COVER SHEET

069-039274
SEC Registration Number

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

Level 11 PHINMA Plaza 39 Plaza Drive Rockwell Center Makati City
(Business Address: No. Street City/Town/Province)

ATTY. JUAN J. DIAZ
(Contact Person)

870-0100
(Company Telephone Number)

12	31
Month	*Day*

(Calendar Year)

17-A
(Form Type)

03	24
Month	*Day*

(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

—
Dept. Requiring this Doc.

—
Amended Articles Number/Section

3,254
Total No. of Stockholders

Total Amount of Borrowings

—	—
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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 2014
(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, 2014
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	Level 11, 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	**4,865,146,089** shares
Amount of debt outstanding	**₱6.7 billion**

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 end-consumers. It involves the conversion of fuel or other forms of energy to electricity; or the purchase of electricity from the Wholesale Electricity Spot Market (WESM).

The Company conducts its power generation and supply activities directly or through joint venture companies and its subsidiaries.

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

In 2014, the total energy sales reached 1,695 GWh. Our primary customers: Holcim Philippines' cement plants in Bulacan and La Union, Philippine Economic Zone Authority's (PEZA's) Cavite Economic Zone, Quezon II Electric Cooperative Inc. (QUEZELCO II), Lafarge Republic, Inc., and Direct Power Services, Inc., account the bulk of the total energy sold while the remaining supply was sold to WESM.

Aside from the WESM, the Company also sourced electricity from contracted capacities with SEM-Calaca Power Corporation, Vivant Sta. Clara Northern Renewable Corporation, and KEPCO SPC Power Corporation. For 2014, the Company's generation capacity totals 280.4 megawatts (MW).

Trans-Asia Power Generation Corporation (TAPGC)

On April 10, 2014, Trans-Asia Power Generation Corporation ("TAPGC") purchased the shares of One Subic Power Generation Corp. ("OSPGC"), the lessee and operator of the 116 MW Subic Diesel Generator Power Plant (the "Subic Power Plant"). OSPGC has an existing Power Administration and Management Agreement with Trans-Asia under which Trans-Asia is given the right to administer and manage the net output of the Subic Power Plant in consideration of energy fees to be paid by Trans-Asia to OSPGC.   The Agreement commenced on December 26, 2012 and shall be effective throughout the term of the lease of the Subic Power Plant from the owner, Subic Bay Metropolitan Authority (SBMA).

The acquisition of OSPGC expanded TAPGC's existing generation portfolio, adding to the 52MW Bunker C-Fired power plant in Bulacan serving Holcim's Cement Plant.

For 2014, TAPGC's total energy sales was ₱ 479million under its Power Administration and Management Agreement (PAMA) with TA-Oil

CIP II Power Corporation (CIP)

CIP II Power Corporation (CIPP), is 100% owned by TA. It was originally the only generator allowed to supply the electricity requirements of the Carmel ray 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 groundbreaking began on April 2011 and the transfer of all major equipment and structures was completed three months after. The plant was commissioned on December 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 PAMA and booked revenues of ₱184 million in 2014.

Guimaras Power Plant

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

The 3.4MW 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 2014, a total of 6.98MWof electricity were sold both to Guimelco and WESM.

Trans-Asia Renewable Energy Corporation (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 to develop and utilize renewable energy, and pursue clean and energy efficient projects. TAREC's vision is to become a dominant player in emerging renewable energy through strategic partnerships, portfolio development, and vigorous but deliberate operating capacity buildup.

In 2014, (TAREC) achieved significant milestones by completing the 54megawatt (MW) wind farm in San Lorenzo, Guimaras. Seen as a big contributor to the Renewable Energy portfolio in the Visayas Grid, the San Lorenzo Wind Farm is the first wind energy project under the Renewable Energy Act of 2008 to have consistently delivered its full generation capacity to the grid. Since it started its commercial operations, the wind farm reached a maximum capacity of 52MW representing 96% of the total installed capacity of 54MW.

One of the first project milestones was the completion of the 2.8kilometer 138kilovolt (kV) submarine cable connecting the wind farm to Panay Island on February 25, 2014. The construction of the submarine cable was essential for TAREC to be able to deliver maximum generation capacity to the Visayas grid. As soon as the first batches of wind turbines were delivered to the site, TAREC commenced the construction and was able to erect the first wind turbine on July 31, 2014.

The wind farm started delivering power to the grid in October 7, 2014 from the commissioning operations of the first three (3) units of wind turbines. It is on this same day that the Provisional Approval to connect to the Grid was issued by the National Grid Corporation of the Philippines (NGCP). On October 15, 2014, the ERC approved TAREC's Point to Point Connection to the grid for the wind farm. On October 31, 2014, the project was registered with the Philippine Electricity Market Corporation enabling the wind farm to sell generated power to the WESM while awaiting the project's eligibility for the Feed in Tariff (FIT). Full electromechanical completion of the wind farm was attained in November 30, 2014.

In 2014, the San Lorenzo Wind Farm sold 11 GWh in WESM. The maximum capacity generation attained in 2014 was recorded on December 27, 2014 at 52MW or 96% of the total installed capacity of 54MW.

As of yearend 2014, the San Lorenzo Wind Farm under Trans-Asia Renewable Energy Corporation was the first and only wind farm in the Visayas that can consistently deliver 100% of its capacity to the grid.

One Subic Power Generation Corporation

One Subic Power Generation Corporation (OSPGC) was incorporated and registered with the Securities and Exchange Commission on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. It started its operation on February 17, 2011. On May 12, 2014, TA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of OSPGC. Prior to the acquisition, OSPGC is a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

Electricity Trading Market (ES)

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

The Company has been buying from the WESM to supply all or a portion of its customers' electricity supply requirements. When a price are lower at the WESM than its own cost of generation, the Company purchases power from the spot market and sells it to its customer at an agreed price stipulated in their bilateral contracts. On the other hand, if WESM prices are higher than own plants' cost of generation, and it has excess generating capacity, it sells power to the WESM.

Trading revenues have been a major source of revenue 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 generation plants and electricity supply agreements assures the Company of a fixed off take volume and price, and presents the Company with opportunities to realize gains from electricity trading.

South Luzon Thermal Energy Corporation (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. The partnership was formed to construct a 2 x 135MW Coal-fired Power Plant in Calaca, Batangas utilizing clean coal technology herein referred to as CFB (Circulating Fluidized Bed) for negligible emissions and minimal environmental impact.

The construction of the 1st unit of SLTEC CFB Coal-fired Power Plant was in full swing during the 2nd half of 2014. Final commissioning was ongoing until the end of 2014. On October 9, 2014, the 135MW facility was synchronized to the grid and was able to produce 86 GWh of electricity while running for 33 days, 90% of which was exported to the grid.

The 2nd unit is also undergoing construction side by side the commissioning of the 1st unit. As of the end of 2014, the 2nd unit was 88% complete.

In 2014, SLTEC was also able to complete the Ash Management Facility in Barangay Sinisian, around 3 kms. south of the facility. The 30 hectare property is designed to contain the ash produced by the two 135MW units of SLTEC.

Maibarara Geothermal, Inc.(MGI)

Maibarara Geothermal, Inc. (MGI), a joint venture between PetroGreen Energy Corporation (65%), PNOC Renewable 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 commenced commercial operations in February 2014. The field was discovered by Philippine Geothermal, Inc. in the 1980s. MGI is the first renewable energy undertaking to be declared commercial by the government under the Renewable Energy Act of 2008.

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 Department of Energy (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.

The Phase 2 of the project is already underway, adding another 10 MW to the facility by 2016.

In 2014, MGI was able to produce 127, 348 MWh of power.

Future Projects

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

The Company is embarking on the expansion of SLTEC through its second unit of the CFB coal-fired power plant, with a generation capacity of 135 MW.

Commissioning of the first unit of the Circulating Fluidized Bed (CFB) Coal-fired power plant is already underway and is expected to commence commercial operations in the 2nd quarter of 2015. 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 135MW 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.

10MW Phase 2 of Maibarara Geothermal Power Plant

The Phase 2 of the Maibarara Geothermal Power Plant is already underway, adding another 10 MW to the facility by 2016. Negotiations with local financing institutions are also being undertaken, while off take agreements with M Power and Premiere Energy are being discussed.

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 with its purpose of establishing a transparent and efficient electricity market through 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 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 competitors that may have a competitive advantage over the Company due to greater financial resources or more extensive operational experience, allowing them to be more aggressive than the Company in acquiring existing power generation facilities, or in obtaining financing for the construction of new power generation facilities.

The power generation facilities of TAPGC, Guimaras plant, One Subic, and CIPP operate on diesel and bunker fuel. While these are more reliable energy sources than hydroelectric plants, their high cost of electricity production render these less competitive to base load plants if compared to coal, geothermal and natural gas facilities of 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 and cost-efficient manner. For these projects, the Company has maintained healthy liquidity and credit ratios.

Dependence on Suppliers

In 2014, the Company primarily purchased Bunker C fuel for its power generation business from Petron Corporation, one of the largest oil suppliers in the country. Disruptions in the supply of fuel could result to substantial reduction in production or increased operating cost, and may have adverse effects on the Company’s financial performance and financial position. Any delay in fuel deliveries or disruptions in fuel supply may also result in unplanned plant shutdowns.

To avoid 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 prioritize deliveries to the Company’s plants.

In the event of *force majeure* events, however, everyone including the Company will be adversely affected. To mitigate this risk, the Company executes 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 establishment of good relationships with other fuel suppliers, TA can also obtain competitive alternative sources and arrange for 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 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 Energy Regulatory Commission ("ERC") granted TA a Certificate of Registration as a WA, making it the first licensee in the country. The license authorizes TA to consolidate electric power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 ("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 and Regulations. 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 was granted a provisional authority by the ERC to implement the Ancillary Services Procurement Agreement (ASPA) executed with the National Grid Corporation of the Philippines ("NGCP"), for the supply of Ancillary Services from the 120 MW Trans-Asia Oil Subic Plant and 52 MW Trans-Asia Power Bulacan Plant, which have both been certified by the NGCP to be capable of providing Contingency and Dispatchable Reserves.

Subsequently, the ERC in ERC CASE No. 2012-136 RC for Trans-Asia Oil and ERC CASE No. 2012-135 RC for Trans-Asia Power, respectively, extended the provisional authority previously issued and which is valid until revoked or made permanent by the ERC.

The proposed applicable maximum hourly rate for the capacity covered by the ASPA is 1.25/kW for the Dispatchable 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 Trans-Asia, TA Power and Holcim

On December 14, 2007, Trans-Asia, 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 Trans-Asia, acting as a Retail Electricity Supplier (RES). Trans-Asia, 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, TA and Holcim signed an ESA to supply Holcim's electricity requirements for its La Union and Bulacan plants, valid for 15 years commencing on December 26, 2013.

In June 17, 2014, Trans-Asia and Holcim signed an ESA to supply Holcim's electricity requirements for its Mabini Plant located in Mabini, Batangas, valid for 10 years commencing on June 26, 2014.

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

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.

Power Administration and Management Agreement with CIP II Power Corporation (CIPP) and Trans-Asia Power Generation Corporation

Trans-Asia individually entered into a PAMA with CIPP effective June 26, 2013 and with TA Power effective December 26, 2013 and valid for ten (10) years. Trans-Asia has agreed to administer, control and manage the entire capacity and net output of the 21 MW Power Plant located in Bacnotan, La Union with the exclusive right to trade, sell or otherwise deal with the Net Output whether pursuant to the spot market, bilateral contracts with third parties or otherwise. Trans-Asia shall pay CIPP for all electricity delivered by the Power Plant in accordance with the formula and schedule set forth in the PAMA.

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 Trans-Asia 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) and incorporated SLTEC to undertake the construction of a 135-MW clean coal power plant in Calaca, Batangas. The plant was 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 April 2015.

(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 Trans-Asia and SLTEC, 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)

On November 07, 2013, Trans-Asia was declared as one of the winning bidders for the right to forty (40) MW Strips of Energy of the Unified Leyte Geothermal Power Plant (ULGPP) after a bidding conducted by the Power Sector Assets and Liabilities Management (PSALM) Corporation for the Selection and Appointment of the Independent Power Producer Administrators (IPPA) for the Strips of Energy of the ULGPP. The ULGPP complex, located in Tongonan, Leyte, 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. Subsequently, Trans-Asia received the Certificate of Effectivity which took effect on December 26, 2014. The agreement will 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 Guimaras Electric Cooperative, Inc., (GUIMELCO)***

The ESA with GUIMELCO was signed on November 12, 2003; valid for 10 years from Commercial Operations Date, 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 Trans-Asia'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.

In view of its pending expiration, on March 27, 2015, Trans-Asia and GUIMELCO entered into a Contract for the Sale of Electricity (CSE) for the supply by Trans-Asia of all of GUIMELCO's electricity requirements that is not covered by its base load supply. The duration of the contract shall be ten (10) years from Commencement Date which has been defined under the CSE as the date when Trans-Asia starts supplying GUIMELCO upon compliance with the conditions precedent stipulated in the CSE.

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

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.

7. ***Contract for the Sale of Electricity with Universal Robina Corporation (URC)***

On September 03, 2014, Trans-Asia and URC entered into a Contract for the Sale of Electricity for the supply by Trans-Asia of all the electricity requirements of the URC-Continental Milling Corporation Plant located in Pasig City. Supply of electricity commenced on December 26, 2014 and shall continue for three years.

8. Power Supply Agreement with the Region 8 Electric Cooperatives, namely- Don Orestes Electric Cooperative Inc., (DORELCO), Leyte II Electric Cooperative, Inc., (LEYECO II), Leyte III Electric Cooperative, Inc., (LEYECO III), Leyte IV Electric Cooperative, Inc., (LEYECO IV), Leyte V Electric Cooperative, Inc., (LEYECO V), Southern Leyte Electric Cooperative, Inc., (SOLECO), Biliran Electric Cooperative, Inc., (BILECO), Samar I Electric Cooperative, Inc. (SAMELCO I), Samar II Electric Cooperative Inc., (SAMELCO II), Eastern Samar Electric Cooperative, Inc., (ESAMELCO), Northern Samar Electric Cooperative, Inc., (NORSAMELCO)

On December 20, 2014, Trans-Asia and the Region 8 Electric Cooperatives individually entered into a Power Supply Agreement after the Region 8 Electric Cooperatives conducted a joint competitive process for its short-term aggregated baseload power supply for 2015-2018 of the Region 8 ECs. Trans-Asia was issued a Notice of Award as winning bidder of an Offered Capacity to supply 40 MW for Contract Year 2015 and 20 MW for 2016, apportioned according to the electricity requirements of each individual the electric cooperative.

Trans-Asia commenced delivery of electricity to the Region 8 Electric Cooperatives on December 26, 2014 after receiving a Notice to Proceed from the Region 8 Electric Cooperatives, the PSA shall terminate on December 25, 2017. The Contracted Capacity for each of the Electric Cooperatives are as follows:

Contracted Capacity, kW		
Electric Cooperative	Contract Year 2015	Contract Year 2016
DORELCO	2,000.00	-
LEYECO II	2,000.00	2,000.00
LEYECO III	1,000.00	-
LEYECO IV	1,000.00	-
LEYECO V	8,000.00	5,000.00
SOLECO	3,000.00	2,000.00
BILECO	1,000.00	-
SAMELCO I	5,000.00	2,000.00
SAMELCO II	3,000.00	2,000.00
ESAMELCO	6,000.00	2,000.00
NORSAMELCO	8,000.00	5,000.00
Total	40,000.00	20,000.00

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 the Coal Power Plant of Sem-Calaca, located in Calaca, Batangas.

   On March 1, 2013 Trans-Asia and Sem-Calaca amended the terms of the contract and contracted capacity. The amendments include the increase 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 Trans-Asia and Vivant-Sta. Clara Northern Renewables Corp. signed a contract for the sale of electricity to Trans-Asia 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. ***Power Sales Contract with KEPCO SPC Power Corporation.***

   On 23 April 2013 Trans-Asia and KEPCO SPC Power Corporation (KSPC) entered into a Power Sales Contract for the sale of electricity to Trans-Asia of eight (8) MW from the Coal-fired base load power plant of KSPC located in Naga City Cebu, commenced on 26 April 2013, valid for five (5) years.

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

TA Petroleum has the right to actively participate in the exploration for and/or extraction of natural resources within the Service Contract through adequate rights which give the Company sufficient influence in decisions over the said exploration for and/or extraction of natural resources. Under the Service Contracts, the Company as the Contractor is the exclusive party to conduct petroleum operations in the covered Contract Area. TA Petroleum, as a Contractor, is solidarily liable with other Contractors to the Philippine government to perform the obligations under the Service Contracts. The Philippine Government may require the performance of any or all obligations under the Service Contracts by any or all of the Contractors. As a Contractor, TA Petroleum has the right and obligation to participate actively in the exploration, development, and production of petroleum resources within the contract area. The Service Contracts provide for minimum work commitments and minimum exploration expenditures which must be complied with by any or all of the Contractors. TA Petroleum's obligations under the Service Contracts include delineation and operation of Production Area, preparation of the annual Work Program and budget to carry out Petroleum Operations, including exploration, development and production, and, determination of commerciality of Crude Oil or Natural Gas discoveries. TA Petroleum's rights under the Service Contracts include, among others, the right to export and sell its share of petroleum production in the open market, subject to the obligation to supply a portion of domestic petroleum requirements.
A summary of the existing projects and the Service Contracts where TA Petroleum has participating interests, as of date December 31, 2014 are as follows:

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2015
SC 51 (oil & gas)	Eastern Visayas	6.67%	8 July 2005	A	Otto Energy Investments, Cosco Capital Inc., PetroEnergy Resources Corp. Operator: Otto Energy Investments	Awaiting DOE approval of transfer of interest post withdrawal of Otto.
SC 55 (oil & gas)	Offshore West Palawan	6.82% (carried free in up to 2 wells)	5 August 2005	A, B	Otto Energy Philippines, Otto Energy Investments Operator: Otto Energy Investments	Preparations for drilling in 2015, farmout

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2015
SC 6 Block A (oil & gas)	Northwest Palawan	2.334% (carried free in up to 2 wells)	1 September 1973	A	Pitkin Petroleum, Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, AngloPhilippine Holding, Alcorn Gold Resources Operator: Pitkin Petroleum	Geological and geophysical studies. Awaiting transfer of interest post withdrawal of Pitkin
SC 6 Block B (oil)	Northwest Palawan	14.063%	1 September 1973	A	Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum &Minerals Corp. Operator: Philodrill Corp.	Geological and Geophysical studies
SC 69 (oil & gas)	Camotes Sea, Eastern Visayas	50.00%	7 May 2008	A	Otto Energy, Frontier Gasfields Pty. Ltd. Operator: Otto Energy	Data review

Note: 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.

Note: B = The 6.82% interest in SC 55 is owned by Palawan55, a 69.35% owned subsidiary of TA Petroleum.

SC 6: Cadlao, Block A and B (Northwest Palawan)

SC 6 A

SC 6 covers three blocks located in Offshore Northwest Palawan, namely: Block A with 108,000 hectares, and Block B with 53,300 hectares and the Cadlao production area.

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 6 was awarded on 1 September 1973 and is valid until 28 February 2024 subject to certain conditions.

The DOE granted a 15year extension of the term of SC 6 over the Cadlao Production Area, Block A and Block B effective 1 March 2009. Under SC 6, once a production area is delineated, the contractor is allowed to retain an additional 12.5% of the original contract area. The production area was termed as Cadlao Production Area, whereas the retention areas, namely: Block A and Block B were delineated in 1988. The Cadlao oil field produced some 11 million barrels of oil from 1981 until 1990 when production was suspended due to economic reasons. At an average crude oil price of US $20 per barrel, TA Oil earned an estimated US $3.6 million from its royalty interest in the Cadlao Production Area. (Note: It is difficult to convert the US $ earnings to its Philippine Peso equivalent because the exchange rate changed considerably during the production period)

In 2010, TA Oil assigned its 1.65% royalty interest in the Cadlao Production Area under SC 6 to Peak Royalties Limited (BVI) and recognized US$1.325 million income equivalent to Philippine Pesos 58.50 million using the exchange rate on the date of the assignment from such transaction. Cadlao oil field commenced production in 1981. The field has been shutin since 1990 when production was suspended to allow transfer of its dedicated floating production facility to another field.

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 (hitherto named "Octon Discovery") was made in Block A, but such field has not been developed to this date.

On 9 May 1988, an Operating Agreement was entered into by and among Balabac, Oriental, TA Oil 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 7 March 2007, SC 6 Block A consortium entered into a Farm-In Agreement with Vitol GPC Investments S.A. of Switzerland. Under this agreement, Vitol shall 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 shall 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 tieback 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.

Pitkin Petroleum Plc. (U.K.) and the SC Block A consortium signed on 11 July 2011 a Farm-In Agreement and a Deed of Assignment assigning 70% interest in the block to the former. In exchange for the assignment of interest, Pitkin shall carry the consortium members in a 500 sq. km. 3D seismic program and the drilling of two wells. On 2 September 2013, the Palawan Council for Sustainable Development issued a Strategic Environmental Plan clearance for the programmed 500sq km 3D seismic survey.

Pitkin, the Operator, completed on 7 November 2013 a 500 sq km 3D seismic survey pursuant to the Farm-In Agreement.

On 28 August 2014, Pitkin notified partners of its withdrawal from SC 6 Block A effective 31 December 2014. The transfer of Pitkin Petroleum's interest to the no withdrawing parties awaits approval of the Department of Energy..

Pitkin completed all its work obligations under the first phase of the Farm-In Agreement by 31 December 2014

The remaining partners submitted a work program and budget for 2015, which was subsequently approved by the DOE. The Company's share in the budget is around PhP 630,000.

SC6 B

The SC 6 Block B consortium members, excluding Nido Petroleum, signed on 4 February 2011 a Farm-In Agreement with Peak Oil and Gas Philippines Limited (Australia), Blade Petroleum Philippines Limited (Australia) and Venturoil Philippines Inc. Under said Agreement, the Farm-Inees (Peak, Blade and Venturoil) have the option to acquire 70% of the farmors' participating interests, upon their completion of an agreed technical work program. In the event the Farm-Inees exercise their option, they will shoulder all the forward costs of the farmors up to the production of first oil in the block. Following the exercise of the option by the Farm-Inees, the Parties signed on 2 December 2011 an Amended Deed of Assignment transferring 64.5316% participating interest of the farmors to Peak, Blade and Venturoil. However, the DOE disapproved in 22 July 2013 the Deed of Assignment due to the failure of the Farm-Inees to demonstrate the required financial capacity.

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

The consortium submitted a work program and budget for 2015, which was subsequently approved by the DOE. The Company's share in the budget is some PhP 4 million.

