common shares outstanding at beginning of year (Note 18)	**4,857,258,870**	2,829,863,527
Weighted average number of shares issued during the year	**2,976,053**	181,878,126
(b) Weighted average common shares outstanding	**4,860,234,923**	3,011,741,653
Basic/Diluted EPS (a/b)	**₱0.03**	₱0.18

The Company's stock option has no dilutive effect in 2013. 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, 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:

- 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;

- Creation of a WESM; and

- 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, the Company signed an ESA and amendment to the ESA, respectively, with Guimelco, a nonstock, nonprofit cooperative (see Note 1). Under the ESA, the Company 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 are 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
The Company, 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.

- The Company, 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.

- The Company 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, the Company, 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.

<u>PAMA with One Subic Power</u>
On November 18, 2010, the Company and One Subic Power entered into a PAMA. Under the terms of the PAMA, the Company will administer and manage the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The Company 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). The Company 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.

<u>Contracts of Sale of Electricity with Sorsogon I Electric Cooperative, Inc. (SORECO I) and Quezon I Electric Cooperative, Inc. (QUEZELCO)</u>
On November 11, 2011 and December 8, 2011, the Company 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, the Company 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 the Company's designated generator. The contract with SORECO I ended on December 25, 2012 and was not renewed.

<u>Contract of Sale of Electricity with Lafarge Republic, Inc.</u>
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.

<u>Contract of Sale of Electricity with Philippine Economic Zone Authority (PEZA)</u>

PEZA-Lot 1 Base Load
The Company 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, the Company 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
The Company 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, the Company 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, the Company 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 (Sem- Calaca)
On March 26, 2011, the Company entered into a Contract to Purchase Generated Electricity with 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, the Company 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.

IPPA with CIPP
Effective January 1, 2013, CIPP granted the Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to the Company's customers. Sales of electricity are based on WESM prices. On June 26, 2013, an IPPA valid for ten years was entered into by and between CIPP as generator and the Company as administrator, for the administration and management by the Company of the entire capacity and net output of CIPP.

Operating Lease Commitments
Company as Lessee
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 at December 31 are as follows:

	2013	2012
Within one year	**₱480,000**	₱480,000
After one year but not more than five years	**160,000**	640,000
	₱640,000	₱1,120,000

Company as Lessor
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.

	2013	2012
Within one year	**₱6,158,449**	₱6,158,449
After one year but not more than five years	**3,910,025**	10,068,474
	₱10,068,474	₱16,226,923

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, 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 of 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 of 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 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 at December 31, 2013 and 2012 are as follows:

	2013		2012		
	US Dollar (US$)	**Euro (€)**	US Dollar (US$)	Euro (€)	AU Dollar (AU$)
Financial assets:					
Cash and cash equivalents	**462,637**	–	291,807	–	523,364
Investments in bonds and FXTNs	–	–	2,111,557	–	–
(Forward)					
Investments in UITFs and mutual funds	–	–	1,550,487		144
Other receivables	**1,023,907**	–	32,733	–	–
	1,486,544	–	3,986,584	–	523,508
Financial liabilities -					
Accounts payable and other current liabilities	**250,000**	**20,575**	357,447	2,475	–
Net foreign currency-denominated assets	**1,236,544**	**(20,575)**	3,629,137	(2,475)	523,508
Peso equivalent	**₱54,896,371**	**(₱1,251,289)**	₱148,976,074	(₱134,962)	₱22,339,657

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rates used were ₱44.395 to US$1.00 and ₱60.816 to €1.00 as at December 31, 2013 and ₱41.050 to US$1.00, ₱54.530 to €1.00 and ₱42.673 to AU$1.00 as at December 31, 2012.

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, 2013 and 2012. 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).