The partners in SC6 Block A and B and their respective participating interests are as follows:

SC6 Block A

Pitkin	70.000%	(Operator)
PetroEnergy	5.001%	
Philodrill	15.495%	
Anglo	3.333%	
TA PETROLEUM	2.334%	
Forum	1.668%	
Philex Petroleum	1.668%	
Cosco	0.501%	

Note: Under the Farm-In Agreement with Pitkin, Pitkin acquired 70% of TA Petroleum's original 7.78% participating interest in exchange for Pitkin carrying the share of TA Petroleum in the cost of a 500km 3D seismic program and the drilling of up to two (2) wells.

Pitkin Petroleum, the Operator, notified partners that it shall not exercise its option under the Farm-In Agreement dated July 11, 2011 to drill a well in the block and has withdrawn from block by year end. However, the reassignment of its interest will only be effective upon DOE approval.

SC6 Block B

Nido Petroleum Phils. Pty. Ltd.	7.812%	
Phoenix	28.125%	
TA PETROLEUM	14.063%	
Philodrill Corp.	21.875%	(Operator)
Oriental A	14.063%	
Basic Petroleum & Minerals Inc.	7.0310%	
Cosco (exAlcorn)	7.0310%	

Note: 14.063% is the original interest of TA Petroleum in SC 6 Block B. The farmout to Peak, Blade and Venturoil which would have reduced TA Petroleum's interest by 70% did not materialize because the proposed Farm-In of the three (3) companies were disapproved by the DOE.

SC 51 East Visayas

SC 51 was awarded on July 8, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period is 25 years. It covers an area of 444,000 hectares in the Eastern Visayas region, consisting of a 204,000hectare block in Cebu Strait and a 240,000hectare block mostly over the northwest peninsula of Leyte island and partly the adjoining offshore area. The block has three (3) primary prospects and several leads. TA Oil initially had 33.34% participating interest. TA Oil signed a Farm-In Agreement with Australasian Energy Ltd. and Ottoman Energy Ltd. on August 5, 2005, thereby diluting its participating interest to 6.67% in exchange for a carry in costs of certain work programs. Under said Farm In Agreement, the farmees agreed to undertake and fund at their sole cost and risk the minimum work program for the first exploration sub-phase shown below. Further, should the farmees elect to drill an exploratory well in the contract area, they shall shoulder the farmors' or Farm-Ing our parties' share of the drilling costs associated with said well in exchange for 85% interest in SC 51.The farmees subsequently merged their interests in Otto Energy Investments Ltd. ("Otto Energy", formerly "NorAsian Energy Ltd."). The members of the consortium and their corresponding interests are Otto Energy (Australia), 80%; Cosco Resources Corporation, 9.32%; TA Oil, 6.67% and PetroEnergy, 4.01%. Otto Energy 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 sub-commercial gas discovery in offshore Northwest Leyte, within the first 18 months of the contract term. The 2D seismic program was designed to pick the drilling location for the Argao prospect and to upgrade a neighboring lead to drillable status. The Villaba engineering study aimed to determine whether the sub-commercial Villaba gas discovery could be developed on a standalone 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
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 GeoMicrobial Survey. The governor of Cebu province issued Executive Order No. 10 on 29 May 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

In early 2011, the joint operating agreement was amended to accommodate the entry of Swan Oil and Gas Ltd. ("Swan"), and to split SC 51 into the North and South Blocks, after Otto Energy elected not to participate in the South Block. In 2012, Swan failed to perform its obligation and was forced to give up its interest in SC 51.

The remaining local partners of the South Block executed a Farm-In option agreement with Frontier Oil Corporation, giving the latter an option to acquire an 80% interest in the South Block, in exchange for drilling the offshore Argao1 exploratory well. Frontier did not exercise its option.
The consortium completed the drilling of an onshore well in Leyte in May 2011 without reaching the target formation.

In 2012, Otto Energy acquired 100km of new high quality 2D seismic data over the San Isidro anticline in the North Block. The results of the new seismic data confirmed a large target, which could be tested through the drilling of the Duhat2 well in mid2013. The data acquisition phase of said seismic program commenced in May 2012 but was stopped by the unilateral one month suspension of work by the Chinese seismic contractor. Due to delays caused by this event and inclement weather in the field, the consortium requested the DOE a six month extension of the 4th Sub Phase until 31 January 2013.
Upon request of the consortium, the DOE granted a further one year extension of the 4th Sub Phase to 31 January 2014.

Otto Energy spudded the Duhat2 well in onshore northwest Leyte on 24 July 2013, but on 26 July 2013 abandoned the well without reaching the reservoir objective due to unexpected drilling problems. Otto completed the demobilization for the Duhat2 well last 30 August 2013 and is conducting post well studies. On behalf of partners, Otto Energy requested and was granted by its coventurers an extension of the current Sub Phase 5 to 31 July 2014, in order to undertake postwell geological, geophysical and engineering studies.
The DOE notified Otto Energy on 12 September 2013 of its ruling that the drilling of Duhat2 well is not in compliance with work and financial obligations under Sub Phase 5.

On 28 April 2014, Otto Energy notified the DOE and its consortium partners of its withdrawal from SC 51.
On 10 June 2014, Otto Energy requested the DOE's reconsideration of its decision not to approve the drilling of Duhat2 well as compliant with the Sub Phase 5 commitment.

On 26 June 2014, the non-operating partners requested the DOE to suspend the running of Sub Phase 5 to allow the deferment of the election to enter Sub Phase 6, pending resolution of the request for DOE to favorably reconsider its decision regarding the compliance of the drilling of Duhat2 well. Specifically, the non withdrawing parties requested that the suspension period start on the date Otto Energy submitted its notice of withdrawal from SC 51 and end on the date the DOE approves the transfer of Otto Energy's participating interest in SC 51 to the remaining partners.

As of 31 December 2014, the DOE has not acted on Otto Energy's request for approval of the Duhat2 drilling as fulfilment of Sub Phase 5 obligation and the request of the remaining partners for suspension of Sub Phase 5.
The partners in SC51 and their respective participating interests are as follows:

Otto Energy	80.00%	(Operator)
Cosco	9.32%	
TA PETROLEUM	6.67%	
PetroEnergy	4.01%	

SC 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 is valid for 25 years. The members of the consortium and their corresponding interests are Otto Energy (Operator) with 85% and TA Oil with 15%. TA Oil has a Participation Agreement with the predecessor's interest of Otto Energy which provides that the latter will shoulder TA Oil's share of costs up to the drilling of the first exploratory well. In addition, TA Oil has the option to acquire 5% interest from Otto Energy after the drilling of the first well under the SC.

SC 55 covers 900,000 hectares in offshore West Palawan. It is a deepwater block in the middle of a proven regional oil and gas fairway that extends from the productive Borneo offshore region in the southwest, to the offshore Philippine production assets northwest of Palawan. At that time, the block was deemed to have 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 vintage 2D seismic data and 358 km of 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 no 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 the substitution of a 2D 3D seismic program for one (1) ultra deepwater well commitment under the 3rd Sub Phase of the exploration period (from 5 August 2009 to 5 August 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 5 August 2011 following execution by Otto Energy of a Farm-In Option Agreement with BHP Billiton Petroleum (Philippines) Corporation of Canada ("BHP Billiton") which provided for BHP Billiton's funding of a new 3D seismic survey over the area.

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

On 3 February 2011, TA Oil signed an Agreement with Otto Energy assigning TA Oil's 8.18% participating interest to the latter in exchange for a carry in the costs of a second well in the block, should Otto Energy elect to participate in said well. Estimated budget for drilling the second well is US $ 65 million or ₱2.86 billion at an exchange rate of US $ 1 = ₱44.

In December 2011, BHP Billiton acquired 60% participating interest in SC 55 from Otto Energy and committed to drill one deepwater well at its sole cost within the 4th Sub Phase.

The consortium elected to enter the 4th Sub Phase which entails a commitment to drill one deepwater well by 5 August 2012.

The revised work schedule is shown below:

Sub Phase	Date	Work program
4	August 2011 August 2013	1 deepwater well
5	August 2013 August 2014	1 deepwater well

The DOE granted a one year extension of the 4th Sub Phase until 5 August 2013 to enable BHP Billiton to procure a suitable drilling rig that could drill an identified deepwater prospect. On 3 May 2013, BHP Billiton filed a Force Majeure notice with the DOE due to significant delays in obtaining a clearance from the Palawan Council for Sustainable Development for the drilling of the Cinco1 well.

On 4 June 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco1 drilling to the Palawan Council for Sustainable Development ("PCSD"). The PCSD approved the issuance of the Strategic Environmental Plan Clearance ("SEP") clearance for the drilling of Cinco1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD.As at 30 October 2013, BHP Billiton received the amended SEP clearance and requested the DOE a 14month extension of the current Sub Phase considering the length of the Force Majeure period.

In the first week of November 2013, BHP Billiton verbally informed the partners that it has decided not to participate in the drilling of the Cinco1 well. In March 2014, the DOE approved the transfer of BHP Billiton's interest to Otto Energy Philippines, Inc. Otto Energy submitted a revised work program focusing on the drilling of the Hawkeye prospect. The DOE approved the new work program in April 2014 and revised the schedule of the remaining Sub Phases as follows:

Sub Phase	Work Program and Budget	Revised Work Schedule
4	Drill 1 deepwater well @ US$ 3 MM	6 August 2011 – 23 December 2014
5	Drill 1 deepwater well @ US$ 3 MM	23 December 2014 – 23 December 2016

On 14 October 2015, the DOE granted Otto Energy's request for extension of Sub Phase 4 to 23 December 2015. The term of Sub Phase 5 was likewise adjusted to 23 December 2015 23 December 2016.

The Operator, Otto Energy, is currently undertaking preparations for the drilling of a deepwater exploratory well.

TA Petroleum's stake in SC 55 is held through Palawan55. TA Petroleum owns 69.35% of Palawan55, while the remaining 30.65% is owned by TA Oil.

TA Petroleum believes that its share of any additional investments in SC 55 through Palawan55 will be minimal in 2015 due to the latter's carried position.

The partners in SC55 and their respective participating interests are as follows:

Otto Energy Philippines	60.00%
Otto Energy	33.18% (Operator)
Palawan55	6.82%

SC 69 Camotes Sea

SC 69 covers an area in the Camotes Sea, Eastern Visayas. The DOE awarded SC 69 (formerly, Area 8 of the 2006 Philippine Energy Contracting Round) on 7 May 2008 to a consortium composed of TA Oil (with 30% interest) and Otto Energy Philippines Inc. ("Otto Philippines", formerly NorAsian Energy Philippines, Inc.) (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 underexplored, 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 fulfilment of work obligations under the 1st Sub Phase of the exploration period (from 7 May 2008 to 6 May 2009).
The consortium elected to enter the 2nd Sub Phase of the exploration period (from 7 May 2009 to 6 November 2010), which entails a commitment to conduct either a minimum of a 50square kilometer 3D seismic survey or a minimum of 750line kilometer 2D seismic survey, with expected expenditures of US$2 million for the 3D seismic survey or US$1 million for the 2D seismic survey. The DOE approved extension of the 2nd Sub Phase until 7 February 2011 to enable completion of interpretation of the newly acquired 900 km of 2D seismic data. On 3 June 2010, TA Oil signed a Farm-In Option Agreement with Frontier Gasfields Ltd. ("Frontier") which granted the latter the option to acquire 15% of TA Oil's interest in SC 69. Frontier exercised its option on 3 February 2011 for a total consideration of US$ 395,000. The consortium elected to enter the 3rd Sub Phase (7 February 2011 to 7 August 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 3 February 2011, TA Oil signed an Agreement with Otto Philippines assigning an additional 9% of TA Oil's participating interest to the latter in exchange for reimbursement of certain past costs, a partial carry in the cost of the 3D seismic program and a full a carry in the costs of the first well in the block, should Otto Philippines elect to participate in said well. The total consideration for the reimbursement of past costs and partial carry in the cost of the 3D seismic program amounts to US $313,000. Otto Philippines completed a 229 sq. km. 3D seismic survey in June 2011. Processing of the seismic data was completed in April 2012. Seismic interpretation confirmed the presence of two sizeable reef structures: Lampos and Lampos South; and a third smaller prospect, Managau East.

On 4 April 2013 the DOE granted the consortium's request for 9month extension of the 3rd Sub Phase to 7 May 2013, and a subsequent extension to 6 November 2013, to enable completion of seismic interpretation work and predrill studies. On 23 August 2013, Otto confirmed that it did not intend to enter Sub Phase 4 of SC 69.

Otto Philippines notified the Company and Frontier of its withdrawal in SC 69 last 4 October 2013. The Company and Frontier subsequently jointly requested the DOE a six-month extension of the 7 October 2013 deadline to elect to enter the next exploration Sub Phase, which starts on 7 November 2013. Due to the length of time needed for the transfer of the participating interest of Otto Energy Philippines, TA Petroleum and Frontier requested a further extension of the current Sub Phase to 31 December 2014. The DOE approved the transfer of the interest of Otto Philippines to the Company and Frontier.

The remaining partners requested and the DOE approved the extension of Sub Phase 3 to 7 May 2015.
TA Petroleum estimates that its share of costs in SC 69 in 2013 will be minimal.

The partners in SC69, Camotes Sea and their respective participating interests are as follows:

Frontier	50.00% (Operator)
TA PETROLEUM	50.00%

<u>Options to Acquire Participating Interests</u>

TA Petroleum may acquire participating interests in the following Service Contracts :

SC 50 Offshore Northwest Palawan

SC 50 was awarded on 11 March 2005 to the predecessor's interest of Frontier Energy Ltd. ("FEL") and a royalty interest holder, RGA Resources, Inc., covering a 1.280 sq. km. block in the Northwest Palawan petroleum province.

The block hosts two (2) undeveloped oil discoveries made in 1991 and 1992, respectively, by Petro Corp Ltd./Fletcher Challenge, Ltd, namely: the Calauit and Calauit South finds. PNOC Exploration Corporation re-entered the Calauit1B discovery well in 1997 and conducted extended tests, flowing up to 9,500 barrels of oil per day (bopd), but with significant amounts of water. Calauit South1 flowed 3,286 bopd when tested in 1992. The oil reservoir in both fields is the fractured Nido Limestone, which is the main producing reservoir in other nearby fields.

FEL is planning to develop the Calauit oilfield using recent technical innovations. This will involve the drilling of two (2) horizontal wells which will be produced via a Mobile Offshore Production Unit (MOPU) and Floating Storage and Offtake (FSO). Total project cost is estimated at around US$ 50 million. This excludes the US$ 7.5 million that have already been spent by FEL under SC 50. Drilling operations are expected to commence in the first half of 2015.

TA Petroleum has agreed to acquire 10% participating interest in SC 50 from FEL.

Last August 22, 2014, TA Petroleum signed a Memorandum of Agreement with FEL and Frontier Oil Corporation ("Frontier Oil") regarding TA Petroleum's acquisition of 10% participating interest. While the Farm In Agreement had been signed, approval of the assignment of interest is still pending with the DOE.

On 29 January 2015, Frontier Oil requested the DOE to place SC 50 on Force Majeure status. In a letter dated 16 February 2015, the DOE denied Frontier Oil's request and gave the consortium until 11 March 2015 to comply with the Sub Phase 3 work commitments. Frontier Oil filed a motion for consideration of the DOE's ruling on 5 March 2015.

SC 52 (Cagayan Province)

SC 52 was awarded on 8 July 2005 to a consortium composed of Frontier Oil Corporation ("Frontier Oil"), Frontier and E. F. Durkee and Associates, Inc. It covers a 96,000hectare onshore area in Cagayan province.

The block hosts the Nassiping Dome prospect located in Gattaran, Cagayan, about 50 km north of Tuguegarao. The Nassiping2 well was drilled by PetroCanada in 1994 to a depth of 3,725 meters and was abandoned due to drilling problems. The well was not flow tested although gas shows were recorded then. The first exploratory well on the prospect, the Nassiping1 well drilled in 1961, also yielded gas shows. The Cagayan Valley is a proven hydrocarbon province with the PNOC's San Antonio gas field in Isabela producing 3.6 billion cubic feet of gas from 1994 until 2008.

TA Oil and Frontier Oil executed on 12 January 2012 a Farm-In Option Agreement which granted Trans-Asia the option to acquire 10% participating interest in SC 52 from Frontier Oil, which may be exercised after completion of re-entry and testing of the Nassiping2 well.

Frontier Oil re-entered the Nassiping2 well in February 2012 to evaluate gas shows above 3,000 meters that were encountered in the well. The well flowed gas to the surface, but at unstable rates. Frontier Oil suspended the well for future re-entry after confirming the presence of movable gas in the target interval. Technically, the Nassiping2 re-entry would be classified as a discovery well.

TA Oil and Frontier Oil signed an Amendment Agreement extending the former's option to 90 days after completion of programmed retesting operations on the Nassiping2 well.

The Department of Energy approved the consortium's entry into Sub Phase 4 (8 July 2012 to 8 July 2013) with the Nassiping2 Stimulation and Testing Program as work commitment. This Stimulation and Testing was intended to be an appraisal of the gas discovery made earlier.

Frontier Oil attempted to perform and acid stimulation and testing program on the zones of interest in November 2012, but suspended operations in December 2012 due to down hole equipment problems.

Consequently, Frontier Oil elected to enter Sub Phase 5 (ending July 2014) with the commitment to deepen the Nassiping2 well and test all prospective gas bearing intervals in the borehole.

TA Oil 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 TA Oil'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 Nassiping2 well. Preparations for the drilling are underway.

On 21 November 2014, Frontier Oil filed a request for six month extension of Sub Phase 5 which was due to expire on 8 January 2014. On 10 February 2015, Frontier Oil requested Force Majeure for it work commitments under Sub Phase 5. In a letter dated 16 February 2015, the DOE informed Frontier Oil that the term of SC 52 shall expire on 8 July 2015 if the work obligation is not fulfilled by then.

Pursuant to the amended Farm in Option Agreement, TA Oil shall evaluate the results of the operations within 90 days of completion and decide whether to exercise its option or not. If the option to acquire 10% interest in SC 52 is exercised, TA Oil will cause Frontier Oil to assign said interest directly to TA Petroleum.

Other Material Agreements

The material agreements are mentioned in a preceding section entitled "Interests in Petroleum Contracts."

In addition, TA Petroleum is a party to Joint Operating Agreements under SC 6 Block A, SC 6 Block B, SC 51, SC 55 (through Palawan55) and SC 69. Joint Operating Agreements govern the relationship of the parties and the conduct of joint operations under the SC.

Memorandum of Agreement between TA Petroleum and TA Oil.

Under this Memorandum of Agreement, TA Oil agreed to assign to TA Petroleum, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil as follows:

1. Participating interest under SC 51;
2. Participating interest under SC 69;
3. Participating interest under SC 6 with respect to SC6 Block A; and

4. Participating interest under SC 6 with respect to SC6 Block B.

Memorandum of Agreement between TA Oil and Palawan55.

Under this Memorandum of Agreement, TA Oil agreed to assign to Palawan55, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil under SC 55.

Deed of Assignment between TA Petroleum and TA Oil.

Under this Deed of Assignment, TA Oil assigned to TA Petroleum, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil as follows:

1. Participating interest under SC 51;
2. Participating interest under SC 69;
3. Participating interest under SC 6 with respect to SC6 Block A; and
4. Participating interest under SC 6 with respect to SC6 Block B.

Deed of Assignment between TA Oil and Palawan55.

Under this Deed of Assignment, TA Oil assigned to Palawan55, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil under SC 55.

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 completed its project in accordance to schedule and continues to lobby for additional FIT allocation to accommodate all the wind projects competing for the FIT allowance.

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, 2014, TA has 143 employees 56 employees are in its Makati office, 14 in Guimaras Island, 22 in CIPP in La Union, 37 for TAPGC and 14 for TAREC in Guimaras. Of the total employees, 41 are managers and officers, 92 are supervisors, and 10 are nonsupervisory 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 is the Company aware of any intention of the employees 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 fulltime 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)	51.74%
CIP II Power Corporation (CIPP)	100.00%
Trans-Asia Gold and Minerals Development Corp. (TA Gold)	100.00%
Palawan55 Exploration & Production Corporation	65.99%
Trans-Asia Power Generation Corporation (TAPGC)	100.00%
One Subic Power Generation Corporation (OSPGC)	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 SEC on September 2, 1994. TAREC is engaged in the development and utilization of renewable sources of energy (e.g. wind). TAREC operates and maintain the 54MW Wind Farm in San Lorenzo, Guimaras.

Trans-Asia Petroleum Corporation (TA Petroleum). TA Petroleum is a wholly-owned subsidiary of TA. This corporation was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration & well development. On August 28, 2012, TA Petroleum amended its Articles of Incorporation to change its name from Trans-Asia (Karang Besar) Petroleum Corporation to Trans-Asia Petroleum Corporation and to increase its authorized capital stock from P40,000,000 to P1,000,000,000.

On July 22, 2013, the Board of Directors of TA declared a property dividend to TA 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 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, 2014 the Board of Directors of TA Petroleum authorized the application for listing by way of introduction of 100% of the issued and outstanding Shares.

On August 14, 2014, SEC approved the registration and listing of shares of the Parent Company. On August 28,2014, the TA Petroleum listed by way of introduction at the Philippine Stock Exchange with "TAPET" as its stock symbol.

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.

In the 2nd quarter of 2014, TAPGC embarked on a major expansion by acquiring a 116-MW Diesel Power Plant located inside the Subic Bay Freeport Zone. The One Subic Power Generation Corporation (OSPGC), used to be owned by Udenna Energy Corporation, tripled TAPGC's generation portfolio, which is a welcome addition to the 52-MW Bunker C-Fired power plant in Bulacan serving Holcim's Cement Plant.

South Luzon Thermal Energy Corporation (SLTEC). Trans-Asia entered into a joint venture with Ayala Corporation in June 2011 to undertake the construction of a 135MW clean coal power plant in Calaca, Batangas. The project is managed by a new entity, South Luzon Thermal Energy Corporation (SLTEC), owned 5050 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 first quarter of 2015.

TA will purchase all the power generated by the power plant in accordance with a 15year 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 5050 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 ₱116million. As a result of the assignment, TAWPC becomes a wholly owned subsidiary of TA. TAWPC has not started commercial operations as of March 6, 2015.

Item 2. Properties

Trans-Asia owns the following fixed assets:

In thousand

Properties	Location	Amount
Land	Bacnotan, La Union and Norzagaray, Bulacan	₱229,851
Building and improvements	Makati City, Guimaras and Norzagaray, Bulacan	288,937
Machinery and equipment	Guimaras, Norzagaray, Bulacan and Bacnotan La Union	6,845,102
Transportation equipment	Makati City, Guimaras Norzagaray Bulacan and Bacnotan La Union	25,136

Mining and other equipment	Makati City, Guimaras and Bacnotan La Union	28,159
Office furniture, equipment and others	Makati City, Guimaras, Bacnotan La Union and Norzagaray, Bulacan	42,891
Total		**₱7,460,076**
Less: Accumulated depletion, depreciation and amortization		**597,017**
Net		**₱6,863,059**

Source: Audited consolidated financial statements as of December 31, 2014

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.

The Company continues to implement the development activities on the 12 WESC areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project of TAREC which obtained approval for the commerciality of the wind project. Construction costs related to the project were included under construction in progress as at December 31, 2013 . The said project was completed in the last quarter of 2014. The carrying amount of the wind farm as at December 31, 2014 was included under "Machinery and equipment and Land and Land Improvements" account. The Company entered into finance leases of land in Suclaran and Cabano in San Lorenzo, Guimaras and Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of San Lorenzo wind farm. The carrying value of property and equipment held under finance leases, included under "Land and land improvements", as at December 31, 2014.

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 March 6, 2015, there were 4,865,146,089 shares of Trans-Asia common stock outstanding and entitled to vote at the Annual Stockholders' Meeting, 4,687,980,571 of which are owned by Filipinos and 177,165,518 of which are owned by foreign nationals.

Only holders of Trans-Asia's stock of record at the close of business on March 6, 2015 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 April 7, 2015.

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, 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 28, 2015 and for the calendar years 2014, 2013, and 2012:

Period	High	High adj.	Low	Low adj.
Calendar 2015				
January 2015	2.25		2.23	
February 2015	2.36		2.21	
Calendar Year 2014				
First Quarter	2.18		1.41	
Second Quarter	2.68		1.93	
Third Quarter	2.65		2.26	
Fourth Quarter	2.51		2.23	
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

Stockholders

The Company had 3,248 registered shareholders as of March 06, 2015. 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 March 06, 2015.

No.	Name of Stockholders	Citizenship	No. of Shares Held	% of Ownership
1	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino	Filipino	3,889,561,639	79.95%
2	Phinma Corporation (formerly Bacnotan Consolidated Industries, Inc.)	Filipino	449,331,621	9.24%
3	Philippine Investment Management Consultants, Inc.	Filipino	201,850,613	4.15%
4	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	Foreign	170,843,065	3.51%
5	Emar Corporation	Filipino	37,283,937	0.77%
6	Francisco Genaro Ozamiz Lon	Filipino	16,600,000	0.34%
7	Francisco L. Viray*	Filipino	5,478,188	0.11%
8	Phil. Remnants Co., Inc.	Filipino	2,801,218	0.06%
9	Peter Mar or Annabelle C. Mar	Filipino	2,040,000	0.04%
10	Ramon R. Del Rosario, Jr.	Filipino	1,783,038	0.04%
11	Victor Juan Del Rosario	Filipino	1,625,639	0.03%
12	Renato O. Labasan	Filipino	1,520,000	0.03%
13	Teresita A. Dela Cruz	Filipino	1,502,221	0.03%
14	Belek, Inc.	Filipino	1,484,002	0.03%
15	Rizalino G. Santos	Filipino	1,437,001	0.03%
16	Joseph D. Ong	Filipino	1,397,663	0.03%
17	William How &/OR Benito How	Chinese	1,333,457	0.03%
18	Alexander J. Tanchan &/OR Dolores U. Tanchan	Filipino	1,072,867	0.02%
19	Benjamin S. Austria	Filipino	1,022,982	0.02%
20	Victor J. Del Rosario or ma. Rita S. Del Rosario	Filipino	954,603	0.02%

*The total number of shares owned by Dr. Francisco L. Viray as of March 06, 2015 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
24March14	Cash	0.04 per share	April 7, 2014	May 7, 2014

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, 2014, Trans-Asia's retained earnings amounted to ₱2.13 billion, of which ₱433.21 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 2014

SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Plc, the Operator, notified partners that it shall not exercise its option under the Farm-in-Agreement dated 11 July 2011 to drill a well in the block at its sole cost, and shall withdraw from SC 6 Block A effective 31 December 2014.

By yearend, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block. The Department of Energy ("DOE") approved the 2015 work program submitted by the non-withdrawing parties consisting of geological and geophysical studies.

Upon re-assignment of Pitkin's 70% participating interest, TAPET's holdings shall revert from 2.334% to 7.78%

Block B

The DOE disapproved the assignment of 70% of the Farm-Ing 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. ("Farm-Inees") due to the Farm-Inees' failure to satisfy the DOE's requirements for service contractors .

Under the Farm-In Agreement dated February 4, 2011, the Farm-Inees 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 2014-15 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 51 (Northwest Leyte/Cebu Strait)

The DOE granted a six-month extension of Sub-Phase 5 to 31 July 2014 to enable the Operator, Otto, to complete its post-well evaluation of the results of the Duhat - 2 well.

The Duhat - 2 well was plugged and abandoned in 3Q 2013 when it failed to reach its reservoir objective due to drilling problems.

On 28 April 2014, Otto notified the DOE and partners of its withdrawal from SC 51.
Otto requested the DOE to reconsider its decision not to accept the drilling of the Duhat - 2 well as fulfillment of the work obligation under Sub-Phase 5.

As of yearend, the DOE has not acted upon Otto's plea.

The remaining Filipino partners opted to continue exploration work in the area, but requested the DOE suspension of the term of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51, until the DOE approves the transfer of Otto's interest to the Filipino partners.

Upon DOE approval of the re-assignment of interests, TAPET's participating interest will be adjusted from 6.67% to 33.34%.

SC 55 (Offshore West Palawan)

Following the withdrawal of BHP Billiton Petroleum (Philippines) Corporation ("BHPB") from SC 55, Otto Energy Investments, Ltd. ("OEL") re-assumed operatorship.

The Department of Energy ("DOE") approved the consortium's request for extension of exploration Sub-Phase 4 from 5 August 2011 to 23 December 2015 and a revised work program consisting of the drilling of the Hawkeye prospect with a budget of US $ 49 MM.

As part of the exit settlement under their farm-in agreement, BHPB paid Otto US $ 3 MM and committed to contribute US $ 24.5 MM towards the drilling of the first well in the area.

Preparations for the drilling of the Hawkeye-1 well are underway.

Palawan55 Exploration & Production Corporation, 69% owned subsidiary of TAPET, holds 6.82% participating interest in SC 55 that is carried free in the cost of drilling of two (2) wells in the block.

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.

On 17 October 2014, the DOE approved the transfer of Otto Philippines' interest to TA Petroleum (50%) and Frontier Gas fields Pty. Ltd. ("Frontier Gas fields") (50%)

TA Petroleum and Frontier Gas fields jointly requested the DOE an extension of the term of exploration Sub Phase 3 to 7 May 2015. The DOE approved said request on 3 December 2014.

Financial Performance

2014 compared with 2013

Revenues

For the year ended December 31, 2014, consolidated revenues went down by 15% from ₱2.02 billion in 2013 to ₱1.71 billion. Following are the material changes in revenues in the Consolidated Statements of Income between 2014 and 2013:

In thousands	Years Ended December 31 2014	2013	Increase (Decrease) Amount	%
Generation revenues	1,033,907	1,478,894	(444,987)	(30%)
Trading revenues (cost) net	662,526	524,090	138,436	26%
Dividend income	6,840	8,097	(1,256)	(16%)
Rental income	4,425	5,776	(1,351)	(23%)
	1,707,698	**2,016,857**	(309,159)	(15%)

- Generation revenues went down by ₱444.99 million or 30% from ₱1.48 billion to ₱1.03 billion in 2014 mainly due to TA Power's Power Administration and Management Agreement (PAMA) with the Parent Company as disclosed in Note 31 of the Consolidated Financial Statements.
- Net trading income increased by 26% from ₱524.09 million in 2013 to ₱662.53 million in 2014 brought about by higher energy sales, higher power rates and the ERC/PEMC adjustment as discussed in Note 9 of the Consolidated Financial Statements.
- Dividend income decreased by ₱1.26 million due to lower dividends received from Union Galvasteel (UGC) and Asian Plaza.
- Rental income decreased by 23% from ₱5.78 million to ₱4.43 million as office space previously for lease was used by the company for its operations.

Cost and expenses

Consolidated cost and expenses decreased by ₱261.36million for the year ended December 31, 2014 from ₱1.43 billion for the year ended December 31, 2013. Following are the materials changes in cost and expenses in the Consolidated Statements of Income between 2014 and 2013.

In thousands	Years Ended December 31 2014	2013	Increase (Decrease) Amount	%
Cost of power generation	784,914	1,083,239	(298,324)	(28%)
General & administrative expenses	386,134	349,166	36,968	11%
	1,171,048	**1,432,404**	(261,356)	(61.6%)

- Cost of power generation dropped by 28% as under the PAMA, bunker fuel was for the account of the Parent Company and was charged to trading cost.
- General and administrative expenses increased by 11% brought about by higher taxes and licenses.

Other income (Loss)

Other loss of ₱220.53 million was reported in 2014 as compared with income of ₱209.7million of 2013. Following are the materials changes in cost and expenses in the Consolidated Statements of Other Income (loss) between 2014 and 2013.

In thousands	Years Ended December 31 2014	2013	Increase (Decrease) Amount	%
Interest & other financial charges	(170,969)	(13,936)	(157,032)	1126.8%
Gain on derivatives	(35,220)	31,159	(66,436)	(21%)
Gain on re-measurement of previously held interest	-	168,585	(168,585)	(100%)
Gain on bargain purchase	-	25,926	(25,926)	(100%)
Gain on pre-existing relationship	8,724	-	8,724	100%
Foreign exchange gain (loss)	(751)	(8,863)	8,112	(92%)
Interest and other financial income	6,113	14,541	(8,428)	(58%)
Gain on assignment of MPSA		37,934	37,934	100.00%
Gain (loss) on sale of:				
Property and equipment	505	336	170	51%
Available-for-sale investments	404	622	(218)	(35%)
Reversal of (provision for):				
Impairment loss on deferred exploration cost		12,874	(12,874)	(100%)
Impairment loss on available-for-sale investments		(49,697)	49,697	(100%)
Doubtful accounts	(33,365)	(17,680)	(15,686)	89%
Inventory Obsolescence		(487)	487	(100%)
Others	4,034	8,390	(4,356)	(52%)
	(220,525)	**209,704**	**(430,229)**	**(205%)**

- Interest expense rose 11 times to ₱170.9 million from ₱13.94 million due to interest expense incurred on long term loans availed in 2014.
- Net loss on embedded derivatives of ₱35.22 million was reported in 2014 as compared with ₱ 31.16 million gains in 2013. Net loss on embedded derivatives includes ₱15.33 from fuel purchases, ₱12.10 million from long-term loans and ₱7.80 million from currency forward contracts.
- The Company reported in 2013 ₱37.93 million option fee received from a third party for the Company's Camarines Norte MPSA.
- The purchase of the 50% interest in TA Power in 2013 resulted in a gain on re-measurement on previously held interest of ₱168.59 million and gain on bargain purchase from acquisition of ₱ 25.93 million.
- Gain on settlement of pre-existing relationship of ₱8.72 million was reported as a result of the acquisition of One Subic Power Generation Corp. (One Subic) in 2014.
- Interest and other financial income dropped down by ₱8.43 million or .58% from 2013 due to decrease in level of placements.
- Foreign exchange loss decreased of 92% to ₱0.75 million from ₱8.86 million brought about by the lower level of foreign currency holding.
- Gain on sale of available-for-sale investments decreased to ₱0.41 million from ₱0.62 million due to lower market value of investments in 2014.
- Gain on sale of property, plant and equipment of ₱.51 million was reported in 2014 as compared with ₱.34 million in 2013 due to the disposal of fully depreciated transportation equipment and office equipment.
- Provision for impairment loss of available-for-sale investments of ₱49.70 million and provision for inventory obsolescence of ₱0.49 million were setup in 2013. No additional setup for 2014.

- Additional provision of doubtful accounts of ₱15.69 million was set up in 2014.
- The provision for impairment loss on deferred exploration costs of ₱12.87 million setup in 2012 was reversed in 2013 due to the Company's payment of supplemental option fee.
- Other income dropped by 52% from ₱8.39million to ₱4.04 million as the latter included an insurance recovery of Trans-Asia Power Generation Corp.

Equity in net losses of Associates and Joint Venture

	Years Ended December 31		Increase (Decrease)	
In thousands	2014	2013	Amount	%
Equity in net losses of associates & JV	**(2,616)**	**(61,699)**	59,083	(96%)

Due to net income reported by MGI, equity in net losses of associates and joint ventures dropped by 96% from ₱61.70 million in 2013 to ₱2.62 million in 2014. The Company has 25% interest in MGI. MGI started its commercial operation on February 2014. Losses in 2013 were accounted by expenses for projects under construction.

Provision for (benefit from) income tax

	Years Ended December 31		Increase (Decrease)	
In thousands	2014	2013	Amount	%
Current	131,945	195,423	(63,479)	(32%)
Deferred income tax	1,174	(35,761)	36,936	(103%)
	133,119	**159,662**	(26,543)	(16%)

As a result of the lower taxable income in 2014, provision for income tax decreased by 16% from ₱159.66 million to ₱133.12 million in 2014, which includes benefit from deferred income tax of ₱1.17 million in 2014 compared to ₱35.76 million in 2013.

Net Income

Consolidated net income for the year ended December 31, 2014 amounted to ₱ 180.39 million which was 69% lower than 2013 net income of ₱ 572.8 million due to as a consequence of the above cited factors.

Following are the material changes in the accounts in the Consolidated Balance Sheets between December 31, 2014 and December 31, 2013.

Financial Highlights

ASSETS

In thousands	Years Ended December 31 2014	2013	Increase (Decrease) Amount	%
Cash and cash equivalents	541,571	687,992	(146,421)	(21%)
Short-term investments	-	51,354	(51,354)	(100%)
Investments held for trading	377,793	475,352	(97,559)	(21%)
Receivables	3,055,292	2,672,775	382,247	14%
Fuel & spare parts - at cost	307,097	243,763	63,333	26%
Available-for-sale investments	-	292,136	(292,136)	(100%)
Other current assets	840,315	447,430	392,349	88%
Total Current Assets	**5,121,798**	**4,870,801**	**250,996**	5%
Plant, property and equipment	6,863,059	2,390,616	4,472,442	187%
Investments in associates and interest in joint ventures	3,747,462	3,248,944	498,517	15%
Available-for-sale investments	268,598	286,498	(17,900)	(6%)
Investment properties	28,302	30,263	(1,961)	(6%)
Goodwill and other Intangible assets	440,276	96,291	343,986	357%
Deferred income tax assets	35,199	47,027	(11,828)	(25%)
Other noncurrent assets	86,665	15,827	70,838	448%
Total Noncurrent Assets	**11,469,561**	**6,115,466**	5,354,095	88%
TOTAL ASSETS	**16,591,359**	**10,986,268**	**5,605,091**	51%

Cash and cash equivalents decreased by 21% to ₱541.57 million from ₱687.99 million. The redemption of all short-term investment in 2014 and decrease of investment held for trading was due to capital expenditures of TAREC and the Company's investments in SLTEC's second unit of CFB power plant..

- Receivables went up by 14% mainly due to the issue on ERC/PEMC adjustments pertaining to Nov and Dec 2013 WESM prices whose resolution is still pending with the Supreme Court. Collections under the Multilateral Agreement were recognized as payable to PEMC instead of reduction to receivables (see Note 9 of the Consolidated Financial Statements).
- The 26% increase in fuel and spare parts from ₱243.76 million to ₱307.10 million was brought about by the increase in bunker fuel purchased and fuel price.
- Current Available-for-sale investments of were terminated and used to fund the Company's wind project.
- Other current assets increased by 88% to ₱840.32 million in 2014 from ₱447.43 million in 2013 brought about by increase in input taxes of TAREC and creditable withholding taxes of the power plants.
- Property, plant and equipment increased tripled from ₱2.39 billion to ₱6.86 billion due to construction of the wind farm of TAREC.
- Investments in associates and interests in joint venture increased by 15% due to additional investments in SLTEC and MGI.
- The decrease of 6% in available-for-sale investments was due to lower market value of the investments.
- Investment properties also decreased by 6% due to depreciation in 2014.
- Intangible assets increased from ₱96.29 million to ₱440.28 million due to goodwill and leasehold rights recognized in the acquisition of One Subic Power Generation Corporation (OSPGC).
- Deferred income tax asset decreased by 25% from ₱47.03 million to ₱35.20 million due to the tax application of NOLCO of CIP.

- Other noncurrent assets rose to ₱86.67 million brought about by the advance payment of rent on lease contracts for the wind farm of TAREC.

LIABILITIES AND EQUITY

	Years Ended December 31		Increase (Decrease)	
In thousands	**2014**	**2013**	**Amount**	**%**
Accounts payable and other current liabilities	2,285,438	2,508,909	(173,659)	(7%)
Due to stockholders	9,135	190,448	(181,313)	(95%)
Current portion of long-term loans	29,254		30,000	100%
Short-term loans	-	910,000	(910,000)	(100%)
Income and withholding taxes payable	46,439	48,611	(2,172)	(4%)
Total Current Liabilities	**2,370,266**	**3,657,968**	**(1,035,534)**	(34%)
Long-term loans	6,729,592		6,729,592	100%
Pension & other postemployment benefits	28,652	33,625	(4,973)	(15%)
Deferred tax liabilities net	158,459	142,456	16,003	11%
Other noncurrent liabilities	82,268	24,860	57,409	230%
Total Noncurrent Liabilities	**6,998,970**	**200,941**	6,798,030	3383%
Total Liabilities	**9,369,237**	**3,858,909**	**5,483,398**	142%
Capital Stock	4,865,146	4,863,863	1,283	0%
Additional paid in capital	38,258	35,573	2,685	8%
Other equity reserve	35,991	32,025	3,966	(12%)
Unrealized FV gains on AFS investments	74,515	91,823	(17,308)	(9%)
Re-measurement gains on defined benefit plan	(1,454)	(4,225)	2,771	(66%)
Accumulated share in OCI of Joint Venture	215	4,688	(4,473)	(95%)
Retained Earnings	2,128,208	2,132,405	4,197	0%
Treasury shares	(28,793)	(28,793)	-	0%
	7,112,086	7,127,359	(15,273)	0%
Non-controlling Interests	110,036	-	110,036	100%
Total Equity	**7,222,122**	**7,127,359**	**94,763**	1%
TOTAL LIABILITIES & EQUITY	**16,591,359**	**10,986,268**	**5,605,091**	51%

- Accounts payable and other current liabilities increased due to pending resolution of the issue on ERC adjustments as discussed above.
  .
- Property and cash dividends were paid in 2014 which reduced the Due to stockholders account by 95%.
- The Company settled its short-term loans in the first semester of 2014.
- The Company availed of a ₱6.82 billion long-term loan in 2014 to fund its projects and settle its short-term loans.
- Deferred income tax liabilities increased due to the tax effect of goodwill and leasehold rights from acquisition of OSPGC.

- Pension and other post-employment benefits increased due to additional pension expense accrued in 2014.
- Other noncurrent liabilities include ₱49.81 million finance lease obligation of TAREC with various land owners.
- Additional paid-in capital increased by 8% due to exercise of stock options of various employees.
- Other equity reserve increased by 12% due to accrual of equity-based compensation expense.
- Unrealized fair value gains on available-for-sale investments went down by 19% due to lower market value of investments.
- Re-measurement gains on defined benefit plan decreased by 66%.
- Accumulated share in other comprehensive income of a joint venture due to settlement of forward contracts of SLTEC.
- Non-controlling interests was reported in 2014 in Trans-Asia Petroleum Corporation and Palawan55 Exploration and Production Corporation.

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

Key Performance Indicators	Formula	Years Ended December 31		Increase (Decrease)	
		2014	2013	Amount	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	2.16	1.33	0.83	62
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.68	1.14	0.53	47
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.30	0.54	0.76	140
Asset to equity ratio	Total Assets / Total Equity	2.30	1.54	0.76	49
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	2.83	53.56	N.A	N.A
Net Debt to Equity Ratio	Debt Cash & cash equivalents / Total equity	1.17	0.33	N.A	N.A

Key Performance Indicators	Formula	Years Ended December 31		Increase (Decrease)	
		2014	2013	Amount	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholders' equity	2.51%	8.15%	(0.06)	(69)
Return on assets	Net income before taxes / Total assets	2.27%	7.90%	(0.06)	(71)
Asset turnover	Revenues / Total assets	84.28%	105.31%	(0.21)	(20)

Current ratio & Acid test ratio
Current ratio & acid test ratio increased due to 34% decrease in current liabilities brought about by

Debt to equity ratio
Debt to equity ratio slightly increased from 0.54 to 1.29 due to long-term loans availed in the second and third quarter of 2014, settlement of trade payables and short-term loans.

Asset to equity ratio
Asset to equity ratio went up by 49% as total assets increased by 51% due to the Company's various projects and debt financing as compared to minimum 1.3% increase in total equity.

Interest coverage ratio and Net debt to equity ratio
Interest coverage ratio was 2.83 times. Net debt to equity ratio increased from 0.33 to 1.17 due to long-term loans availed in 2014.

Net debt to equity ratio
Net debt ratio rose from 0.33 to 1.20 due to long-term loan availed in 2014.

Return on equity
Return on equity went down from 8.15% to 2.51% due to lower income in 2014.

Return on assets
Return on asset dropped from 7.90% to 2.28% as average total assets increase by 49% and net income decreased by 69% in 2014.

Asset turnover
Asset turnover went down by 20% as revenues decrease by 19% and average total assets increased by 49%

During the Calendar Year 2014:

- 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 acquired the entire outstanding shares of One Subic Power Generation Corporation (OSPGC).
- 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 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 the Consolidated Financial Statements.

Calendar Year 2013

Oil and Gas

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

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 Farm-Ing 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. ("Farm-Inees") due to the Farm-Inees' failure to satisfy the DOE's requirements for service contractors .

Under the Farm-In Agreement dated February 4, 2011, the Farm-Inees 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 B1 (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 Duhat2 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 Gas fields, 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 Nassiping2 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 Nassiping2 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 Nassiping2 well

Trans-Asia has an option to acquire a 10% participating interest from Frontier Oil, which option may be exercised after the Nassiping2 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 steam field facilities in September 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. Commissioning and testing of the 20 MW power plants 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.

2013 compared with 2012

REVENUE

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 raised 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.

COST AND EXPENSES

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 re-measurement 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-à-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-à-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 setup in 2013.
- Additional provision for doubtful accounts of ₱17.68 million was setup in 2013.
- The provision for impairment loss on deferred exploration costs of ₱12.87 million setup 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 / pre-operating 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 postemployment 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 re-measurement 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.
- Re-measurement 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 liabilities	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	31Dec13 Audited	31Dec12 Audited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholders 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 60day 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

SC 6 (Offshore Northwest Palawan)

Block A

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

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

Under the Farm-In Agreement dated July 11, 2011, Pitkin shall carry your Company and the other nonoperating 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 Farm-Ing 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. ("Farm-Inees") remains pending with the Department of Energy.

Under the Farm-In Agreement dated February 4, 2011, the Farm-Inees 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 B1 (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 100km 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 Duhat1 and Duhat1A 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 Duhat2 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 Argao1 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 12month 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 Cinco1 well.