Year	**Increase (Decrease) in Foreign Exchange Rate**	**Effect on Profit Before Tax**		
		US$	**EURO**	**AU$**
2013	**₱(0.25)**	**(₱309,136)**	**₱5,144**	**₱–**
	(0.50)	**(618,272)**	**10,288**	–
	0.25	**309,136**	**(5,144)**	–
	0.50	**618,272**	**(10,288)**	–
2012	(0.25)	(907,284)	619	(130,877)
	(0.50)	(1,814,568)	1,238	(261,754)
	0.25	907,284	(619)	130,877
	0.50	1,814,568	(1,238)	261,754

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 UITFs' 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', UITFs' 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.

	2013					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Trade	**₱2,329,311,133**	**₱–**	**₱–**	**₱135,261,074**	**₱15,333,900**	**₱2,479,906,107**
Due from related parties	**404,337,934**	–	–	**89,607,781**	–	**493,945,715**
Others	**66,103,165**	–	–	**841,094**	**3,270,365**	**70,214,624**
	₱2,799,752,232	**₱–**	**₱–**	**₱225,709,949**	**₱18,604,265**	**₱3,044,066,446**

	2012					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Trade	₱498,739,474	₱–	₱–	₱8,581,262	₱2,091,860	₱509,412,596
Due from related parties	196,165,450	–	–	195,946,440	–	392,111,890
Loan receivable	50,000,000	–	–	–	–	50,000,000
Others	5,010,668	–	–	438,991	3,270,365	8,720,024
	₱749,915,592	₱–	₱–	₱204,966,693	₱5,362,225	₱960,244,510

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 assets, 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 at December 31 based on contractual undiscounted payments:

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Other financial liabilities:					
Accounts payable and other current liabilities					
Trade	**₱–**	**₱1,321,301,376**	**₱–**	**₱–**	**₱1,321,301,376**
Nontrade	**3,669,951**	**14,120,365**	**–**	**–**	**17,790,316**
Due to related parties	**882,358,838**	**–**	**775,791**	**–**	**883,134,629**
Accrued expenses	**10,813,456**	**972,208**	**–**	**–**	**11,785,664**
Accrued directors' and annual incentives	**6,637,098**	**–**	**–**	**–**	**6,637,098**
Accrued interest	**3,139,885**	**959,093**	**–**	**–**	**4,098,978**
Others	**2,810,272**	**–**	**–**	**–**	**2,810,272**
Due to stockholders*	**70,452,891**	**–**	**–**	**–**	**70,452,891**
Short-term loans	**–**	**910,000,000**	**–**	**–**	**910,000,000**
Deposits payable	**–**	**–**	**–**	**13,747,425**	**13,747,425**
	₱979,882,391	**₱2,247,353,042**	**₱775,791**	**₱13,747,425**	**₱3,241,758,649**

**Excluding non-financial items amounting to ₱123.16 million.*

	2012				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Other financial liabilities:					
Accounts payable and other current liabilities					
Trade	₱–	₱304,091,058	₱–	₱–	₱304,091,058
Nontrade	7,091,502	1,761,719	10,262,500	–	19,115,721
Due to related parties	99,982,834	–	–	–	99,982,834
Accrued expenses	10,385,657	25,000	5,126,119	–	15,536,776
Accrued directors' and annual incentives	23,287,808	–	–	–	23,287,808
Others	2,778,821	–	–	–	2,778,821
Due to stockholders	9,034,206	–	–	–	9,034,206
Financial liability at FVPL - Derivative liability	812,579	–	–	–	812,579
	₱153,373,407	₱305,877,777	₱15,388,619	₱–	₱474,639,803

As at December 31, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱236,252,275**	**₱–**	**₱–**	**₱–**	**₱236,252,275**
Short-term investments	**51,354,062**	**–**	**–**	**–**	**51,354,062**
Receivables					
Trade	**150,594,974**	**2,329,311,133**	**–**	**–**	**2,479,906,107**
Due from related parties	**493,945,715**	**–**	**–**	**–**	**493,945,715**
Others	**4,111,460**	**66,103,164**	**–**	**–**	**70,214,624**
Other noncurrent assets	**–**	**–**	**–**	**15,826,771**	**15,826,771**
Financial assets at FVPL:					
Investments held for trading	**₱108,356,391**	**₱–**	**₱–**	**₱–**	**₱108,356,391**
Derivative asset*	**–**	**5,368,722**	**–**	**–**	**5,368,722**