The Cinco1 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 Cinco1 under its Participation Agreement dated March 15, 2005 with the predecessor's 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 9month 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 reentry and testing of the Nassiping2 well.

The Nassiping2 well was drilled by PetroCanada 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 reentry 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 retesting operations on the Nassiping2 well.

The Department of Energy approved the consortium’s entry into Sub Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping2 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 6km 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 steam field (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.

2012 compared with 2011

REVENUE

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 Galva steel 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.

COST AND EXPENSES

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-à-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 properties 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 setup provision for doubtful accounts of ₱2.09 million in 2012.
- The Company reported ₱22.50 million incomes 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 postemployment 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	**31Dec12**	**31Dec11**	**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.

Item 7. Information on Independent Auditors and Other Related Matters

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been Trans-Asia's Independent Public Accountant since 1969. Audit services of SGV for the calendar year ended December 31, 2014 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 SEC.

During the past 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.

Trans-Asia has complied with SRC Rule 68, paragraph 3(b)(ix) which requires the rotation of external auditors or signing partners every 5 years of engagement and the mandatory 2-year cooling-off period for the re-engagement of the same signing partner or individual auditor.

The Audit Committee recommended SGV as the Independent Public Accountant and Ms. Marydith C. Miguel as engagement partner for Calendar Year 2015. Ms. Miguel who is an SEC accredited auditing partner of SGV also conducted the audit for Calendar Year 2014, which was the first year of her engagement as the Company's signing partner.

The external auditors for the current year and for the most recently completed fiscal year are expected to be present at the shareholders' meeting and to answer questions, if any. They are likewise given the opportunity to make statements if they desire to do so.

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

External Audit Fees and Related Services

Trans-Asia paid SGV the amount of ₱1,200,000, ₱1,200,000 and ₱991,500 in 2014, 2013 and 2012, respectively, for professional services rendered for the audits of the Company's annual financial statements and for services that are normally provided by 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 2014 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	77	Filipino	Director and Chairman of the Board
Ramon R. del Rosario, Jr.	70	Filipino	Director and Vice Chairman
Francisco L. Viray	66	Filipino	Director, President and CEO
Roberto M. Laviña	64	Filipino	Director, SEVP and Treasurer
Pythagoras L. Brion, Jr.	62	Filipino	Director, SVP and CFO
Victor J. del Rosario	66	Filipino	Director
Magdaleno B. Albarracin, Jr.	78	Filipino	Director
Raymundo O. Feliciano	90	Filipino	Independent Director
Ricardo V. Camua	71	Filipino	Independent Director
David L. Balangue	63	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 served as Vice Chairman of the Company's Board of Directors for 13 years and Chairman of the Executive Committee for 17 years. He has been the Chairman of PHINMA Inc. since January 1994 and has served as CEO thereof from January 1994 to August 2005. He is likewise the 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. and Vice Chairman of Trans Asia Power Generation Corp. He is a director of One Subic Power Generation Corp., Manila Cordage Corp., Seven Seas Resorts & Leisure, Inc., First Philippine Holdings Corporation, A. Soriano Corporation and Philex Mining Corporation. He received his Bachelor of Science degree in Commerce from De La Salle College (Bacolod) in 1958 and his Master's degree in Business Administration from the Harvard Graduate School of Business in 1962.

Ramon R. del Rosario, Jr. was elected as Vice Chairman of the Board of Directors and Chairman of the Executive Committee of the Company on April 16, 2008. He is the President and CEO of PHINMA Inc. and PHINMA Corp. He is also the Chairman of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, One Subic Power Generation Corp., Microtel Inns and Suites (Pilipinas), Inc. and the 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 obtained his BSC-Accounting and AB-Social Sciences degrees *(Magna cum Laude)* from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He 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 has been a director of the Company since 1998 and has served as the Company's Executive Vice President from April 2004 to April 2007. He is concurrently the President and Chief Executive Officer of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Petroleum Corporation, Trans-Asia Gold and Minerals Development Corporation and Trans-Asia Wind Power Corporation. He is the Chairman of Pangasinan Medical Center, Inc. and Vice-Chairman of One Subic Power Generation Corp. At present, Mr. Viray is a member of the Boards of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering 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. He also 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 University in 1988. He is the Senior Executive Vice President/Chief Operating Officer (COO) of PHINMA Corp. and is a Member of the Board of all the companies in the PHINMA Group which include companies in power generation, education, hotels, steel roofing, property development, oil exploration, strategic consulting and insurance brokerage.

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 degree in Management Engineering from Ateneo de Manila University and holds a Master's degree in Business Administration from University of the Philippines. He is concurrently SVP/Treasurer of PHINMA Inc. and PHINMA Corp. and is the Treasurer of One Subic Power Generation Corp. Mr. Brion likewise serves various executive posts in the PHINMA-managed companies including Union Galvasteel Corp. and PHINMA Property Holdings Corp. He joined the PHINMA group in 1992.

Magdaleno B. Albarracin, Jr. joined the PHINMA Group in 1971 as a consultant. He is currently the Vice-Chairman of PHINMA Inc. and is the Chairman of its Executive Committee. He is the Chairman of the Board of Trustees of the University of San Carlos in Cebu City. He is also Vice Chairman of Araullo University, Cagayan De Oro College, University of Iloilo and University of Pangasinan. He is a member of the Boards of Directors of PHINMA Foundation, Union Galvasteel Corporation, Trans-Asia Power Generation Corporation, One Subic Power Generation Corp., PHINMA Property Holdings Corp. and UP Board of Regents. Dr. Albarracin received his Bachelor of Science degree in Electrical Engineering from the University of the Philippines and Master of Science degree in Electrical Engineering from the University of Michigan. He received his Master's degree in Business Administration from the University of the Philippines and Doctorate degree in Business Administration from Harvard University. He was formerly Chairman of UP Engineering Research and Development Foundation and President of Holcim Philippines, Inc. He has been a director of the Company since 1986.

Raymundo O. Feliciano is a Certified Public Accountant with a Bachelor of Science degree in Commerce 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's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Vice-Chairman of Union Galvasteel Corporation and is the Executive Vice President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp, he is Executive Vice President and Chief Finance Officer. He is also a member of the Boards 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 degree in Electrical Engineering from Mapua Institute of Technology. He served as 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 Boards 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, and was 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 Acting-Chairman of the National Movement for Free Election (NAMFREL) (since 2014); Chairman of the Philippine Council for Population and Development (since 2014); Chairman of the Coalition Against Corruption (since 2011); Chairman of the Philippine Financial Reporting Standards Council (since 2010), President of the Manila Polo Club (since 2014); Chairman/President of the Makati Commercial Estate Association, Inc. (since 2010) and President of the Makati Parking Authority, Inc. (since 2011). He is a member of the Board of Directors of The Manufacturers Life Insurance Co., (Phils.), Inc., Manulife Financial Plans, Inc., Roxas Holdings, Inc., Philippine Bank of Communications, ATR Kim Eng Capital Partners, OmniPay, Inc. and Unistar Credit and Finance Corporation. He is also a member of the Board of Governors/Trustees of the Habitat for Humanity (Philippines) Foundation, Inc. He was elected as Independenbt 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.

Independent Directors

On February 11, 2005, SEC approved the Amended By-Laws with regard to incorporation of the guidelines on the nomination and election of independent directors in compliance with SRC Rule 38.

The following are the nominees for independent directors, as submitted to and pre-screened by the Nomination Committee of Trans-Asia using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance and its Amended By-Laws:

1. Mr. Raymundo O. Feliciano, Sr.
2. Mr. Ricardo V. Camua
3. Mr. David L. Balangue
4. Mr. Guillermo D. Luchangco

The foregoing nominees are not officers or substantial shareholders of Trans-Asia. Mr. Oscar J. Hilado nominated the candidates for independent directors. Mr. Hilado is not related to the independent director-nominees by consanguinity or affinity.

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	66	Filipino	President and CEO
Roberto M. Laviña	64	Filipino	SEVP and Treasurer
Virgilio R. Francisco, Jr.	57	Filipino	Sr. Vice President
Juan J. Diaz	84	Filipino	Corporate Secretary
Pythagoras L. Brion, Jr.	62	Filipino	SVP and CFO
Raymundo A. Reyes, Jr.	62	Filipino	Sr. Vice President – Energy Resources Development
Rizalino G. Santos	62	Filipino	Sr. Vice President – Power Business
Mariejo P. Bautista	50	Filipino	Vice President – Controller
Cecille B. Arenillo	57	Filipino	Vice President/Compliance Officer
Alan T. Ascalon	40	Filipino	Asst. Vice President, Asst. Corporate Secretary
Danilo L. Panes	58	Filipino	Assistant Vice President

Francisco L. Viray has been the President and Chief Executive Officer of the Company since April 2007. He has been a director of the Company since 1998 and has served as the Company's Executive Vice President from April 2004 to April 2007. He is concurrently the President and Chief Executive Officer of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Petroleum Corporation, Trans-Asia Gold and Minerals Development Corporation and Trans-Asia Wind Power Corporation. He is the Chairman of Pangasinan Medical Center, Inc. and Vice-Chairman of One Subic Power Generation Corp. At present, Mr. Viray is a member of the Boards of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering 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. He also 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 University in 1988. He is the Senior Executive Vice President/Chief Operating Officer (COO) of PHINMA Corp. and is a Member of the Board of all the companies in the PHINMA Group which include companies in power generation, education, hotels, steel roofing, property development, oil exploration, strategic consulting and insurance brokerage.

Virgilio R. Francisco, Jr. is a Professional Industrial Engineer. He earned his Bachelor of Science degree in Management and Industrial Engineering 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 served as its Legal Counsel until 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 degree in Management Engineering from Ateneo de Manila University and holds a Master's degree in Business Administration from University of the Philippines. He is concurrently SVP/Treasurer of PHINMA Inc. and PHINMA Corp. and is the Treasurer of One Subic Power Generation Corp. Mr. Brion likewise serves various executive posts in the PHINMA-managed companies including Union Galvasteel Corp. and PHINMA Property Holdings Corp. He joined the PHINMA group in 1992.

Raymundo A. Reyes, Jr. holds a Bachelor of Science degree in Chemistry and Master of Science degree in Geology 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, 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. He worked in the National Power Corporation (NPC) for nineteen years, working mainly at the Corporate Planning Group where he was responsible for the country's Power Development Program (PDP). He joined Trans-Asia on August 1, 2006 as Vice President for Electricity Trading and Marketing. He is currently Senior Vice President of Trans-Asia. He is also President and COO of CIP II Power Corporation, President of One Subic Power Generation Corp., and Senior Vice President of Trans-Asia Power Generation Corporation.

Mariejo P. Bautista obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant with a Master's 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, One Subic Power Generation Corp., 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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Cecille B. Arenillo is a Certified Public Accountant with a Bachelor of Science degree in Commerce from the University of Sto. Tomas. She is currently the Vice President-Treasury and Compliance Officer of PHINMA Corp., Vice President-Compliance Officer of Trans-Asia Petroleum Corporation and PHINMA Property Holdings Corporation, 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.

Alan T. Ascalon is an Assistant Vice President and serves as the Legal Counsel and Assistant Corporate Secretary of the Company. He is a director of Palawan55 Exploration and Production Corp. and Trans-Asia Renewable Energy Corporation. He is the Corporate Secretary of Trans- Asia Renewable Energy Corp., Trans-Asia Wind Power Corp., One Subic Power Generation 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 degree in Mining Engineering 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 the 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.

Independent Directors

The following independent directors are not officers or substantial shareholders of Trans-Asia:

1. Mr. Raymundo O. Feliciano
2. Mr. Ricardo V. Camua
3. Mr. David L. Balangue
4. Mr. Guillermo D. Luchangco

Involvement in Certain Legal Proceedings

As of March 13, 2015, to the knowledge and/or information of Trans-Asia, none of the present members of the Board of Directors, nominees for election as directors of the Company or Executive Officers are, presently or during the last five (5) years, involved in any legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition, and none of its Directors and senior Executive Officers have been the 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 a pending criminal proceeding, domestic or foreign; (c) 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; or (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.

There are no material pending legal proceedings to which Trans-Asia 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 other than the following:

ERC Case No. 2014-0212 MC

On March 3, 2014, the Energy Regulatory Commission issued an Order voiding the electricity prices for November and December of 2013 and imposed a regulated price to be calculated based on the load weighted average of the ex-post nodal energy prices and meter quantity of the same day trading interval that have not been administered covering the period December 26, 2012 to September 25, 2013, with additional compensation to oil-based plants to cover their fuel and variable O&M costs. The Company, which purchased power from the WESM, is entitled to a refund. In a Special Payment Agreement, WESM participants agreed that the refund be undertaken over 24 months, beginning June 25, 2014. Trans-Asia Power Generation Corporation, being a WESM seller during the period, has no further obligations in the matter, having fully paid its obligations.

Item 11. Executive Compensation

For the calendar years ended December 31, 2014, 2013 & 2012, 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 2014 are as follows:

Name/Position	Year	Salaries	Bonus	Others
CEO and Top 4 (Total Compensation)				
CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation)				
Francisco L. Viray, President and CEO				
Ramon R. Del Rosario, Jr, Director & Vice Chairman				
Pythagoras L. Brion, Jr., SVP and CFO				
Rizalino G. Santos, Sr. Vice President – Power Business				
Mariejo P. Bautista, Vice President - Controller				
Estimated	2015	25,428,247	-	530,000
	2014	27,205,843	4,190,657.05	408,000
	2013	23,053,783.73	6,491,520(a)	516,000
	2012	16,523,867.99	8,743,414.47(b)	486,000
All Other Officers and Directors as a Group (Total Compensation)				
Unnamed (Estimated)	2015	9,958,000.00		1,876,000
	2014	12,449.661.61	11,347,734.26	1,888,000
	2013	13,258,408.47	18,498,554.35(a)	2,812,680.18
	2012	16,523,867.99	8,743,414.47(b)	486,000

(a) *Includes bonus accrued in 2012 but paid in 2013.*
(b) *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 March 06, 2015 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 79.95% Foreign 3.51%	4,060,404,704	83.46%
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. and PHINMA Corp. Mr. Oscar J. Hilado who is 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 March 06, 2015:

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	3,069,887	Direct	0.06%
Common	Magdaleno B. Albarracin, Jr.	Filipino	10,357,926	Direct	0.21%
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	1,313,901	Direct	0.03%
Common	Rizalino G. Santos	Filipino	3,245,245	Direct	0.07%
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	0.01%
Common	Pythagoras L. Brion, Jr.	Filipino	400,013	Direct	0.01%
Common	Cecille B. Arenillo	Filipino	100,000	Direct	0.00%
Common	Guillermo D. Luchangco	Filipino	1	Direct	0.00%

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, 2014 and 2013, 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.

2014

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	**₱718**	Rent and share in expenses	**₱40**	30-60 day ,non-interest bearing	Unsecured
Costs and Expenses	**47,213**	Management fees and share in expenses	**(19,046)**	30-day, non-interest bearing	Unsecured
Receivable	**1,988**	Advances	-	30-60 day, non-interest bearing	Unsecured, no impairment
Joint Ventures					
SLTEC					
Revenues	**28,210**	Rent and share in expenses	**209**	30-day, non-interest bearing	Unsecured
Cost and Expenses	**174,867**	Trading costs	**(192,354)**	30-day, non-interest bearing	Unsecured
Payable	**-**	Rental deposit	**(590)**	End of lease term	Unsecured, no impairment
Associate					
Asia Coal					
Payable	-	Advances	**(254)**	non-interest bearing	Unsecured, no impairment
MGI					
Costs	**699,933**	Trading cost	**(80,683)**	30-day, non-interest bearing	Unsecured
Other Related Parties					
PPHC					
Payable	**-**	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured, no impairment
Phinma Corp.					
Revenues	**5,390**	Cash dividend and share in expenses	**-**		
Costs and Expenses	**2,247**	Share in expenses	**(159)**	30-day, non-interest bearing	Unsecured
Payable	**141,400**	Advances	-	Interest bearing	Unsecured, no impairment
Union Galvasteel Corp.					
Revenue	**760**	Cash dividend	-	-	-
Asian Plaza Inc.					
Revenue	**942**	Cash dividend	-	-	-
Payable	**94,300**	Advances	-	-	-

2014

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
T-O Insurance, Inc.					
Costs and Expenses	**111,840**	Insurance expense	**(1,525)**	30-60 day, non-interest bearing	Unsecured
Receivable	**163**	Refund on overpayment	**15**	30-60 day, non-interest bearing	Unsecured , no impairment
Coral Way					
Expenses	**39**	Share in expenses	-	-	-
Directors					
Expenses	**15,797**	Annual incentives	**(12,518)**	On demand	Unsecured
Stockholders					
Payable	**193,562**	Cash dividend	**(9,135)**	On demand	Unsecured
Receivable	-	Withholding tax on property dividend	**35**	On demand	Unsecured
Due from Related Parties			**264**		
Receivable from Shareholders			**35**		
Due to Related Parties			**(294,781)**		
Due to Shareholders			**(9,135)**		
Accrued Director's and Annual Incentives			**(12,518)**		

2013

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	**₱812**	Rent and share in expenses	**₱53**	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	**61,457**	Management fees and share in expenses	**(34,961)**	30-day, non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	**2,516**	Rent and share in expenses	**133**	30-day, non-interest bearing	Unsecured, no impairment
Payable	**–**	Rental deposit	**(590)**	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	**–**	Advances	**(254)**	On demand	Unsecured
MGI					
Payable	**731**	Trading cost	**(731)**	30-day, non-interest bearing	Unsecured
Other Related Parties					
PPHC					
Payable	**–**	Advances	**(171)**	On demand	Unsecured
Phinma Corp.					
Cash Dividend	**5,156**	Dividend income	**–**		
Costs and Expenses	**938**	Share in expenses	**(5)**	30-day, non-interest bearing	Unsecured
Payable	**120,000**	Share in expenses	**–**		
Union Galvasteel Corp.					
Cash Dividend	**1,520**	Dividend income	–	–	–
Costs and Expenses	**13**	Roofing materials	–	–	–
Asian Plaza Inc.					
Cash Dividend	**1,319**	Dividend income	–	–	–
Araullo University Advances	**3,700**	Advances	–	–	–

2014					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
***T-O Insurance, Inc*.**					
Costs and Expenses	**56,627**	Insurance expense	**(639)**	30-day, non-interest bearing	Unsecured
Directors					
Expenses	**19,658**	Annual incentives	**(17,973)**	On demand	Unsecured
Stockholders					
Payable	**194,318**	Cash dividend	**(5,851)**	On demand	Unsecured
Payable	**187,218**	Cash and Property Dividend	**(184,597)**	Upon issuance of CAR	Unsecured
Due from Related Parties			**186**		
Receivable from Shareholders			**19,312**		
Due to Related Parties			**(37,351)**		
Due to Shareholders			**(190,448)**		
Accrued Director's and Annual Incentives			**(17,973)**		

2012					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱730	Rent and share in expenses	₱115	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	36,149	Management fees and share in expenses	(22,329)	30-day, non-interest bearing	Unsecured
Joint Ventures					
TA Power					
Revenues	826,424	Electricity sold, rent and share in expenses	85,536	30-day, non-interest bearing	Unsecured, no impairment
Cost and Expenses	513,576	Electricity purchases	(63,957)	30-day, non-interest bearing	Unsecured
SLTEC					
Revenues	3,926	Rent and share in expenses	1,367	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(590)	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(254)	On demand	Unsecured
Other Related Parties					
PPHC					
Revenue	2,172	Dividend income	–		
Payable	–	Advances	(171)	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,256	Dividend income	–		
Costs and Expenses	1,535	Share in expenses	(73)	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	1,520	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	1,319	Dividend income	–		
Fuld & Company					
Costs and expenses	4,977	Professional fees	(3,950)	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and Expenses	6,667	Insurance expense	(56)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,683	Annual incentives	(23,288)	On demand	Unsecured
Stockholders					
Payable	113,195	Unclaimed cash dividend	(9,034)	On demand	Secured, no impairment

			2014			
Company	Amount/ Volume	Nature		Outstanding Balance	Terms	Conditions
Due from Related Parties				**87,018**		
Due to Related Parties				**(91,380)**		
Due to Shareholders				**(9,034)**		
Accrued Director's and Annual Incentives				**(23,288)**		

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 ("Trans-Asia" or the "Company") commit themselves to the principles and best practices embodied in its Manual on Good Corporate Governance. Trans-Asia 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.

Annual Corporate Governance Report

On July 2, 2014, as required by the SEC under SEC MC No. 12, Series of 2014, the Compliance Officer submitted to the SEC the Consolidated Changes in the Annual Corporate Governance Report (the "ACGR") for Calendar Year 2013.

Updates and changes to the ACGR for 2014 were subsequently submitted to the SEC on July 8, 2014, August 27, 2014 and November 24, 2014. Consolidated Changes in the ACGR for the Calendar Year 2014 was submitted to the SEC on January 5, 2015.

As of December 31, 2014, Trans-Asia has complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee of the Company for non-compliance of the Manual.

Compliance Report

As required by the Philippine Stock Exchange (the "PSE"), the Compliance Officer submitted last March 31, 2014, a Compliance Report on Corporate Governance for the year 2013. For the said year, Trans-Asia has complied with all guidelines of the Compliance Report.

For the year 2014, the report is due on March 31, 2015. (See Attached "A")

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 2014
Exhibit B	-	Supplementary Schedules to the Consolidated Financial Statements
Exhibit C	-	Parent Company Audited Financial Statements for the Calendar Year 2014
Exhibit D	-	Annual Report of Use of Proceeds from Stock Rights Offering

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the fiscal year 2014 covered by this report:

Date of Filing	Items Reported
January 13, 2014	This is in response to a news article appearing in today's issue of Manila Standard Today quoted as follows:

> "Trans-Asia Oil and Energy Development Corp., a unit of the Phinma Group, will build a 415-megawatt power plant at the Tabangao refinery of Pilipinas Shell Petroleum Co. in Batangas City.
>
> Documents from the Energy Department showed Shell secure the fuel supply for the 415-MW combined cycle plant, which would rise on the refinery complex in the villages of San Isidro and Tabangao-Ambulong.
>
> The report did not say when Trans-Asia planned to start actual construction, but the commercial operation was expected to begin by September 2017.
>
> The plant will operate both as a merchant and contracted power facility, which means all electricity produced will be sold to both the wholesale electricity spot market and through long-term bilateral contracts with power distributors.
>
> "TA Oil will be the sole marketer of electricity generated from this power facility," the company said.