(Forward)

	2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
AFS investments					
Quoted	**₱–**	**₱–**	**₱–**	**₱134,546,387**	**₱134,546,387**
Unquoted	**–**	**–**	**–**	**76,167,217**	**76,167,217**
Government securities	**–**	**292,135,812**	**–**	**–**	**292,135,812**
	₱1,044,614,877	**₱2,692,918,831**	**₱–**	**₱226,540,375**	**₱3,964,074,083**

**Presented as part of "Other current assets".*

	2012				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Loans and receivables					
Cash and cash equivalents	₱718,061,218	₱–	₱–	₱–	₱718,061,218
Short-term investments	–	–	1,555,339,847	–	1,555,339,847
Receivables					
Trade	10,673,121	498,739,475	–	–	509,412,596
Due from related parties	392,111,890	–	–	–	392,111,890
Others	3,271,803	55,448,221	–	–	58,720,024
Other noncurrent assets	–	–	–	2,379,346	2,379,346
Financial assets at FVPL:					
Investments held for trading	782,880,456	–	–	–	782,880,456
Derivative asset*	–	1,187,250	–	–	1,187,250
AFS Investments					
Quoted	–	–	–	141,316,676	141,316,676
Unquoted	–	–	–	76,167,217	76,167,217
Government securities	–	54,001,940	–	–	54,001,940
	₱1,906,998,488	₱609,376,886	₱1,555,339,847	₱219,863,239	₱4,291,578,460

**Presented as part of "Other current assets".*

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
2013 Fixed Rate							
Special savings account (SSA)	**0.375% - 1.40%**	**₱60,516,243**	**₱–**	**₱–**	**₱–**	**₱–**	**₱60,516,243**
Investments in bonds and FXTNs	**11.875%**	**81,063**	**–**	**–**	**–**	**–**	**81,063**
2012 Fixed Rate							
Special savings account (SSA)	0.63%-3.53%	707,345,611	–	–	–	–	707,345,611
Investments in bonds and FXTNs	6.13%-10.38%	4,065,600	26,396,484	–	13,320,128	186,586,014	230,368,226

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 at December 31. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2013	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax**
FXTN	**25**	**₱203**
Special deposit account (SDA)	**25**	**730**
SSA	**25**	**150,561**
FXTN	**(25)**	**(203)**
SDA	**(25)**	**(730)**
SSA	**(25)**	**(150,561)**

	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)

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 6.5% and 8.1% in 2013 and 2012, respectively, resulting to a possible effect in the equity of ₱4.82 million and ₱5.14 million as at December 31, 2013 and 2012, 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 re-challenged 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, 2013 and 2012.

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 parent company balance sheet. The Company's policy is to keep debt-to-equity ratio below the maximum ratio of 2:1.

	2013	2012
Total liabilities	**₱3,433,337,295**	₱621,569,041
Total equity	**6,595,571,812**	6,788,944,591
Debt-to-equity ratio	**0.52:1**	0.09:1

32. 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 parent company financial statements.