This is to clarify that Trans-Asia Oil and Energy Development Corporation is in the preliminary development stages of a 415 MW Combined Cycle Gas Turbine Power Plant Project which will use Liquefied Natural Gas as fuel. The company filed with

	the DOE an application for a certificate of endorsement of the project. The scheduled Commercial Operations Date of 3rd Quarter 2017 is based on construction commencing in the third quarter of 2014. However, Trans-Asia has yet to make a financial investment decision on this project.
January 21, 2014	Please be informed that Otto Energy Investments, Ltd. ("Otto") notified Trans-Asia's subsidiary, Palawan55 Exploration & Production Corporation ("Palawan55"), that Otto had executed final binding agreements with BHP Billiton Petroleum (Philippines) Corporation ("BHPB") terminating their farmout agreement and Otto's assumption of BHPB's sixty percent (60%) participating interest in SC 55. Under the termination deeds, BHPB shall pay Otto US $ 3 million upon Department of Energy approval of the re-assignment of interest and a further US $ 24.5 million upon completion of drilling of an exploratory well in the contract area. Otto shall submit to the DOE a Sub-Phase 4 work program and budget to include the drilling of the Hawkeye – 1 well as early as the 4th quarter of 2014. Hawkeye is a sandstone project in 1,690 meters of water defined by 3D seismic data. Upon approval of the re-assignment of BHPB's interest, the distribution of interests in SC 55 shall be Otto, 93.18% and Palawan55, 6.82%.
February 10, 2014	Please be informed that Maibarara Geothermal, Inc. (MGI), 25% - owned subsidiary of Trans-Asia Oil and Energy Development Corporation, commenced commercial operation of its 20-MW integrated geothermal facility in Sto. Tomas, Batangas on February 8, 2014. Trans-Asia Oil and Energy Development Corporation is the sole offtaker of the electricity output of the power plant. The Maibarara facility is the first geothermal project to go onstream under the Renewable Energy Act of 2008. Other partners in the project are Petrogreen Resources Corporation and PNOC Renewables Corporation with 65% and 10% equity, respectively.
February 10, 2014	Please be informed that the Annual Meeting of Stockholders of Trans-Asia Oil and Energy Development Corporation will be held on Monday, March 24, 2014 at 2:00 in the afternoon at the Manila Peninsula Hotel, Makati City. The agenda for the said meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of Previous Meeting
4. Annual Report
5. Ratification of All Acts and Resolutions of the Board of Directors and Management since the last annual shareholders meeting
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

The record date for the determination of the shareholders entitled to notice and to vote at said meeting is February 21, 2014.

February 12, 2014	In connection with our disclosure on November 8, 2013, where we disclosed that Trans-Asia was one of the highest ranking bidders for the sale of the capacity of the Unified Leyte Geothermal Power Plants (“ULGPP”), please be informed that Trans-Asia received and accepted that Notice of Award from the Power Sector Assets and Liabilities Management Corporation (PSALM) of Forty (40) Strips of Energy of the ULGPP.
February 25, 2014	This refers to your letter dated February 25, 2014, requesting for clarification/confirmation of the news article entitled “Likely Naga complex bidders named” posted in Business World Online on February 25, 2014. The article reported in part that: “The Power Sector Assets and Liabilities Management Corp. (PSALM) has named the prospective bidders for the sale of the 153.1-megawatt (MW) Naga power plant complex in Cebu. The state-run firm, in a statement, said that four local firms attended yesterday’s pre-bid conference for the third-round auction of the power asset. “AC Energy Holdings, Inc.; SPC Power Corp.; Therma Power Visayas, Inc.; and Trans-Asia Oil and Energy Development Corp. [comprised] the four Filipino companies who attended the pre-bidding activity and are looking to acquire the Cebu-based power facility, “PSALM President and Chief Executive Officer Emmanuel R. Ledesma, Jr. said in the statement…” We confirm the accuracy of the news article insofar as Trans-Asia is concerned.

March 03, 2014	Please be informed that the SC 6 Block B consortium elected to enter into the 2nd 5 – year extension period of subject service contract which starts on March 1, 2014. The consortium proposed to the Department of Energy that it be allowed to submit the work program and budget for said extension period by March 31, 2014. The consortium recently completed geological and geophysical studies under the 1st 5 – year extension period. Trans-Asia Petroleum, wholly-owned subsidiary of Trans-Asia, has 14.063% participating interest in Service Contract 6 Block B.
March 10, 2014	We confirm the accuracy of the news report published today in the website of the Manila Standard Today, which states in part: "Trans-Asia Oil and Energy Development Corp., a unit of the Phinma Group, has ventured into hydropower development and plans to build a 300-megawatt pumped storage facility in Pililla, Rizal. Trans-Asia has a pending application with the Energy Department for the 300-MW pumped storage hydro project, which can store water for use especially during peak hours. Trans-Asia also asked the Energy Department to approve its plan to develop a 10-MW hydropower project in Ilagan, Isabela. The department has yet to issue the hydro service contracts for the two projects. Once approved, the two projects will expand Trans-Asia's power generation portfolio to include hydropower plants, on top of existing and future investments in wind power, geothermal energy, coal power, liquefied natural gas as well as in oil and gas exploration. Trans-Asia has pending applications for Service Contracts with the DOE over (1) a 300 MW pumped storage hydro project in Pililia, Rizal and (2) a 10 MW hydro project in Ilagan, Isabela. No Service Contracts have been issued over the two projects. The Company has yet to make the decision to invest in either project.
March 14, 2014	Please be informed that Palawan55 Exploration & Production Corporation ("Palawan55"), a subsidiary of Trans-Asia, has been notified by Otto Energy Investments, Ltd. ("OEL") of the approval by the Department of Energy of the transfer of the 60% participating interest of BHP Billiton Petroleum

	(Philippines) Inc. ("BHPB") in SC 55 to Otto Energy Philippines, Inc. ("OEP"). The DOE also approved the transfer of SC 55 Operatorship from BHPB to OEL. The above approvals formalize the exit of BHPB in SC 55. The current distribution of participating interests in SC 55 is as follows: Palawan55, 6.82%; OEP, 60%; and OEL, 33.18%.
March 24, 2014	Please be informed that at the regular meeting of the Board of Directors of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION held today, the board declared a cash dividend of P0.04 per share, payable on May 7, 2014 to all shareholders of record as of April 7, 2014.
March 24, 2014	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
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Francisco L. Viray
Roberto M. Laviña
Victor J. del Rosario
Pythagoras L. Brion, Jr.
Raymundo O. Feliciano (Independent)
Ricardo V. Camua (Independent)
David L. Balangue (Independent)
Guillermo D. Luchangco (Independent)

(2) The auditing firm of Sycip Gorres Velayo and Company was reappointed external auditors for the year 2014;

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
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:

Executive Committee/Stock Option Committee:

Ramon R. del Rosario, Jr	-	Chairman
Oscar J. Hilado	-	Member
Magdaleno B. Albarracin, Jr.	-	Member
Francisco L. Viray	-	Member
Guillermo D. Luchangco	-	Member

Audit Committee:

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

Nomination Committee:

Ramon R. del Rosario, Jr.	-	Chairman
Oscar J. Hilado	-	Member
Raymundo O. Feliciano	-	Member

Compensation Committee:

Oscar J. Hilado	-	Chairman
Ramon R. del Rosario, Jr.	-	Member
David L. Balangue	-	Member

April 11, 2014

Please be informed that Trans-Asia Oil and Energy Development Corporation (the "Company") executed a Php1

	Billion 5-year Term Loan Agreement with Security Bank Corporation and a Php 1.5 Billion 10-year Corporate Note Facility with China Banking Corporation. Proceeds of the loans will be used to fund the Company's projects and working capital.
April 21, 2014	This refers to your letter dated April 21, 2014, requesting confirmation and/or clarification of the news article entitled "Power to take up bulk of Phinma capex for 2014" published on April 21, 2014 at Inquirer.net. The article read as follows: *The Phinma Group has set a capital expenditure (capex) program of P11.8 billion for 2014, and much of it will be taken up by its flagship energy unit Trans-Asia Oil and Energy Development Corp.* *Regina B. Alvarez, Phinma's SVP for Finance, told reporters that around P10.8 billion had been set aside for Trans-Asia. That is 91.5 percent of the group's budget pie. The rest of the capex, or P60 million, will be taken up by Union Galvasteel Corp.* *This year, Trans-Asia is embarking on several projects with Trans-Asia Renewable Energy Corp. (Tarec) and South Luzon Thermal Energy Corp. (Sltec), a joint venture between Trans-Asia and AC Energy Holdings Inc. of the Ayala Group.* *The 54-megawatt San Lorenzo wind farm in Guimaras, the first of Tarec's wind project portfolio, is under construction and may be completed in the third quarter of 2014.* *Sltec is undertaking the 270-megawatt clean coal power project in Calaca, Batangas. The project is expected be fully operational by 2016, with the first phase to be completed by end-2014 and the second phase by 2015. Each phase involves 135-megawatt of capacity.* *Phinma's flagship company in the energy industry plans to expand capacity to "close to 500 megawatts" or so by 2016, president and CEO Francisco L. Viray said in an interview on the sidelines of the parent firm's stockholders meeting. Presently the firm has 250 megawatts in capacity.* *Trans-Asia recently took on a P1-billion, 5-year term loan agreement with Security Bank Corp. and a P1.5-billion 10-year corporate note facility with China Banking Corp. Proceeds of the loans will be used to fund the company's projects.* *Beyond coal and wind, Trans-Asia may go into hydroelectric power and gas-fired power plant operation, Viray said. The company has asked the Department of Energy to grant it a*

service contract for a 10-megawatt hydropower project in Ilagan, Isabela."

Trans-Asia hereby confirms the accuracy of the news article as published.

April 25, 2014

Please be informed that Trans-Asia Oil and Energy Development Corporation (the "Company") executed today a Php 500 Million 10-year Fixed Rate Corporate Notes Facility Agreement with China Bank Corporation and Banco De Oro Unibank, Inc. Proceeds of the loan will be used to fund the Company's projects and working capital.

May 02, 2014

Please be informed that Otto Energy Investments, Ltd. ("Otto"), the Operator, notified partners that it has elected to withdraw from SC 51.

Otto recently completed its post-well analysis of the Duhat-2 well which was drilled in July 2013. The Duhat-2 well was abandoned before reaching its target horizon after the well encountered high pressure water at high flow rates.

Otto's withdrawal from SC 51 and transfer of its participating interest to the remaining parties are subject to the approval of the Department of Energy.

Trans-Asia Petroleum Corporation, subsidiary of Trans-Asia Oil and Energy Development Corporation, currently has a 6.67% participating in SC 51.

May 07, 2014

Please be informed that Palawan55 Exploration & Production Corporation ("Palawan55"), a subsidiary of Trans-Asia, has been notified by Otto Energy Investments, Ltd. ("OEL") of the confirmation by the Department of Energy of the variation to the work program timing following delayed issuance of the Strategic Environmental Plan from the Palawan Council for Sustainable Development in 2012/13.

Accordingly, the revised timing for work program commitment is as follows:

Sub-Phase	**Work Program**	**Revised Work Schedule**
SP4	Drill One (1) deepwater well	6 Aug 2011 – 23 Dec 2014
SP5	Drill One (1) deepwater well	23 Dec 2014 – 23 Dec 2016

The revision represents an extension of approximately 14 months.

OEL further advised that for several months now they have been into a farm-out process to be able to bring-in a new joint venture partner suitably qualified for deepwater operations.

The current distribution of participating interests in SC 55 is as follows: Palawan55, 6.82%; OEP (Otto Energy Philippines), 60%; and OEL, 33.18%.

May 12, 2014

Please be informed that Trans-Asia Power Generation Corporation ("TAPGC"), a wholly owned subsidiary of Trans-Asia Oil and Energy Development Corporation ("TA") purchased today from Udenna Energy Corporation ("Udenna"), the entire outstanding shares of stock of One Subic Power Generation Corporation ("OSPGC"), the lessee and operator of the 116 Megawatt Diesel Power Plant located in Subic Bay Freeport Zone.

The acquisition of OSPGC added to TA's growing generation portfolio, which already includes TA's diesel power plants in Norzagaray, Bulacan, Bacnotan, La Union and Guimaras; the Maibarara Geothermal plant, a portion of the Sem-Calaca power plant, and a 40 Megawatt capacity from the Unified Leyte geothermal facilities. Currently in construction are TA's 52 megawatt wind farm in San Lorenzo, Guimaras and the 135 Megawatt coal power plant in Calaca, Batangas, through South Luzon Thermal Energy Corp., a 50-50 joint venture with AC Energy Holdings, Inc.

June 09, 2014

This refers to your letter dated 09 June 2014, requesting confirmation and/or clarification of the following news articles posted online today:

Trans-Asia may get power barges
Manila Standard Today (Internet Edition)
Posted June 09, 2014

"POWER Sector Assets and Liabilities Management Corp. plans to negotiate with Trans-Asia Oil and Energy Development Corp., the second highest bidder for three power barges in Iloilo, after the winning company pulled out from the deal in March.

Trans-Asia, the power unit of the Phinma Group, emerged as the second highest bidder, with an offer of P370.52 million, lower than the bid of SPC Island Power which submitted a bid of P545.89 million.

'We have requested OGCC for an opinion whether we can legally enter into a negotiation with the second winning

bidder,' PSALM president and chief executive Emmanuel Ledesma Jr. said.

Apo geothermal draws nine interested parties
BusinessWorld Online
Posted June 09, 2014

"NINE investor groups have formally expressed interest in the September auction for the Mt. Apo geothermal power plants, the Power Sector Assets and Liabilities Management Corp. (PSALM) said over the weekend.

'The selection and appointment of the independent power producer administrator (IPPA) for the output of the Mindanao I and II (Mt. Apo 1 and 2) Geothermal Power Plants has drawn the interest of nine investor groups,' PSALM President and Chief Executive Officer Emmanuel R. Ledesma, Jr. said in a statement.

These firms have been identified as: EDC Mindanao Geothermal Inc.; FDC Misamis Power Corp.; GDF SUEZ Energy Philippines, Inc.; Good Friends Hydro Resources Corp.; SMC Global Power Holdings Corp,; SPC Power Corp.; Therma Southern Mindanao, Inc.; Trans-Asia Oil and Energy Development Corp.; and Vivant Geo Power Corp.

Mr. Ledesma made the announcement following the closing of the deadline for fulfilling initial bid requirements.

We confirm that Trans-Asia and PSALM are exploring the possibility of Trans-Asia's acquisition of the 32-MW Power Barge 101 and 32-MW Power Barge 102 located in Obrero, Iloilo City and 32-MW Power Barge 103 located in Estancia Iloilo (the "Power Barges"). Trans-Asia is awaiting the outcome of the termination notice sent by the winning bidder and the OGCC's opinion on the legality of a negotiated sale of the Power Barges.

On the second news article, Trans-Asia confirms that it has expressed interest in the proposed Independent Power Producer Administrator Contract for the Output of Mindanao I and II (Mt. Apo 1 and 2) Geothermal Power Plants.

July 10, 2014

Please be informed that the Department of Energy notified us of the award of three (3) Hydropower Service Contracts to Trans- Asia covering certain areas in Pililia, Rizal (300MW), Iligan, Isabela (10MW) and Buguias, Benguet (10MW).

All the aforementioned contracts provide for a two-year Pre-Development Stage during which Trans-Asia shall evaluate the commercial feasibility of the projects. Upon Declaration of Commerciality, each of the projects shall proceed to the Development Stage which is valid for 25 years.

August 1, 2014	In compliance with the commission's requirements under SEC Memorandum Circular No. 20 Series of 2013, please be informed that the directors and officers of Trans-Asia Oil and Energy Development Corporation, as listed below, have attended a Corporate Governance training for the year 2014 with Sycip, Gorres and Velayo as trainors and date of training on July 28, 2014. 1. *Oscar J. Hilado* 2. *Magdaleno B. Albarracin, Jr.* 3. *Victor J. del Rosario* 4. *Roberto M. Lavina* 5. *Francisco L. Viray* 6. *Raymundo O. Feliciano* 7. *Pythagoras L. Brion, Jr.* 8. *Ricardo V. Camua* 9. *David L. Balangue* 10. *Virgilio R. Francisco, Jr.* 11. *Raymundo A. Reyes, Jr.* 12. *Rizalino G. Santos* 13. *Cecille B. Arenillo* 14. *Mariejo P. Bautista* 15. *Manuel G. Garcia* 16. *Alan T. Ascalon* 17. *Miguel Romualdo T. Sanidad* 18. *Juan J. Diaz* Two directors, Messrs. Ramon R. del Rosario, Jr. and Guillermo D. Luchango, attended the corporate governance training that was arranged by Ayala Corporation and Globe Telecoms, respectively. Enclosed are copies of their certificates of attendance.
August 1, 2014	Please be informed that the Philippine Stock Exchange notified Trans-Asia Petroleum Corporation (TAPET), a 100% subsidiary of Trans-Asia Oil and Energy Development Corporation, of the PSE Board's approval of TAPET's application for initial listing by way of introduction of 250,000,000 common shares, with par value of P1.00 per share, under the Main Board of the Exchange, at an initial listing price of P4.60 per share, subject to certain conditions.
August 18, 2014	Please be informed that Mr. Frederick C. Lopez retired as Officer of Trans-Asia Oil and Energy Development Corporation effective August 16, 2014.

August 26, 2014	Please be informed that Trans-Asia Petroleum ("TA Petroleum"), 100% subsidiary of Trans-Asia Oil and Energy Development Corporation ("TA-Oil) was recently notified of the Securities and Exchange Commission ('SEC') Order of Registration rendering effective TA Petroleum's Registration Statement covering 250,000,000 common shares with the par value of P 1.00 per share, out of which 123,161,310 shares will be distributed as property dividend to Ta-Oil shareholders as of Record Date of August 5, 2013. By virtue of the SEC approval of the application of Ta Oil for exemptive relief from the 18- day payment date requirement, the payment date for the property dividend was moved to within ten (10) trading days from the date the following regulatory approvals are obtained: 1. *Approval of the property dividend by the SEC;* 2. *Approval of the registration statement of TA Petroleum by the SEC; and* 3. *Issuance by the Bureau of Internal Revenue (BIR) of the corresponding Certificate Authorizing Registration (CAR).* The SEC approved the property dividend on 07 October 2013 while the BIR issued the CAR on 27 March 2014. Subsequently, the SEC issued on 14 August 2014, an Order of Registration approving TA Petroleum's Registration Statement. Thus, the payment date of 20 August 2014 is within 10 trading days from issuance of the last regulatory approval on 14 August 2014. All shareholders of record will receive cash in the amount of P0.013 per share U.S. based stockholders of TA Oil shall receive cash in the amount of P0.0385 per TA-Oil share in lieu of TA Petroleum shares.
August 26, 2014	Please be informed that Trans-Asia Petroleum Corporation ('TAPET"), a subsidiary of Trans-Asia Oil and Energy Development Corporation, entered into a Memorandum of Agreement with Frontier Energy Limited and Frontier Oil Corporation regarding TAPET's acquisition of ten percent (10%) participating interest in Service Contract No. 50 dated March 11, 2005. Execution of definitive agreements will follow.
October 14, 2014	This is to response to the request for confirmation of a news article posted in today's issue of The Philippine Star, quoted as follows: *"Psalm starts talks with Trans-Asia on privatization of power barges* *By: Iris C. Gonzales*

	October 14, 2014 MANILA, Philippines- The Power Sector Assets and Liabilities Management Corp.(PSALM), the government agency tasked to private state-owned power assets, has started negotiations with the Phinma Group's Trans-Asia Oil & Energy Corp. for the privatizationof Power Barges 101, 102 and 103. "We have started negotiation with them pursuant to the board's approval,"said PSALM president Emmanuel Ledesma Jr. He said PSALM expects to conclude the negotiations within 30 days." Xxxxxxx Trans-Asia, the power unit of the Phinma Group is the second highest bidder of the barges, with as offer P370.52 million. We confirm that Trans-Asia is in talks with PSALM for the possible acquisition of the 32-MW Power Barge 101 and 32-MW Power Barge 102 located in Obrero, Iloilo City and 32-MW Power Barge 103 located in Estancia Iloilo (the"Power Barges"). The terms and conditions of the sale of the Power Barges are still being discussed by the parties and have not been confirmed by Trans-Asia's Board.
November 17, 2014	Please be informed that Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") was issued a Notice of Award as one of the winning bidders in the Joint Competitive Power Supply Procurement of Region 8 Electric Cooperatives, namely, DORELCO, LEYECO 3, LEYECO 4, LEYECO 5, SOLECO, BILECO, SAMELCO1, SAMELCO2, ESAMELCO and NORSAMELCO. Subject to negotiation of mutually-acceptable power supply agreement, Trans-Asia will supply the Region 8 Electric Cooperatives an aggregate baseload demand of 40 MW in 2015 and 20 MW in 2016.
November 24, 2014	This is in response to the request for confirmation of a news article posted in today's issue of Manila Standard Today.com quoted as follows: "Trans-Asia set to win 96-MW power barges By: Alena Mae S. Flores, Nov. 23, 2014 Power Sector Assets and Liabilities Management Corp. (PSALM), is likely to award three diesel-fired power barges with a combined capacity of 96 megawatts to Trans-Asia Oil and Energy Development Corp. of the Phinma Group. PSALM president Emmanuel Ledesma said negotiations with Trans-Asia, the second highest bidder for Power Barges 101, 102 and 2013, were almost completed.

	Xxxxxxxx Ledesma said the award would likely be held 'within the year.' Negotiations for the sale of the power barges focused on the insurance claims." Xxxxxxxx 'Should the cost of repair be not fully covered by GSIS [Government Service Insurance System], PSALM will have a participation fee of up to a maximum of P20 million only. Anything beyond that would be for the account of Trans-Asia,' Ledesma said. We confirm that Trans-Asia and PSALM are in the final stages of talks for the possible acquisition of Power Barges 101, 102 and 103 (the "Power Barges"). The terms and conditions of the sale of the Power Barges including the insurance claims from the Government Service Insurance System (GSIS) for losses caused by Typhoon Yolanda are still being assessed by Trans-Asia, but it is expected that the transaction will be held within the year.
November 25, 2014	Please be informed that The Board of Directors of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") approved today the change of Trans-Asia's principal office address from "Makati, Rizal, Philippines" to "Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City".
December 15, 2014	Please be informed that the Trans-Asia Renewable Energy Corporation ("TAREC") has fully completed and commissioned all 27 wind towers of its San Lorenzo Wind Farm Project in Guimaras Island, bringing in an additional 54 Megawatts (MW) of much-needed clean and renewable power to the grid. The Wind Farm has been delivering power to the grid as early as October 7 this year. In what is seen as the biggest private investment in Guimaras in recent years, TAREC has poured in some PHP6.5 billion into the Project, including upgrades in Guimaras' grid connection and a PHP 570 Million world-class submarine cable connecting Guimaras with Panay. As a result, TAREC is currently the only wind farm under the Renewable Energy (RE) Act that is able to deliver 100% of its capacity to the grid without constraints. An application for Certificate of FIT Endorsement (COE-FIT) has been filed with the Department of Energy and is now under process.

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 14, 2015

Trans-Asia Oil and Energy Development Corporation

By:

FRANCISCO L. VIRAY
President and CEO

ROBERTO M. LAVIÑA
Treasurer

Raymundo A. Reyes Jr.