	Carrying Value		Fair Value	
	2013	2012	**2013**	2012
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱236,252,275**	₱718,061,218	**₱236,252,275**	₱718,061,218
Short-term investments	**51,354,062**	1,555,339,847	**51,354,062**	1,555,339,847
Receivables				
Trade	**2,464,572,207**	507,320,736	**2,464,572,207**	507,320,736
Due from related companies	**493,945,715**	392,111,890	**493,945,715**	392,111,890
Loan receivable	**–**	50,000,000	**–**	50,000,000
Others	**66,944,259**	5,449,658	**66,944,259**	5,449,658
Other noncurrent assets	**15,826,771**	2,379,346	**15,826,771**	2,379,346
	3,328,895,289	3,230,662,695	**3,328,895,289**	3,230,662,695
Financial assets at FVPL:				
Investments held for trading	**108,356,391**	782,880,456	**108,356,391**	782,880,456
Derivative assets*	**5,368,722**	1,187,250	**5,368,722**	1,187,250
	113,725,113	784,067,706	**113,725,113**	784,067,706
AFS investments:				
Quoted	**134,546,387**	141,316,676	**134,546,387**	141,316,676
Unquoted	**76,167,217**	76,167,217	**76,167,217**	76,167,217
Government securities and FXTNs	**292,135,812**	54,001,940	**292,135,812**	54,001,940
	502,849,416	271,485,833	**502,849,416**	271,485,833
Total financial assets	**₱3,945,469,818**	₱4,286,216,234	**₱3,945,469,818**	₱4,286,216,234
Financial Liabilities				
Financial liability at FVPL - Derivative liability**	**₱–**	₱812,579	**₱–**	₱812,579
Other financial liabilities				
Accounts payable and other current liabilities***	**2,247,558,332**	464,793,018	**2,247,558,332**	464,793,018
Due to stockholders****	**70,452,891**	9,034,206	**70,452,891**	9,034,206
Short-term loans	**910,000,000**	–	**910,000,000**	–
Deposits payable	**13,747,425**	–	**11,910,017**	–
	3,241,758,648	473,827,224	**3,239,921,240**	473,827,224
Total financial liabilities	**₱3,241,758,648**	₱474,639,803	**₱3,239,921,240**	₱474,639,803

**Presented as part of "Other current assets".*

***Presented as part of "Accounts payable and other current liabilities".*

****Excludes nonfinancial items amounting to ₱68.42 million and ₱89.01 million as at December 31, 2013 and 2012, respectively.*

*****Excludes non-financial items amounting to ₱123.16 million.*

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

Cash and Cash Equivalents, Short-term Investments, Receivables, Accounts Payable and Other Current Liabilities (excluding Statutory Payables), Short-term Loans and Due to Stockholders
The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and other current liabilities (excluding statutory payables) 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 Assets and Deposits Payable
The fair value of the Company's long-term receivable and 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.

Fair Value Hierarchy
As at December 31, the fair value measurement of the Company's financial assets and financial liabilities carried at fair value is categorized as follows:

		2013	
	Level 1	**Level 2**	**Total**
Financial assets:			
Investments held for trading	**₱108,275,328**	**₱81,063**	**₱108,356,391**
AFS investments	**134,546,387**	–	**134,546,387**
Derivative asset	–	**5,368,722**	**5,368,722**
	₱242,821,715	**₱5,449,785**	**₱248,271,500**

		2012	
	Level 1	Level 2	Total
Financial assets:			
Investments held for trading	₱536,414,322	₱246,466,134	₱782,880,456
AFS investments	141,316,676	–	141,316,676
Derivative asset	–	1,187,250	1,187,250
Financial liability -			
Derivative liability	–	(812,579)	(812,579)
	₱677,730,998	₱246,840,805	₱924,571,803

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, and no transfers into and out of level 3, hierarchy fair value 2013 and 2012.

Offsetting of Financial Assets and Liabilities
There is no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the financial statements as at December 31, 2013 and 2012.

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 at December 31, 2012. The Company has no outstanding currency forward contacts as at December 31, 2013. The net fair value of these currency forward contracts amounted to ₱1.19 million gain as at December 31, 2012.

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$3.19 million and US$1.94 million as at December 31, 2013 and 2012, respectively. The weighted average fixing rate amounted to ₱45.23 to US$1.00 and ₱41.10 to US$1.00 as at December 31, 2013 and 2012, respectively. The net fair value of these embedded derivatives amounted to ₱5.26 million and ₱0.81 million loss as at December 31, 2013 and 2012, respectively.