RAYMUNDO A. REYES, JR.
Senior Vice President

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

RIZALINO G. SANTOS
SVP-Power Business

MARIEJO P. BAUTISTA
SVP-Finance and Controller

JUAN J. DIAZ
Corporate Secretary

Republic of the Philippines)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this APR 15 2015 day of April, 2015 affiant(s) exhibiting to me his/her Driver's License/Passport/Community Tax Certificates, 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	EC1494118	June 28, 2014
Raymundo A. Reyes, Jr.	EB2193620	April 6, 2016
Pythagoras L. Brion, Jr.	EB6637129	October 23, 2017
Rizalino G. Santos	EB4804535	February 27, 2012
Mariejo P. Bautista	N02-96-322934	May 13, 2017
Juan J. Diaz	1714595	March 2002

Notary Public
JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 107
Page No. 23
Book No. 2
Series of 2015

COVER SHEET

0 6 9 - 0 3 9 2 7 4
S.E.C. Registration Number

TRANS-ASIA OIL AND ENERGY
DEVELOPMENT CORPORATION

(Company's Full Name)

LEVEL 11-PHINMA PLAZA 39 PLAZA
DRIVE, ROCKWELL CENTER MAKATI

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

CECILLE ARENILLO
Contact Person

8700388
Company Telephone Number

12 1 — 3 1
Month Day
Calendar Year

UPDATES AND
CHANGES ACGR
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic — Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

SEC
Electronic Records Management Division
ICTD
APR 0 8 2015
12
BY
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

8 April 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: DIR. JUSTINA F. CALLANGAN
CORPORATION AND FINANCE DEPARTMENT
SEC Bldg., EDSA
Greenhills, Mandaluyong City

Dear Dir. Callangan:

In compliance with the Commission's requirements under SEC Memorandum Circular No. 12, Series of 2014 to send an advisement letter for updates and changes in the Annual Corporate Governance Report (ACGR) that are not reportable under Section 17 of the Securities Regulation Code, please be informed that Trans-Asia Oil and Energy Development Corporation has made updates and changes in the ACGR as of 7 April 2015 as follows:

1. Composition of the Board under BOARD MATTERS.
2. Roles, Accountabilities and Deliverables of Directors, Criteria for Board of Directors under BOARD MATTERS
3. Voting Results of the last Annual General Meeting under Changes in the Board of Directors under BOARD MATTERS
4. Policies under CODE OF BUSINESS CONDUCT AND ETHICS
5. Attendance of Directors and Policy of the role of the Corporate Secretary under BOARD MEETINGS AND ATTENDANCE
6. Remuneration Policy and Structure for Executive and Non-Executive Directors under REMUNERATION MATTERS
7. Number of members, function and responsibilities and date of appointment under BOARD COMMITTEES
8. Progress Against Plans, Issues, Findings and Examination Trends under INTERNAL AUDIT AND CONTROL
9. Company's policy and activities under ROLE OF STAKEHOLDERS
10. Company's training and development programs for its employees, company's reward/compensation policy and company's procedures for handling complaints under ROLE OF STAKEHOLDERS
11. Questions and answers during the ASM, results of ASM resolutions and Stockholders' Attendance under RIGHTS OF STOCKHOLDERS
12. Corporate Social Responsibility Initiatives

We trust the above submission is in full compliance with the SEC requirement.

Thank you.

Very truly yours,

CECILLE B. ARENILLO
Compliance Officer

JUAN J. DIAZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2012.

2. Exact Name of Registrant as Specified in its Charter

   TRANS ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

3. 11F Phinma Plaza, 39 Plaza Drive Rockwell Center, Makati City 1200
   Address of Principal Office Postal Code

4. SEC Identification Number 069039274 5. (SEC Use Only)

   Industry Classification Code

6. BIR Tax Identification Number 000-506-020-000

7. 632 8700100
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Oscar J. Hilado	NED	Phinma	Ramon R. del Rosario	Sept 1969	April 7, 2015	Annual Meeting	45
Ramon R. del Rosario, Jr.	NED	Phinma	Oscar Hilado	April 2002	April 7, 2015	Annual Meeting	12
Magdaleno B. Albarracin, Jr	NED	Phinma	Oscar Hilado	1986	April 7, 2015	Annual Meeting	29
Francisco L. Viray	ED	Phinma	Oscar Hilado	Jan 2000	April 7, 2015	Annual Meeting	15
Roberto M. Laviña	ED	Phinma	Oscar Hilado	April 12, 2005	April 7, 2015	Annual Meeting	10
Victor J. del Rosario	NED	Phinma	Oscar Hilado	Sept. 15, 2008	April 7, 2015	Annual Meeting	7
Pythagoras L. Brion, Jr.	ED	Phinma	Oscar Hilado	March 24, 2014	April 7, 2015	Annual Meeting	2
Raymundo O. Feliciano	ID		Oscar Hilado (None)	Sept 1969	April 7, 2015	Annual Meeting	45
Ricardo V. Camua	ID		Oscar Hilado (None)	1996	April 7, 2015	Annual Meeting	18
David L. Balangue	ID		Ramon del Rosario (None)	March 24, 2010	April 7, 2015	Annual Meeting	5
Guillermo D. Luchangco	ID		Ramon del Rosario (None)	April 22, 2013	April 7, 2015	Annual Meeting	2

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

In the Revised Manual on Good Corporate Governance which the Board approved on March 3, 2011, the Board of Directors and Management of the company committed themselves to the principles and best practices of good corporate governance and acknowledged that the same will serve as guide in the attainment of our corporate goals. The manual shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management, employees and

[1] Reckoned from the election immediately following January 2, 2012.

shareholders, believe that corporate governance is a necessary component to what constitutes sound strategic business management and will therefore undertake every effort necessary to create and sustain awareness within the organization.

The Board of Directors recognize that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the Board of Directors believe that the following shareholder rights should be extended to all shareholders of the Company:

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- All shareholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.
- All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished annual reports, including financial statements, without cost or restrictions.
- All shareholders shall be provided, upon request, periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
- The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.
- Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- All shareholders shall have appraisal rights as provided under the Code.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

(c) How often does the Board review and approve the vision and mission?

The Board, upon the recommendation of senior management, reviews the vision and mission of the Company as it deems appropriate. The Board ensures that the plans and actions of the Company are aligned with its vision and mission. This exercise was done last July 2014. On the other hand, corporate strategies are reviewed and discussed semi-annually as part of the Group planning meetings. The last planning meeting was held July 2014.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar J. Hilado	Phinma,Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc. Trans-Asia Gold and Minerals Trans Asia Petroleum Corp Palawan 55 Exploration and Production Corp. One Subic Power Generation Corp.	Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Magdaleno B. Albarracin, Jr.	Phinma, Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Trans-Asia Petroleum Corp. Palawan 55 Exploration and Production Corp. Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Asian Plaza, Inc Fuld & Company, Inc. Fuld & Company (Philippines), Inc One Subic Power Generation Corp.	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	Phinma, Inc. Phinma Corp. Phinma Property Holdings Corporation Union Galvasteel Corporation	Executive Executive Non-Executive Non-Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc Microtel Development Corp. Fuld & Company, Inc. Fuld & Company (Philippines), Inc. South Luzon Thermal Energy Corp. CIP II Power Corporation Trans Asia Petroleum Corp. One Subic Power Generation Corp.	Non-Executive Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman)
Francisco L. Viray	Trans-Asia Power Generation Corp. South Luzon Thermal Energy Corp. CIP II Power Corporation Trans-Asia Petroleum Corp. Palawan 55 Exploration and Production Corp. Trans-Asia Renewable Energy Corp. Maibarara Geothermal Inc. Phinma Corp. One Subic Power Generation Corp.	Executive Executive Executive Executive Non-Executive (Chairman) Executive Non-Executive Non-Executive Non-Executive
Victor J. del Rosario	Phinma , Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Trans-Asia Renewable Energy Corp. Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Asian Plaza, Inc. Microtel Development Corporation Microtel Inns & Suites Fuld & Company, Inc. Fuld & Company (Philippines), Inc. CIP II Power Corporation T-O Insurance Brokers, Inc.	Executive Executive Non-Executive Non-Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Roberto M. Laviña	Phinma , Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc Microtel Development Corp. Fuld & Company, Inc. Fuld & Company (Philippines), Inc. T-O Insurance Brokers, Inc. CIP II Power Corp	Executive Executive Executive Non-Executive Non-Executive Executive Executive Executive Executive Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive
David L. Balangue	Trans-Asia Power Generation Corp.	Independent

Guillermo D. Luchangco	Phinma Property Holdings, Inc. Phinma Corporation Fuld & Company (Philippines), Inc.	Independent Independent Independent
Pythagoras L. Brion, Jr.	CIP II Power Corporation Trans-Asia Petroleum Corp. Phinma Property Holdings Corp.	Executive Executive Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar J. Hilado	Holcim Philippines, Inc. First Philippine Holdings Corporation Philex Mining Corporation	Non-Executive – Chairman Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	Ayala Corporation Holcim Philippines, Inc.	Non-Executive Non-Executive
Magdaleno B. Albarracin, Jr.	Holcim Philippines, Inc.	Non-Executive
Guillermo D. Luchangco	Globe Telecommunications, Inc. Roxas & Co., Inc. Ionics, Inc.	Independent Independent Non-Executive
David L. Balangue	Manufacturers Life Insurance (Phils.), Inc. Manulife Financial Plans, Inc. Roxas Holdings, Inc.	Non-executive Non-executive Independent

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Oscar J. Hilado	Phinma, Inc.	Chairman of the Board, director and shareholder.
	Phinma Corp.	Chairman of the Board and shareholder
Magdaleno B. Albarracin, Jr.	Phinma, Inc.	Director and shareholder
	Phinma Corp.	Director and shareholder
Ramon R. del Rosario, Jr.	Phinma, Inc.	Director, President and shareholder
	Phinma Corp.	President & Vice Chairman
Victor J. del Rosario	Phinma, Inc.	Director, Executive Vice President, and shareholder
	Phinma Corp.	Director, Senior Executive Vice President and COO, and shareholder
Robert M. Lavina	Phinma, Inc.	Director, Senior Executive Vice President and COO, and shareholder
	Phinma Corp.	Director, Senior Executive Vice President and COO and shareholder
Guillermo D. Luchangco	Phinma Corp.	Independent Director

(iv) **Has the company set a limit on the number of board seats in other companies (publicly listed,**

ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines: No.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations.	
Non-Executive Director	As above	
CEO	As above	

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares (as of December 31, 2014)	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar J. Hilado (Chairman)	4,500,000		.0925%
Ramon R. del Rosario Jr. (Vice Chairman)	16,633,513	26,704,008 (thru Emar Corp)	.3420%
Francisco L. Viray (President and CEO)	9,429,730		.1939%
Roberto M. Laviña (SEVP/Treasurer)	3,069,887		.06%
Pythagoras L. Brion, Jr. (SVP and CFO)	400.013		.01%
Guillermo D. Luchangco	1		
Magdaleno B. Albarracin Jr.	10,307,926		.21%
Raymundo O. Feliciano	1,154,017		.0237%
Ricardo V. Camua	1,225,000		.0252%
Victor J. del Rosario	3,620,362	26,704,008 (thru Emar Corp)	.0744%
David L. Balangue	1,610,001		.0331%
TOTAL	51,550,437		1.0608%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [x] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Oscar J. Hilado
CEO/President	Francisco L. Viray

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Presides at all meetings of the Board of Directors and stockholders. Responsible for leadership in the Board. Chair of Nominations Committee.	General supervision of the company's business, properties and affairs and managing it within the authorities delegated by the Board. Presides over all meetings of the board in the absence of the Chairman.
Accountabilities/ Deliverables	Efficient operation of the Board and its committees in conformity with the highest standards of corporate governance. Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom. Promotion of effective communication with shareholders and other stakeholders Constructive debate and effective decision-making. Spearhead a board that initiates change and planning succession on Board and Group Executive appointments. Properly established Board committees which are composed suitably to operate efficiently. Provision of sound business support and advice to the CEO in strategy development. Promotion of effective working relationship and communications between executive and non-executive directors and Excom Well-established open relationship with the Chief Executive.	Development of annual plans, consistent with agreed strategies, for presentation to the Board for support. Ensure that an organisational structure is in place including processes and systems to guarantee the efficient deployment of resources. Responsible to the Board for the performance of the business, consistent with the mission and vision of the Company. Timely communication of financial results, milestones, etc. to the investing public. Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom. Warrant management succession and development plans. Thorough review of capital investment proposals and efficient identification and management of risks An effective framework of internal controls over risk in relation to all business activities is in place. Close relationship anchored on trust with the Chairman.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Nominations Committee shall pre-screen and short list all candidates nominated to become members of the Board of Directors in accordance to a set of pre-selected criteria as stated in the Manual on Good Corporate Governance. This shall then be presented to the Board wherein not only the current skills of officers but also their potential are taken into consideration, keeping in mind business continuity and alignment with the company's vision and mission. Moreover, the CEO regularly monitors performance of each individual officer and plans for their future. The Human Resources' leadership programs also aid in identifying potentials for leadership position among the employees and officers.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The company's Manual on Good Corp Governance states that the board members shall be a combination executive, non-executive and independent directors to ensure that no director or small group of directors dominate the decision-making process The board shall be comprised of a good mix of directors with varying backgrounds, whose business experience shall allow them to participate actively in the deliberations.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, criteria for the nomination/election of a non-executive director are 1) a practical understanding of the business of the company, 2) should possess previous business experience, 3) should have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies and 4) shall be a member of good standing in a relevant industry, business or professional organization.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

As stated in the company's Manual on Good Corporate Governance Section 2.2.1.3, the following are the duties and responsibilities of a director:

- To exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Company.
- To devote time and attention necessary to properly discharge his duties and responsibilities
- To act judiciously
- To exercise independent judgment
- To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission , and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality
- To ensure the continuing soundness, effectiveness and adequacy of the Company's control

environment.
- To conduct business transactions with the Company, if any, in a manner that is fair and ensures that personal interest does not bias Board decisions.

The following are the director's deliverables:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Company's purpose, its vision and mission and strategies to carry out its objectives.
- Provide sound strategic policies and guidelines to the Company on major capital expenditures.
- Establish programs that can sustain its long-term viability and strength and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Require that the Corporation comply with all relevant laws, regulations and codes of best business practices.
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communications program, which shall be under the supervision of the Chief Executive Officer.
- Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- Adopt a system of internal checks and balances including a_continuing review of the corporation's internal control systems.
- Formulate policies and procedures that will ensure the integrity and transparency of related party transactions.
- Establish and maintain an alternative dispute resolution system for the amicable settlement of conflicts and differences among all stakeholders including the regulatory authorities.
- Appoint a Compliance Officer. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.
- Identify key risk areas and key performance indicators and monitor these factors with due diligence.
- Properly discharge Board functions by meeting regularly. Independent directors shall, as much as possible, attend all Board meetings. The Board may also require the presence of at least one independent director in its meetings to promote transparency.
- Independent views during Board meetings shall be given due consideration and all meetings shall be duly minuted.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
- Define the clear delineation of roles, duties, and responsibilities of the Chair and the Chief Executive Officer as necessary, integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. Proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives if the positions of Chair and CEO are unified.
- Require Management to provide the Board with complete, adequate and timely information about the matters to be taken in their meetings to enable the Board to properly fulfill their duties and responsibilities. The board shall also have independent access to Management and the Corporate Secretary including access to independent professional advice at the corporation's expense in furtherance of their duties and responsibilities.
- Make available to the company's stockholders, via multiple channels, a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Nomination Committee pre-screens nominees for independent director using the guidelines under Section 38 of the SRC and the provisions assessing independence under the Revised Manual on Good Corporate Governance. On this basis, Messrs. Raymundo O. Feliciano, Ricardo V. Camua, David L. Balangue and Guillermo D. Luchangco have been elected as independent directors.

A Director who is neither an officer nor a substantial shareholder is considered to be independent. Those identified above are qualified to be independent Directors.

In assessing the independence of the Directors, the Nomination Committee has examined the different relationships enumerated under SRC Rule 38.1 of the SRC IRR that may impair the directors' independence and objectivity, and affirms that the above-mentioned directors are able to act with independent judgment.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

In compliance with SEC Circular No. 9 Series, of 2011, the company has a term limit of five consecutive years for independent directors. After the required cooling-off period of two years, the director can return as independent director for another term of five years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Antonio V. Del Rosario	Non-executive Director	April 22, 2013	Resignation
Alfredo M. Velayo	Independent Director	August 19, 2013	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<table>
<tr><th>Procedure</th><th>Process Adopted</th><th>Criteria</th></tr>
<tr><td colspan="3">a. Selection/Appointment</td></tr>
<tr><td>(i) Executive Directors</td><td rowspan="3">The Nomination Committee pre-screens and short-lists all candidates in accordance with the list of qualifications and disqualifications in the Manual of Corporate Governance</td><td rowspan="8">Educational Background or extensive business experience
Integrity and probity
Diligence
Ownership of at least one share
Nature of Corporations of which he is a director
Age
Number of directorships
No Conflict of Interest
Experience in other boards</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>b. Re-appointment</td><td></td></tr>
<tr><td>(i) Executive Directors</td><td rowspan="3">The Nomination Committee pre-screens and short-lists all candidates in accordance with the list of qualifications and disqualifications in the Manual of Corporate Governance</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
</table>

		• Experience as CEO or COO • Knowledge of finance/accounting • Knowledge of industry • Knowledge of Local and international market and strategic vision • Contacts of value
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	• Final conviction of offense involving moral turpitude or fraud • Finally found to have violated SRC, Corporation Code, BSP Rules • Judicially declared insolvent
(iii) Independent Directors		• Same as above • Becomes officer/regular director of any of the companies of the Phinma Group • Beneficial security ownership exceeds 2% of the outstanding shares of the Company • Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	• Refusal to disclose business interests • Absence in more than 50% of all meetings • Dismissal/termination from directorship in other listed corporation for cause • Non-final confiscation for (c) above
e. Removal		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	• See (c) above
f. Re-instatement		

(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	• Disclosure of business interest (after refusal) • Exoneration from Charges
g. Suspension		
(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	• See (d) above

Voting Result of the last Annual General Meeting (April 7, 2015)

Name of Director	Votes Received
Oscar J. Hilado	67.01%
Ramon R. del Rosario, Jr.	67.01%
Francisco L. Viray	67.01%
Roberto M. Laviña	67.01%
Magdaleno B. Albarracin, Jr.	67.01%
Victor J. del Rosario	67.01%
Pythagoras L. Brion, Jr.	67.01%
Raymundo O. Feliciano (Independent)	67.01%
Ricardo V. Camua (Independent)	67.01%
David L. Balangue (Independent)	67.01%
Guillermo D. Luchangco (Independent)	67.01%

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The new director attends a briefing, during which various operating heads present the nature of their respective departments and their plans for the future. The new director is also provided a copy of the Manual on Good Corp Governance and advised of company policies pertaining to directors.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

- Corporate Governance seminars
- Audit Committee Best Practices program

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
All directors	July 28, 2014	Corp Governance Program	SGV

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management and Employees
(a) Conflict of Interest	The Manual on Good Corporate Governance serves as the Code of Conduct for all directors of the Company.	No officer or employee may engage in any business or undertaking that is directly or indirectly in competition with or pre judicial to the interests of that of any company to the PHINMA Group, or to the performance of his job or work assignments. If an employee faces a situation that may involve or lead to a conflict of interest, the employee is required to disclose such information and seek appropriate guidance. With the launch of the PHINMA Integrity Assurance Program, wherein everyone is required to accomplish a disclosure form detailing possible involvements which may create conflict of interest, the company is assured more than ever that the highest standards of ethics are being lived out throughout the company.
(b) Conduct of Business and Fair Dealings		Officers and employees are expected to practice the highest standards of business conduct in every business relationship - with each other and with the customers, business partners, and competitors.
(c) Receipt of gifts from third parties		PHINMA prohibits its employees from accepting and/or offering inappropriate gifts and gratuities that may impair or appear to impair the recipient's objectivity and may affect their ability to properly perform their job and responsibilities. Cash- accepting, offering or giving in any amount is prohibited. Gifts/Gratuities- accepting, offering or giving is prohibited if it is (a) beyond nominal value and (b) offered, given or accepted in exchange for an official act or an act under the employee's official responsibilities. All gifts and gratuities worth beyond the nominal value which are offered to the employees must be disclosed to the immediate superior, with a copy furnished to the Integrity Officer, and is subject to the discretion of the immediate superior whether this will be accepted, donated or declined.

		Loans- all loans acquired from related parties should be properly disclosed with the following information: - Related party involved - Amount of loan - Interest rate - Term - Other pertinent information Officers and employees are required to disclose these incidents within 30 days via email to their immediate superior who shall review the disclosure together with the Integrity Officer and advise on the decision and course of action that should be taken.
(d) Compliance with Laws & Regulations		All officers and employees shall proceed with the conduct of their business in a manner that is compliant with applicable Philippine laws and regulations. The code of business conduct as well as the Employee's Handbook shall serve as a guide should there be any need for clarification. All officers and employees should work in a clean, orderly and safe environment. The Company requires full compliance with applicable workplace safety and industrial hygiene standards mandated by law.
(e) Respect for Trade Secrets/Use of Non-public Information		No director, officer nor employee may use confidential company information for personal gain. Phinma also abides by an Insider Trading Policy which states that purchase and sale of Phinma shares or securities on the basis of potentially share price sensitive information that is not yet public is prohibited. Black-out periods provide specific guidelines for insider-trading regulations. Officers and employees of publicly-listed companies of PHINMA, together with their relatives, are strictly prohibited from trading shares of their respective companies. In a memo dated 31 August of 2010, the Compliance Officer detailed the guidelines and procedures for directors and officers during black out notices stated here as follows: 1. Officers authorized to submit disclosures through the PSE's OdiSy shall promptly inform the Finance Department c/o Office of the Comptroller as soon as a disclosure has been made. 2. As soon as the notice of a disclosure is

		received by Finance, Finance will send an email or a fax (if the fax is the preferred means) to all directors and officers advising them of the disclosed data and the inclusive dates of the blackout period of 2 full trading days after the disclosure has been made. 3. All directors and officers are enjoined to observe said blackout period and refrain from buying AND/OR selling the Issuer's securities. 4. In instances when Finance, for one reason or another, cannot make the disclosure, the officer or department that made the disclosure shall also handle the required email or fax advice to all directors and officers. 5. For directors and officers who do not have regular access to email, it is advised that they check with the Issuer's Finance Dept., c/o the Office of the Comptroller, before dealing in the Issuer's securities.
(f) Use of Company Funds, Assets and Information		Employees, Officers and Directors are expected to use company resources wisely and legitimately. Malversation of Funds and other company assets for personal gain is strictly prohibited and is considered a very serious offense as stated in the Employee Handbook. Commission of the same on its first offense is punishable by dismissal. Using of company's time, materials and equipment or other property to do unauthorized work is considered a Less Serious Offense and is punishable with suspension of at least 3 days to one month.
(g) Employment & Labor Laws & Policies		Using official position in order to secure employment for relatives, except if such hiring is with written consent of functional head, who will ascertain and corroborate that the relative employed is the most qualified among applicants.
(h) Disciplinary action		Employees are given full notice and a chance to explain his side before any disciplinary action is imposed.
(i) Whistle Blower		Phinma, through its Whistleblowing and Non-Retaliation Policy under the Integrity Assurance Program, provides for a mechanism for reporting perceived and actual irregularities that are contrary to PHINMA's Core Values while providing appropriate protection for whistleblowers from possible retaliation. An Integrity Hotline has been launched which an independent, dedicated email facility is provided by the Company for receiving Whistleblower reports. All reports submitted through this facility shall be received by the Integrity Officer and the PHINMA GIA

		Head. All reports shall be investigated according to the PHINMA Response Plan. In the event that a whistleblowing report was made in bad faith, appropriate disciplinary or legal action shall be meted pursuant to the policies and procedures of PHINMA , and any applicable laws or regulations.
(j) Conflict Resolution		Installation of committee to handle and resolve conflict.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, the Company has a Manual on Good Corp Governance as well as an Employee Handbook and both are provided to directors and officers & employees respectively. The Phinma Integrity Assurance Program that was launched in June 2014 is now fully implemented and covers the following policies :

- Policy on Insider Trading
- Policy on Whistleblowing
- Policy on Sexual Harassment
- Policy on Conflict of Interest
- Policy on Gifts & Gratuities
- Anti-Fraud Policy

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Covered officers and employees are required to fill-up and submit the Confidential Disclosure Form and Conflict of Interest Certification upon employment and every year thereafter. In instances when any of the information disclosed has changed, the covered officer or employee has the obligation to amend his Confidential Disclosure Form accordingly.

In light of the implementation of the Integrity Assurance Program, all directors, officers and employees are required to submit the Integrity Assurance Disclosure Form annually. The form details information regarding aspects of an employee's personal and/or professional dealings that may be in conflict with the said program.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company (2) Joint Ventures (3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including	Phinma has set a universal policy for all Related Party Transactions. The policy provides for fairness and transparency in related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associate, affiliates, major stockholders officers and directors, including their spouses, children, and

spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents	dependent siblings and parents and of interlocking director relationships by members of the Board. The terms of any transaction involving related parties must be done at arm's length basis with the best interest of both parties in mind. The Board with the Audit Committee and PHINMA Management shall determine and provide pre-approved RPTs and thresholds subject for their review and approval. Any transaction that exceeds the threshold shall be subject to review and approval. Further, transactions that will need to be disclosed to appropriate governing agencies shall be complied with.
(8) Interlocking director relationship of Board of Directors	Directors currently serve as directors of subsidiaries and affiliates.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	There have been no conflicts of interest between the company, its directors, officers and significant shareholders. In the event that one should arise, all diplomatic means will be exhausted in order to resolve the same prior to resorting to legally available measures.
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
PHINMA, Inc.	Ultimate Parent	Management contract with TA Oil; Share of expenses
PHINMA Corp	Significant shareholder	Share of expenses; TA Oil owns shares of PHINMA Corp

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
PHINMA, Inc.	Ultimate Parent	Management contract with TA Oil; Share of expenses
PHINMA Corp	Significant shareholder	Share of expenses; TA Oil owns shares of PHINMA Corp

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	There has been no dispute or conflict between the corporation and its stockholders, third parties including regulatory authorities for the past three years. In the event that one arises, the Company shall endeavor to resolve the same by exhausting all diplomatic means available prior to resulting to legally available measures.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, proposed meeting dates covering the whole succeeding year is provided to all directors and officers at the last board meeting of the prior year. Any changes on the dates are disseminated to all at the next board meeting. Thereafter, the Corp Sec sends a notice to all directors and key officers at least a week before the actual board meeting date.

2) Attendance of Directors

Board	Name	No of meetings	No of meetings attended	%

		held during the year (2014)		
Chairman	Oscar J. Hilado	10	10	100
Member	Ramon R. del Rosario	10	10	100
Member	Francisco L. Viray	10	10	100
Member	Victor J. del Rosario	10	10	100
Member	Magdaleno B. Albarracin , Jr.	10	10	100
Member	Raymundo O. Feliciano	10	10	100
Member	Roberto M. Laviña	10	10	100
Member	Ricardo V. Camua	10	10	100
Member	David L. Balangue	10	8	80
Member	Guillermo D. Luchangco	10	10	100
Member	Pythagoras L. Brion, Jr.	10	9	90

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?** None.

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

   No. Under the company's by-laws, only a majority vote shall constitute a quorum to validate a corporate act except as otherwise expressly provided by law.

5) **Access to Information**

   (a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

   Board papers are provided at least a day before the board meeting.

   (b) Do board members have independent access to Management and the Corporate Secretary?

   Yes, Board Members may coordinate with the office of the Corporate Secretary and/or the Management Team should there be a need to clarify an issue or raise a concern.

   (c) **State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

   The Corporate Secretary is responsible for the Company's compliance with pertinent statutory and regulatory requirements and enforcing and maintaining the highest standards of corporate governance necessary for the efficient administration and operation of the Company, and for the protection of the interests of the Company and its various stakeholders. The duties of the Corporate Secretary, among others, as expressed in the By-Laws, are the following:

   - Keep full minutes of all meetings of the Board of Directors and of the stockholders.
   - Keep the stock and transfer book, maintain a current register of stockholders with their corresponding address, and keep the corporate seal, which he shall stamp on all documents requiring such seal of the

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

company.

- Fill and countersign all the certificates of stock issued, making corresponding annotations on the margins of stubs of such certificates upon issuance.
- Give or cause to be given all notices required by law or by the By-Laws of the Company as well as notices of all meetings of the Board of Directors and of the stockholders.
- Perform such duties as may be prescribed by the Board of Directors or the President.

Further, in matters of corporate governance, the Corporate Secretary's duties and responsibilities are as follows:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to the agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their duties. responsibilities and obligations and work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent him from doing so, and maintain record of the same.

(d) **Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.** Yes. The Corporate Secretary is a member of the Philippine Bar and has a Master of Laws Degree from Harvard Law School.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

Committee	Details of the procedures
Executive	The agenda and related materials are sent to the director either in soft copy by email or hard copy at least a day before the meeting. Directors can advise the committee head, Corporate Secretary or the President for any other information they wish to be provided with in advance.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and if so, provide details:

Procedures	Details
Access to external auditors and tax advisers	During the meeting of the Audit Committee and the Board, and during the Annual Shareholders Meeting, the external auditor and/or tax consultants are present to answer the Board's and/or shareholders' questions.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Decided by Compensation Committee	Proposed by the CEO and approved by the Compensation Committee
(2) Variable remuneration		
(3) Per diem allowance	Approved by the Board	N/A
(4) Bonus	Decided by Compensation Committee	Proposed by the CEO and approved by the Compensation Committee
(5) Stock Options, Grants and other financial Instruments	Plan approved by Shareholders ; Allocation approved by the Board through the Stock Options (Executive) Committee	
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	In addition to remuneration received as officers of the company, executive directors receive the following : a. Transportation allowance, paid monthly b. Per diem c. Directors' bonus which is paid out yearly, after approval of the audited financial statements.	a. Transportation allowance of P 5,000 per month. b. Per diem of P 10,000 for every meeting attended. c. All directors share in the directors' bonus pool which is computed as 5% of audited net income of the parent company after tax and bonus	
Non-Executive Directors	a. Transportation allowance, paid monthly b. Per diem	a. Transportation allowance of P5,000 per month.	

	c. Directors' bonus which is paid out yearly, after approval of the audited financial statements.	b. Per diem of P 10,000 for every meeting attended. c. All directors share in the directors' bonus pool which is computed as 5% of audited net income of the parent company after tax and bonus

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. No.

Remuneration Scheme	Date of Stockholders' Approval
NA	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (in P'000)

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	17,113	356	318
(b) Variable Remuneration			
(c) Per diem Allowance	628	564	507
(d) Bonuses	5,847	6,253	8,517
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total	23,588	7,173	9,342

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	Yes	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	Yes	None	None
(f) Hospitalization Plan	Yes	None	None

(g) Car Plan	Yes	None	None
(h) Others (Specify)	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Oscar J. Hilado	3,000,000		3,000,000	0.06%
Ramon R. del Rosario, Jr.	2,500,000		2,500,000	0.05%
Francisco L. Viray	3,000,000		3,000,000	0.06%
Roberto M. Laviña	2,500,000		2,500,000	0.05%
Magdaleno B. Albarracin, Jr.	1,500,000		1,500,000	0.03%
Raymundo O. Feliciano	1,500,000		1,500,000	0.03%
Ricardo V. Camua	1,500,000		1,500,000	0.03%
Victor J. del Rosario	1,500,000		1.500,000	0.03%
David L. Balangue	1,500,000		1,500,000	0.03%
Guillermo D. Luchangco	1,500,000		1,500,000	0.03%
Pythagoras L. Brion, Jr.	1,750,000		1,750,000	0.04%

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
Stock Option Plan	Suspended by the Board on May 7, 2008 Plan suspension lifted on July 22, 2013 and awarded additional options	April 2, 2007

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Bautista, Mariejo – VP Controller	P15,882
Francisco, Virgilio – SVP	
Panes, Danilo – AVP Renewable	
Reyes, Raymundo – SVP Energy Resources Devt	
Santos, Rizalino – SVP Power Business	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No of Members			Functions/ Key Responsibilities & Power
	Executive (ED)	Non-executive (NED)	Independent (ID)	
Compensation		2	1	Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties once hired. Disallow any director to decide his/her own remuneration Review the existing Human Resources Development or Personnel Handbook to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts or in the absence of such handbook, cause the development

				of such, covering the same parameters of governance stated above.
Audit Committee	1	1	2	Check all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose threat to his independence. The non-audit work, if allowed, shall be disclosed in the annual report. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. Review the quarterly , half-year and annual financial statements before their submission to the Board, with particular focus on any change/s in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards and compliance with tax, legal and regulatory requirements. Perform direct interface functions with the internal and external auditors. Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel for the performance of their respective functions. Elevate to international standards the accounting and auditing processes, practices and methodologies.

				Develop a transparent financial management system to ensure the integrity of internal control activities throughout the company through a step-by-step procedure and policies handbook that will be used by the entire organization. Supervise, as directed by Management, the formulation of rules and procedures on financial reporting, internal control systems, internal audit examinations, compliance with financial reporting requirements and appointment of the external auditor in accordance with the guidelines under the revised Code for the benefit of all stockholders and other stakeholders.
Nomination Committee	1	1	1	Pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with a pre-determined set of qualifications and disqualifications based on the Manual on Good Corporate Governance.
Executive Committee	1	3	1	Pre-clear or approves investment proposals, strategic issues and other matters that may be determined and delegated to it by the Board of Directors.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon R. del Rosario	April 7, 2015	1	1	100%	>10 years
Member (NED)	Oscar J. Hilado	April 7, 2015	1	1	100%	>10 years
Member (NED)	Magdaleno B. Albarracin, Jr.	April 7, 2015	1	1	100%	>10 years
Member (ED)	Francisco L. Viray	April 7, 2015	1	1	100%	>10 years
Member (ID)	Guillermo D. Luchangco	April 7, 2015	1	0		1 year

(a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	David L. Balangue	April 7, 2015	4	4	100%	<10 years
Member (ED)	Roberto M. Lavina	April 7, 2015	4	3	75%	<10 years
Member (ID)	Ricardo V. Camua	April 7, 2015	4	4	100%	<10 years
Member (NED)	Victor J. del Rosario	April 7, 2015	4	3	100%	<10 years

Disclose the profile or qualifications of the Audit Committee members.

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

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.

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 a member of the Board and Senior Executive Vice President and COO of PHINMA Corporation. He is also Treasurer and Board Member of Phinma Property Holdings 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.

Victor J. del Rosario is the Executive Vice President / Chief Financial Officer of PHINMA Corp since 1995. He is also the Vice-Chairman of Union Galvasteel Corporation and the EVP and Chief Strategy Officer of PHINMA, Inc., EVP and CFO of Phinma Corporation. He is also a member of the Board of Directors of PHINMA, Inc. and various PHINMA-managed companies. Mr. del Rosario is an Economics and Accounting graduate of the De La Salle University and holds a Master of Business Administration degree from Columbia University. He is the brother of Mr. Ramon R.

del Rosario, Jr. He has been a Director of the Company since 1987.

Describe the Audit Committee's responsibility relative to the external auditor.

- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report;
- Perform direct interface functions with the internal and external auditors.
- Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel for the performance of their respective functions.
- Assess the performance of the external auditor on an annual basis prior to the committee's endorsement of the external auditor's engagement for the succeeding year.

(a) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Ramon R. del Rosario	April 7, 2015	1	1	100%	<10 years
Member (NED)	Oscar J. Hilado	April 7, 2015	1	1	100%	<10 years
Member (ID)	Raymundo O. Feliciano	April 7, 2015	1	1	100%	10 years

(a) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar J. Hilado	April 7, 2015	0	0		10 years
Member (NED)	Ramon R. del Rosario, Jr.	April 7, 2015	0	0		10 years
Member (NED)	David L. Balangue	April 7, 2015	0	0		<10 years

(b) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors: Stock Option Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	NA					
Member (ED)						
Member (NED)						
Member (ID)						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	None
Audit	Alfredo M. Velayo	Resigned
Nomination	Antonio V. del Rosario	Resigned
Remuneration	None	None
Others (specify)	None	None

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Approval of contracts and bids	
Audit	Approved quarterly and annual audited financial statements; approved the revisions of the Audit Charter; reviewed Business Resiliency Program and subsequent reports on action plans, reviewed and approved the Integrity Assurance Program's policies, appointed an Integrity Officer and reviewed and approved audit plan of SGV and Internal Audit	Reviewed audit issues including RPTs and tax issues.
Nomination	Prequalification and screening of candidates for Board of Directors; Submitted list of nominees to the Board	
Compensation	Salary increases and variable compensation of officers	
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	
Audit	Business Resiliency Program and Integrity Assurance Program	
Nomination		
Compensation	Revival of stock option plan	Impact on future earnings
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

PHINMA adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risks and rewards. On March 21 2013 , the PHINMA Executive Committee, approved and mandated the implementation of the Business Continuity Management which has been renamed since then as PHINMA Business Resiliency Program. The program provides governance framework to develop business resiliency, build capability to safeguard the interests of the PHINMA Group's key shareholders, as well as the reputation and value-creating activities of the company in all its functions and operations.

PHINMA also recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

PHINMA's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and fulfill the company's mission. However, these risks should be continuously identified and assessed to ensure that effective mitigation strategies are employed to the greatest extent possible.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

A Business Resiliency Program is currently in place for the entire PHINMA Group. This program supersedes the previous Business Continuity Management program and expands its coverage further by going beyond the traditional confines of BCM and integrates Risk Management concepts with the disciplines of Disaster Response Planning, Crisis Management and Communications and Business Continuity Planning.

The Audit Committee has reviewed the program and has been tasked to lead and monitor the same. The Audit Committee believes that the program is comprehensive and effective for the management and resolution of the company's risks.

(c) **Period covered by the review;** 2012

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Effective year 2013, all member companies of the PHINMA Group will undergo a risk assessment exercise on a semi-annual basis in coordination with the Business Resiliency program. The results of these assessments, together with the overall implementation of the risk management system, including the Business Resiliency Program, will be subject to a review of its adequacy and effectiveness by the Audit Committee. This is then presented and approved by the Audit Committee of the major shareholders of the Company, Phinma Inc. and Phinma Corp as part of their oversight responsibilities. The most recent presentation was last February 18, 2015.

(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the

policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Foreign Currency Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Credit/Counterparty Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Liquidity Risk	Duration of investment consistent with Company's investment horizon	To ensure that sufficient liquid resources are available to support operating and investing requirements on a timely basis.
Market Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Operations Risk	Adequate internal processes, system, and people	To ensure effective and efficient operations with adequate safeguards against losses and wastage.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Top 3 Risks

Risk Exposure	Risk Management Policy	Objective
Talent Management	Attract, develop, assign and retain the right personnel	To ensure the effective implementation of the Business Plan.
Business Continuity	Build resilience and capability for an effective response that safeguards the interests of key shareholders, reputation and value-creating activities in all functions and operations.	To ensure effective continuity of business operations in the event of a major disruption.
Market Competition	Consider and respond to changes in the market and in the actions of competitors.	To ensure that the Company remains a competitive, significant player in its chosen industry.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Pre-emptive right
Appraisal right
Tender Offer

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Financial risk (interest rate risk, credit and other risks on financial assets)	Treasury regularly presents to the Investment Committee portfolio performance for the period	The Investment Committee reviews and approves policies and directions for investments
Business risks of the Company, subsidiaries and affiliates		The Board reviews and discusses the results of operations and strategic directions of the business units on a monthly basis

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Top 3 Risks

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Talent Management	Annual risk assessments	• Career and Succession Planning Program • Compensation Benchmarking Study every 2 years • Coaching Program
Business Continuity	Annual risk assessments	• Formal Business Continuity Management (BCM) Program aligned with ISO 22301
Market Competition	Annual risk assessments	• Formal Strategic Planning process, including a • Mid-year Business Plan Reviews • Monthly SBU performance review

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and

supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Semi-annual reporting of risks	The Audit Committee requires all SBUs to assess the status of their key risks on an semi-annual basis. The results of these assessments, together with the corresponding mitigation strategies, are presented to the Audit Committee.
Audit Committee	Independent audits	The Audit Committee oversees the effective implementation of external and internal auditing activities that cover the control activities described above.
Executive/Investment Committee		Reviews and approves policies and directions for investments
Bids and Awards Committee	Tender and bidding	Responsible for the determination of eligibility, conduct of bidding, evaluation of bids, post qualification of the lowest calculated bid and recommending award of contracts

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control system is an organized means by which the Company's resources are administered, regulated and assessed to ensure operational efficiency, accuracy in reporting, conformity with existing laws, regulations and policies and competent management of risks.

PHINMA's Group Internal Audit Charter is an independent and objective assurance consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. While Internal Audit and Control is the main function of the Company's Internal Audit Department, adherence to the same is every employee's accountability. The Chief Audit Executive shall be bound to report functionally to the Board through the Audit Committee and administratively to the Senior Management.

The internal control system for Trans Asia Oil includes any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Examinations of the internal control system were performed by Group Internal Audit following the approved Internal Audit Plan and the results thereof were presented to the Audit Committee. Based on this, the Audit Committee found the internal control system to be adequate and effective.

(c) Period covered by the review;

The Audit Committee reviewed the results of internal audit examinations of the internal control system based on the approved Internal Audit Plan for the Calendar Year 2014.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed on an ongoing basis by Group Internal Audit, through a risk based audit plan that is presented to and approved by the Audit Committee annually. Controls are evaluated for adequacy and effectiveness by Group Internal Audit using a risk-control matrix and the result of such evaluation is presented to the Audit Committee during its quarterly meetings.

(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have significant impact on the organization Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets	All internal auditing services (assurance and consulting)	In-house	Rolando D. Soliven, CPA, CIA, CFE, CQA, CRMA	A written report is prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement. The report is distributed as appropriate and communicated to the Board as well.

Evaluating the effectiveness and efficiency with which resources are employed. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. Monitoring and evaluating governance processes Monitoring and evaluating the effectiveness of the organization's risk management processes Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization Evaluating specific operations at the request of the Board or Management, as appropriate.				

*Group Internal Audit (GIA), is an independent, objective provider of assurance services designed to add value and improve PHINMA Group's operations.

** The Audit Committee, together with senior management, receives a copy of all audit reports. Other recipients, including the operating heads, are provided copies upon the discretion of the Internal Audit Head.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. This is explicitly stated in the Internal Audit Charter, as approved by the Audit Committee. The same is also indicated in the Audit Committee Charter, under the Committee's stated responsibilities.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Head of Internal Audit functionally reports to the Audit Committee. As such, the appointment, qualification or termination of the Head requires the Audit Committee's approval. The Audit Committee also receives periodic reports from the internal auditors on the progress of internal audit work and other relevant information. Furthermore, in the Internal Audit Charter, as approved by the Audit Committee, the internal auditors have unrestricted access to the board and to all properties, records and personnel of PHINMA Corporation.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Victoria Mae Pilapil	Voluntary resignation (November 2013)
Allan Pablo	Voluntary resignation (December 2013)

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The 2014 Internal Audit Plan was satisfactorily executed in 2014.
Issues[6]	As defined below, no "issues" were identified during the year.
Findings[7]	No significant findings were found in 2014. Minor concerns identified were promptly and satisfactorily addressed by management.
Examination Trends	No pervasive issues and findings were found in 2014. Minor concerns identified were promptly and satisfactorily addressed by management.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1. Preparation of an audit plan inclusive of a timeline and milestones;
2. Conduct of examination based on the plan;
3. Evaluation of the progress in the implementation of the plan;
4. Documentation of issues and findings as a result of the examination;
5. Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6. Conduct of the foregoing procedures on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal Audit Charter	Implemented since 2003, revised in 2012
Internal Audit Mission – Vision	Implemented
Code of Ethics	Implemented
Internal Audit KPIs and Initiatives	Annual implementation, with 2013 values
Engagement Planning	Implemented
Internal Audit Reporting	Implemented
Conducting Audit Engagements	Implemented
Risk – Control Matrix	Implemented
Time Reporting	Implemented
Client Feedback Monitoring	Implemented
Communications Protocol	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
See below	See below	NA	NA

INTERNAL AUDITOR	EXTERNAL AUDITORS
Code of Ethics – All internal auditors adhere to the Code of Ethics prescribed by the Institute of Internal Auditors (IIA). The said Code lists four principles, one of which is "Independence", which form part of the mandatory guidance for IIA members.	Statement of Independence – The external auditor is required to declare their independence to the Audit Committee prior to their appointment and after the release of the audit results.
Conflict of Interest – All internal auditors adhere to the PHINMA Code of Conduct, which includes a prohibition on conflict of interest	Inquiry of Disagreements with Management – The Audit Committee inquires the external auditor on matters of disagreement with Management, if any.
Functional Reporting to the Audit Committee – To protect its organizational independence, the Head of internal audit functionally reports to the Audit Committee.	Adherence to Philippine Standards on Auditing – The external auditors are required to state their adherence to local auditing standards prior to their appointment and after the release of the audit results.
Internal Audit Charter – The internal audit team functions under an Internal Audit Charter as approved by the Audit Committee which, in turn, is empowered by the Board of Directors through its Audit Committee Charter. This Charter provides broad authority levels to the internal audit team, including the authority to determine	

its own audit scope, techniques and methodologies, and unrestricted access to all properties, records and personnel.	
Risk based Audit Plan – The Internal Audit Plan is approved by the Audit Committee and monitored for effective implementation.	