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

	2013	2012
Balance at beginning of year	**₱374,671**	(₱1,851,236)
Net changes in fair value during the year (Note 25)	**14,675,485**	9,364,316
Fair value of settled contracts	**(9,681,434)**	(7,138,409)
Balance at end of year	**₱5,368,722**	₱374,671

The net changes in fair value during the year are included in the "Other expenses - net" account in the parent company statements of income.

The fair values of the outstanding derivative assets (liabilities) of the Company as at December 31 are as follows:

	2013	2012
Freestanding	**₱–**	₱1,187,250
Embedded	**5,368,722**	(812,579)
	₱5,368,722	₱374,671

The fair value of derivative assets is presented under "Other current assets" account in the parent company balance sheets. The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the parent company balance sheets.

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 financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	2013			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱495,375,624**	**₱–**	**₱40,854,998**	**₱536,230,622**
Results				
Depreciation and amortization	**₱7,200,960**	**₱472,957**	**₱15,442,669**	**₱23,116,586**
Provision for doubtful accounts	**13,242,040**	**–**	**–**	**13,242,040**
Segment Profit	**₱361,392,981**	**₱42,047,374**	**(₱153,706,655)**	**₱249,733,700**
Operating Assets	**₱8,877,341,044**	**₱330,747,100**	**₱820,820,963**	**₱10,028,909,107**
Operating Liabilities	**₱2,224,687,972**	**₱18,627,997**	**₱1,190,021,326**	**₱3,433,337,295**
Other Disclosure				
Capital expenditure	**₱4,144,909**	**₱79,562**	**₱3,006,827**	**₱7,231,298**

1) Revenue for each operating segment does not include interest and other financial, dividend and rental income amounting to ₱27.40 million, ₱6.24 million and ₱7.22 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 ₱142.78 million. Other income not included in the profit for operating segment amounted to ₱51.78 million.

3) Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱344.61 million, receivables and other current assets totaling ₱144.05 million and other noncurrent assets amounting to ₱1.90 million as these are managed on a group basis.

4) Segment liabilities do not include accounts payable and other current liabilities of ₱1.17 billion and pension and other post-employment benefits totaling ₱15.38 million.

5) Capital expenditure consists of additions to property, plant and equipment.

	2012			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱976,749,704	₱–	₱88,633,316	₱1,065,383,020
Results				
Depreciation and 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)	(₱133,724,454)	₱721,938,169
Operating Assets	₱5,286,303,052	₱264,103,677	₱1,860,106,903	₱7,410,513,632
Operating Liabilities	₱469,077,065	₱26,161,633	₱126,330,343	₱621,569,041
Other Disclosure				
Capital expenditure	₱1,885,046	₱1,295,156	₱2,156,047	₱5,336,249

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 ₱228.04 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 ₱1.50 billion, receivables and other current assets totaling ₱7.34 million and other noncurrent assets amounting to ₱2.20 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 ₱21.41 million.

5) Capital expenditure consists of additions to property, plant and equipment.

34. Supplementary Information Required Under Revenue Regulations Nos. 19-2011 and 15-2010

Revenue Regulations (RR) No. 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 and fees in 2013 are as follows:

Sales of services	₱9,167,893,450
Lease of properties	7,232,266
	₱9,175,125,716

Cost of Services. The Company's cost services in 2013 are as follows:

Outside services	₱7,775,801,011
Materials, supplies and facilities	936,904,175
Depreciation	10,129,103
Salaries, wages and benefits	5,202,556
Rental	480,000
Others	1,297,069
	₱8,729,813,914

Non-operating and Taxable Other Income. The Company's taxable other income in 2013 are as follows:

Gain on assignment of MPSA	₱37,934,464
Realized mark-to-market gain on derivatives	21,479,712
Realized foreign exchange gain	5,271,672
Interest and other financial income	4,929,163
Gain on sale of property and equipment	201,375
Miscellaneous income	7,340,989
	₱77,157,375

Itemized Deductions. The Company's itemized deductions in 2013 are as follows:

Salaries and allowances	₱60,723,287
Taxes and licenses	35,779,746
Losses	25,627,975
Professional fees	19,256,824
Management and consultancy fees	14,309,239
Depreciation	12,843,483
Directors' fees	7,751,560
Amortization of past service cost and pension trust contribution	7,456,980
Charitable contributions	6,818,359
Other services	6,307,225

(Forward)

Interest expense	₱5,824,114
Communication, light and water	4,826,813
Transportation and travel	2,614,678
Insurance	2,344,882
Trainings and seminars	2,334,454
Financial charges	2,237,615
Office supplies	1,930,973
Repairs and maintenance - materials	1,880,183
Advertising	1,802,569
Amortization of bond premium/discount	1,681,655
Janitorial and messengerial services	1,651,920
Filing and registration fees	1,349,167
Fuel and oil	1,308,468
Repairs and maintenance – labor	1,159,725
Dues and subscriptions	947,529
SSS, Philhealth, HDMF and other contributions	850,094
Rental	456,045
Security services	437,691
Representation and entertainment	366,085
Miscellaneous	8,889,453
	₱241,768,791

RR No. 15-2010
In compliance with this RR No. 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	₱5,183,913,281	₱622,069,594
Sale of goods	744,283	89,314
Rental income	4,626,813	555,218
	5,189,284,377	622,714,126
Zero-rated sales	1,868,891,315	–
Exempt sales	2,546,725	–
	₱7,060,722,417	₱622,714,126

Zero-rated sales consist of sale of power to Philippine Economic Zone Authority (PEZA), 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.

Input VAT

Balance at January 1, 2013 per VAT return	
Carried over from previous period	₱31,403,138
Deferred on capital goods exceeding ₱1 million from previous period	2,774,972
Current year's domestic purchases/payments for:	
Services lodged under trading cost	607,094,893
Goods lodged under trading cost	83,844,703
Services lodged under others	7,448,778
Goods lodged under cost of power generation	4,038,910
Goods other than for resale or manufacture	314,789
Capital goods subject to amortization	307,239
Capital goods not subject to amortization	283,254
Services lodged under cost of power generation	178,903
Current year importations other than capital goods	467,568
Total available input tax	738,157,147
Less:	
Deferred on capital goods exceeding ₱1 million for the succeeding period	730,489
Claims during the year	602,925,333
VAT paid	8,921,333
VAT withheld on sales to government	973,203
Allocable to exempt sales	5,427
Balance at December 31, 2013	₱124,601,362

b. Landed Cost of Importation
Total landed cost of importations amounted to ₱3,896,397 in 2013, ₱166,596 of which pertains to customs duties, tariff and other fees. These are all paid as at December 31, 2013.

c. 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	₱26,718,741
Real property taxes	2,930,444
Fringe benefit tax	806,453
Other licenses	51,274
Registration fee	500
	₱30,507,412

d. Documentary Stamp Taxes
The Company has ₱5,272,335 worth of documentary stamp taxes for the year ended December 31, 2013.

e. Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Balance as at December 31, 2013
Withholding taxes on compensation and benefits	₱22,718,691	₱1,859,319
Expanded withholding taxes	89,561,550	38,892,563
Final withholding taxes	29,651,828	–
Fringe benefit	957,234	200,727
	₱142,889,303	₱40,952,609

f. Tax Assessments and Cases

The Company was assessed by the local government of Makati City in the amount of ₱2,436,220 for alleged 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. After the submission by the parties' of their formal offers of evidence and memoranda, the Court issued a Decision dismissing the Company's complaint, to which the Company timely filed a Motion for Reconsideration on December 12, 2013. The Motion of Reconsideration together with the Comment of the City of Makati is now deemed submitted for resolution of the Court.