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman and the CEO shall attest to the Company's full compliance with the SEC Code of Corporate Governance as embodied in the Company's Revised Manual on Good Corporate Governance as approved by the Board on February 21, 2011 and further amended and approved on June 23, 2014. All directors, officers and employees have been informed of their responsibilities under the Company's manual and internal procedures are in place to ensure compliance of the same.

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	Every business under the PHINMA Group is geared towards making life better in pursuit of its mission of nation-building.	In the conduct of our business, all efforts are taken to ensure that we are able to provide improved access to the essentials of a dignified life in congruence to the company's Mission Statement.
Supplier/contractor selection practice	Adherence to the Policy on Gifts and Gratuities. In our supply chains, we ensure that contracts are awarded to those that provide not only the outmost value for money but also those companies whose objectives are parallel to that of the company.	A Procurement Guideline is available online to aid suppliers in business conduct. These guidelines contain General Procurement Guidelines and Supplier Accreditation and Disciplinary Measures for Erring Suppliers of the Materials Management Department (MMD) whose primary objective is to provide effective Planning, Procurement, Inventory, Logistics and Monitoring of commodities and services in support of the operating units of the TA Energy Group. Companies who wish to be included in the list of accredited

		suppliers shall accomplish and submit all documentation requirements such as Vendor Profile, Supplier Accreditation Form, Company Profile and Latest Audited Financial Statements and other related documents. They should also undergo actual visit / inspection of facilities by our staff and should undergo a probationary period of six (6) months. A yearly evaluation of suppliers will be conducted to determine their accreditation status.
Environmentally friendly value-chain	To the extent possible, the Company favors contracts that include provisions for compliance with environmental laws and regulations.	
Community interaction	As part of its mission of making life better for Filipinos, the company has various corporate social responsibility initiatives in the communities it operates in, and encourages employees to actively participate in its programs.	PHINMA HERO Network, the company's arm for social responsibility engagements had the following initiatives for the year 2014 : Disaster Resiliency and Health Seminars through the SPARK project Disaster Resiliency and Health Seminars through the SPARK project Mano Amiga Around the World Activity Big Brother-Big Sister Program for the Phinma National Scholars in cooperation with the Phinma Foundation,Inc. Brigada Eskwela (regularly every May) in cooperation with Trans-Asia Larong Pilipino Phinma Community Day (each SBU had their own activity and target community)
Anti-corruption programmes and procedures?	It is the policy of the Company to practice the highest standards of business conduct in every business relationship. The Company has adopted the Phinma Group Integrity Assurance Program that embodies	The Company supports the Integrity Initiative and is a signatory of the Integrity Pledge. Internally, the Company has approved the implementation of the Integrity Assurance Program

	these policies.	that includes policies on fraud, sexual harassment, conflict of interest, insider trading, gifts and gratuities and whistle-blowing.
Safeguarding creditors' rights		All reportorial duties in relation to governing agencies such as the Exchange and the SEC are complied with accurately and in a timely manner. The Company's website is duly updated in order to provide necessary updates regarding the Company's financial condition, involvements as well as future engagements.

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

Yes, this is included as a section in the Company's Annual Report.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

SAFETY
To ensure building safety, the PHINMA Plaza is equipped with a smoke detection alarm system, where an alarm will be raised on the floor concerned, including floors directly above and below it. Each floor has its own fire exit, a stairway leading to the ground floor. A fire drill is conducted periodically in coordination with the municipality and periodic updates on appropriate incidents relating to the employees' safety are provided like reminders on security of personal belongings, security precautions in public places, email blasts on traffic rerouting schemes affecting employees, etc.

HEALTH
PHINMA believes that a key factor to employee's productivity is one's health. It ensures that employees are in good state of health and can competently perform the physical demands on his job. Thus, the Company provides its employees a comprehensive medical check-up yearly so employees are able to be proactive in addressing any medical concerns they may have.

In responding to medical emergencies in the office, medical assistance is available at the company's retainer clinic as well as from the hospitals where the company is accredited in. All employees are provided with a life insurance coverage, a hospitalization benefit as well as benefits for annual routine check-ups with accredited clinics and hospitals.

WELFARE: EMPLOYEE RELATIONS AND WELL-BEING PHILOSOPHY
PHINMA believes that its success depends on how engaged and productive its employees are. Thus, the Company shall continue to invest in quality, holistic, employee-focused and fun-filled programs and activities for the development and well-being of its employees. It shall offer them opportunities for interaction, bonding, sharing of views, creative thinking, and learning.

PHINMA also conforms to the regulatory and statutory requirements of the government. PHINMA subjects to regular audit and site visits of government agencies.

(b) Show data relating to health, safety and welfare of its employees.

About 26% of employees underwent Annual Routine Check-up for the year 2013. No serious accidents nor material theft or security breach were reported at the office premises. There was one fire drill conducted in 2013 with all employees required to participate in.

The company launched **MOVE**—a three-phase fitness program last March 19 tagging Wednesday as “Fitness Day” with the aim of developing physical fitness among employees and enhancing their exercise habits. TRIOwalk, a 30-day pedometer challenge, was the first activity under the program participated by 45 Makati-based employees. Last June 11, Run a Mile -- an eight-session running clinic started with more than 30 participants to prepare for either 4K, 8K or 12K races in August.

The company fosters open communication by holding semi-annual Employee Convocations where top management addresses all the employees of the Phinma Group to update them on the company’s financial performance, business directions and initiatives. This is followed by an Open forum portion where employees can freely ask questions, give their comments and suggestions to top management.

On September 19, 2014, the Department of Labor and Employment-NCR awarded the company its Certificate of Compliance on General Labor Standards and Occupational Safety and Health Standards for having been found compliant with general labor standards and occupational safety and health standards pursuant to a joint assessment conducted on Sept 18, 2014.

(c) State the company’s training and development programmes for its employees. Show the data.

PHINMA (where the company belongs) is committed to the total development of its employees. It recognizes that employee competence and professionalism are essential to the Company’s overall success and will therefore provide support for their learning and development. Through the different opportunities for growth that PHINMA provides, it emphasizes the important linkage between excellence and the organization’s optimum performance.

Phinma shall promote:

Total Individual Development. We believe that values and attitudes are as important as knowledge and skills. Thus, we have both behavioral and technical training for our employees as we believe that personal growth and professional development are inseparable.

Employee Development as a Line Responsibility. We believe that the Human Resources Department and the Line Managers are partners in employee development. The Line Managers’ role in career development includes determining developmental needs, and creating opportunities for employee’s growth and application of learning.

Self-Improvement and Commitment to Excellence. We believe that employees play a critical role in the growth of the business. Thus, PHINMA’s commitment to excellence requires us to engage in the process of continual improvement and development of our workforce. While we provide different opportunities for learning, our employees are responsible and accountable for the drive to further their own personal and professional development. They are likewise encouraged to apply their learnings in all forms as a commitment to improve themselves and their work performance. This application of learning shall also be employees’ contribution and commitment towards achieving the company’s objectives.

Definite measures re being taken to provide employees with training programs and meaningful job interactions. The basic objective is to develop abilities of the employee that can be beneficial in his work- place, home, social and community relationships.

External training covers all specialized training programs that are provided by external consultants or resource speakers. The courses may be offered in the form of public seminars that are conducted by external institutions. It may be an in-house training that is often applicable to the need of a select group or a few individuals.

Internal training covers training programs that are developed internally within the organization (either by HR or by select members of the company) to respond to the needs of a large group of employees. As part of PHINMA's commitment to promote a continuous learning environment, the P**HINMA Group Development Programs** was recently launched. The programs address the learning and development needs of different employee segments and strengthen their competence and skills. All programs have core courses which are common to all, aligned with the core competencies, and are pre-requisite to certain other courses. The following are the various development programs that have started to be implemented this year:

- Staff Excellence Program
- Junior Management Program
- Line Managers' Excellence Acceleration Program
- Leadership Development Program
- Senior Officers' Advancement Resources

Another basic internal training sponsored by HR is the company orientation. This program is tailored for all employees who are newly hired, newly regularized and those who have just rendered their first year of service with the company. The program aims to instill a sense of commitment to the goals and objectives of the company among these employees. The orientation program also updates the participants on the company's rules and regulations.

Other trainings in 2014:

Title	Date/s of Conduct	Facilitator	Number of Participants
Balanced Scorecard	13 January 2014	Antonio Ma. Perez	9
Effective Business Communication	12 September 2014 10 October 2014	Dr. Dups Leadership Resource International	25
Effective Presentation Skills	1-3 October 2014	LEAD Consulting Network	16
Enhancing Supervisor's Productivity	28-29 October 2014	People Management Association Philippines	1
Aligning Learning and Development to Drive Business Results	28 October 2014	Philippine Society for Training and Development	1

Non- Human Resource Initiated Trainings for 2014

Title	Date/s of Conduct	Facilitator	Number of Participants
Records and Documents Management Systems	15-16 May 2014	Lean Archive Technologies Corporation	4
Implementing ISO 22301	26-30 May 2014	APEX Global	2
Team Building Workshop Seminar	27 May 2014	Daisy Alvior	12
Red Cross Certification Training	3-4 June 2014	Red Cross Rizal Chapter	13
Disaster Preparedness Forum	28 August 2014	Business Resiliency	42
Crisis Communication Forum	26 September 2014	Prof. Jose B. Avellana	40

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

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.

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.

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

The Company's Human Resources Group has implemented the Balanced Scorecard system this year, 2015. It aims to eradicate subjectivity in terms of employee evaluation and make performance evaluation more standard.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Employees are advised to document or record his complaint. Facts are gathered and questions are asked if necessary. Options for resolving the problem is discussed with all parties concerned by creating a panel or committee. Legal advice is also secured as appropriate. A policy on sexual harassment is also in place that details the procedures and processes that will be followed for the resolution of such cases.

A Group-wide Integrity Assurance Program was launched in June 2014 that aims to:

- Convey with resolve the PHINMA Group's steadfast commitment to Integrity
- Institutionalize the adoption of policies, programs and practices that will foster and sustain an ethical business environment
- Comply with relevant regulatory requirements on transparency, good governance and ethical business practices

A series of roadshows that started December of 2014 and meant to continue until the end of 2015 has been scheduled to create awareness across the PHINMA group and its vendors regarding the details of the Integrity Assurance Program.

A dedicated e-mail service called the Integrity Hotline was likewise launched 22 December 2014 to ensure confidentiality in reporting. PHINMA's Whistleblower Policy, which is integrated in the same program, has provisions on retaliation. In detail, the policy states that any whistleblower who believes he/she is being retaliated against must contact the Integrity Officer or the PHINMA GIA head immediately. Further, anyone who is proven to have retaliated against a whistleblower will be penalized in accordance to the imposed penalties on the Employee Handbook.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more

As of December 31, 2014

Shareholder	Number of Shares	Percent	Beneficial Owner
Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino and non-Filipino	**4,060,310,463**	**83.46**	
Phinma Corporation	**449,331,621**	**9.24**	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Other than the programs on corporate governance that is required under the company's manual on good corporate governance, periodic economic briefings, director briefings on industry trends and updates on relevant best practices conducted by the company, the company does not have a formal board and director development program. With the qualifications, business experience, affiliations and

	concurrent positions in other companies of its directors, the company believes that its directors are sufficiently and effectively capable of performing their duties as directors.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co. (SGV)	P 1,200,000	P 100,000

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Information is disseminated through disclosures to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC), through the Company's website, Information Statements and Annual Reports sent to Shareholders. Information is also disseminated through periodic investor briefings and at the Annual Shareholders Meeting.

5) **Date of release of audited financial report**: Feb 23, 2015

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	**Yes**
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Phinma, Inc.	Ultimate Parent	Revenue-rent & share in expenses Expenses - Management fees & share in expenses	811,866 61,456,748
SLTEC	Joint Venture	Revenue - Rent & share in expenses	2,515,769
MGI	Associates	Cost or power purchased	730,767
Phinma Corp.	Other Related Parties	Dividend Income Share in expenses Advances	5,155,572 938,404 120,000,000
Union Galvasteel	Other Related Parties	Dividend Income Roofing materials	1,520,381 12,820
Asian Plaza, Inc.	Other Related Parties	Dividend Income	1,318,940
T-O Insurance, Inc.	Other Related Parties	Insurance Expense	56,626,713
Directors	Other Related Parties	Annual Incentives	19,657,605
Stockholders	Other Related Parties	Cash & Property Dividend	381,536,392

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Based on the policy on related party transactions, transactions with related parties (joint ventures, subsidiaries, affiliates, close family members, etc.) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the shares issued and outstanding either in person or by proxy unless a higher number is required by law

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Modified Viva Voce
Description	Voting is done by raising of hands or *viva voce*; otherwise, in case of "nay" votes, voting shall be done in writing by secret ballot and counted thereafter by the Corporate Secretary in the presence of SGV & Co. to be able to validate the counting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under	Stockholders' Rights <u>not</u> in

The Corporation Code	The Corporation Code
Pre-emptive Rights to additional shares	Pre-emptive rights will not apply to additional shares not to exceed 35% of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation
	Per by laws, notice of Stockholders Meet not required, but as a matter of policy and in compliance with SEC and PSE rules, the Company sends notices

Dividends

Declaration Date	Record Date	Payment Date
February 16, 2012	March 1, 2012	March 27, 2012
March 21, 2013	April 8, 2013	May 6, 2013
July 22, 2013	August 5, 2013	Upon issuance of CAR
March 24, 2014	April 7, 2014	May 7, 2014
February 23, 2015	March 9, 2015	March 25, 2015

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
Written queries	Postal and email addresses of the Corporate Secretary and the Corporation are given in the Notice.
Open Forum	During and at the end of each Stockholders' Meeting, the Chairman opens the floor to questions from stockholders and significant time is allotted to answer questions raised. Each Stockholder has the right to pose questions to the Board and the Officers including external auditors and tax advisers.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

a. Amendments to the company's constitution 66.67%
b. Authorization of additional shares 66.67%
c. Transfer of all or substantially all assets, which in effect results in the sale of the company 66.67%

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?** YES

a. Date of sending out notices: February 6, 2015

b. Date of the Annual/Special Stockholders' Meeting: April 7 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Question: In the Annual Report that you gave us, it was stated under the article "Power Business" that "*[e]nergy sales volume increased 6% to 1,695 GWh over the year, while supply grew by 8% to 280 MW, as a result of strong relationships with our customers and suppliers. Your company was however challenged in 2014 by lower margins arising from higher average prices for power purchases on the WESM. Net income decreased from P572.8 million in 2013 to P180 million in 2014, as of December 31, 2014.*" Now, why were the power purchases in the WESM made and considering that the price of oil went down and the price of coal also went down, what made the prices of the purchases from the WESM higher?

Answer: If you will notice, the prices of oil started to decrease in the last quarter of 2014. WESM prices were high between March and July of 2014.

Question: Is that due to the special problem we had last year because of the emergency shut down of the other generators which created a false-price situation?

Answer: No. Just the usual supply and demand situation during the summer months.

Question: It makes a big difference to profitability, this changing price, is it very volatile over the year, the price range?

Answer: Well, WESM price is volatile if you look at it on a daily or hourly basis. In terms of the annual average, there are differences over the years but the range is between P4.50 to P5.50 on an annual basis. In 2014, while the prices dropped in the last quarter due partly to the drop in the price of crude oil, this was negated by the high prices during the summer months towards the start of the rainy season.

Question: So the benefits of the oil price reduction only took place in the latter part of the year?

Answer: That is correct.

Question: So this year, we can expect the same benefits to repeat to the same extent if the oil prices stay low?

Answer: It can help temper prices in the WESM.

Question: I just like to clarify the slide shown earlier with the title "Power Business is Growing". It seems to me that from 2011 to 2014, the gross margin of revenue and gross power purchase plus the percentage is actually getting smaller. What is the reason for this?

Answer: Essentially, prices in the spot market have gone down over the same period of time.

Question: So is this a trend that you think will continue? Do we expect this to happen this year and in the following years?

Answer: The margins will always vary depending on the source of power. That is the benefit of having baseload capacity. We'll have more stable price for power.

Question: Based on the presentation earlier regarding the losses for this year, we understand that they are due to pre-operating expenses because we have invested power plants and assets that are not generating income yet. So are you saying that starting this year and the following years, we will growth in the bottom line rather than this one-time drop in 2014?

Answer: That is reasonable to expect once the plants become fully operational.

Question: I would like to know if there are issues regarding your joint venture with CIPP?

Answer: CIP is not a joint venture. It is a wholly-owned subsidiary of Trans-Asia. The joint venture that we have is SLTEC which is a joint venture with the Ayala Group.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
Approval of Annual Report of Management and ratification of all acts of the Board and Management	67.01%	0%	0%
Election of Directors	67.01%	0%	0%
Amendment of Articles of Incorporation (statement of precise address)	67.01%	0%	0%
Appointment of External Auditors	67.01%	0%	0%

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

April 8, 2015

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Directors: Oscar J. Hilado Ramon R. Del Rosario, Magdaleno B. Albarracin, Jr. Francisco L. Viray Roberto M. Laviña Victor J. Del Rosario David L. Balangue Ricardo V. Camua Raymundo O. Feliciano Guillermo D. Luchangco Officers:	April 7, 2015	Viva voce	.006%	67.01%	67.01%

	Juan J. Diaz Raymundo A. Reyes, Jr. Rizalino G. Santos Pythagoras L. Brion, Jr. Virgilio R. Francisco, Jr Mariejo P. Bautista Cecille B. Arenillo Danilo L. Panes Alan T. Ascalon Benjamin S. Austria					
Special	None					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? Yes, Stock Transfer Service, Inc. was appointed as an independent party to count and/or validate the votes at the ASM.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Must be in writing and signed
Notary	Notarization is not necessary
Submission of Proxy	At least five (5) days before the meeting
Several Proxies	The latest proxy revokes all earlier proxies
Validity of Proxy	Only for the meeting
Proxies executed abroad	Honored subject to validation
Invalidated Proxy	Invalidated proxy shall not be entitled to vote
Validation of Proxy	Corporate Secretary may validate Proxy
Violation of Proxy	Proxy is rendered void and vote shall be disregarded

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**
The company discloses to the public through the PSE and the SEC the date and venue, and agenda for the Shareholders meeting at least 21 days before the Shareholders Meeting.	The disclosure is sent to the PSE online through PSE Edge upon approval by the Board. The company also sends a hardcopy to SEC.
The Information Statement (SEC 20-IS) which includes	The SEC 20-IS is sent by courier.

the date, venue and matters to be taken up during the Shareholders meeting are sent out at least 15 business days before the Shareholders Meeting.	

(i) Definitive Information Statement and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	3,248
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 13, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 13, 2015
State whether CD format or hard copies were distributed	CD
If yes, indicate whether requesting stockholders were provided hard copies	YES

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board is committed to respect the following rights of the shareholders:	
a. Voting rights	• Shareholders have the right to elect, remove and replace directors and vote on corporate acts • A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
b. Power of inspection / right to information	• Shareholders are allowed to inspect corporate books and records and shall be provided, upon request, information regarding matters for which management is responsible. •

c. Right to dividends	• Shareholders shall have the right to receive dividends subject to the discretion of the Board under certain circumstances.
d. Pre-emptive rights and appraisal rights	• Shareholders shall have pre-emptive rights and appraisal rights, in accordance with the Corporation Code.
e. Other policies	• The Company also requires all its directors and officers to comply with the following requirements: 1) Submit to the Company within 24 hours from dealing in the Company's securities all information of the transaction, 2) observe the blackout period announced by the Company and 3) refrain from communicating material information to any person unless disclosure is simultaneously filed with the Exchange.

(b) **Do minority stockholders have a right to nominate candidates for board of directors?** Not provided.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Periodic external communication required by the PSE and/or SEC, as well as voluntary disclosures, are drafted, and reviewed by the appropriate officer in charge. For example, legal matters are reviewed by the Corporate Secretary. Financial and other matters are reviewed by the concerned officers, including the SVP-Finance, the Compliance Officer and the Investor Relations Officer and approved by the EVP/CFO, the COO and/or the President. The audited financial statements and disclosures on results of operations are further approved by the Audit Committee and/or the Board of Directors. Disclosures are signed by the Corporate Secretary or the VP Finance.

Internal communications for the purpose of coordination and joint review among management of any major external communications are done via email or phone or in person during management committee meetings. The Company's external and internal communication policies are reviewed and amended when required.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To provide investors and the general public sufficient and timely access to relevant information on the company and apprise them of recent developments in order for these investors and the public to make informed investment decisions. To provide timely response to clarifications requested by existing or prospective shareholders on disclosed information.
(2) Principles	Accurate information, timely disclosure/ availability of information, relevance of information, timely response to request for clarification on disclosed information.
(3) Modes of Communications	Information on Company such as financial information and other disclosures is available for download on the company's own website. Investors can also send emails to various departments (including Investor Relations, Business Development, Finance, Oil & Gas Operations) directly through the Company website. Company office address, telephone trunkline, and fax number are

	all available on Company website. Investor Relations Officer's name, telephone number, and email address is also available on company website.
(4) Investors Relations Officer	Giles R. Katigbak Tel +632 8700130 Fax +632 870 0456 grkatigbak@phinma.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

With respect to the acquisition of corporate control in the Company, management will adhere to the guidelines of the PSE found in Article XX Unstructured Continuing Disclosure Requirements and Disclosure Rules, and treat an event where there is a change in shareholdings of stockholders owning more than 10% of shares in the Company as an event requiring prompt disclosure, as also provided under Section 36 Chapter IV of the RSA.]

The Company adheres to the provisions of the Corporation Code of the Philippines with respect to prospective merger transactions in terms of process of notification to stockholders, presentation of merger plans, voting process, and treatment of dissenting rights of stockholders.

The Company adheres to the general provisions of the Corporation Code of the Philippines with respect to prospective sale of substantial portions of the Company's assets in terms of appraisal rights in the event of dissenting stockholders.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company by laws has not specifically pre appointed any independent party to evaluate the fairness of the transaction price with respect to any prospective mergers or sale of major assets. There were no transactions of this nature for 2014.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

INITIATIVE	BENEFICIARY
EDUCATION	
HELP EARTH (Harnessing Energy Literacy for Planet Earth) Program- a values-oriented and science-centered educational program that aims to teach the youth to make knowledge-based decisions regarding different energy options in the future.	24 multimedia corners in 22 schools and 1 community around the country; currently the program has 18 active partner schools

Hamon ni Juan Matipid: Interactive Science Exhibit- a program that aims to teach students the values of energy and water conservation and environmental protection through experiments and other hands-on activities.	13 primary and secondary partner schools
Juan Matipid Annual Art Competition- encourages the youth to express their commitment for Mother Nature through creative and artistic means.	120 entries from 30 different schools and universities across the country
Petroleum Exploration and Production Seminar- make communities more aware especially students on the scientific, technical and business aspects of petroleum business.	More than 200 students and teachers of Tabango National High School, Leyte
Brigada Eskwela- a form of support to partner schools. Helps in the rehabilitation and beautification of the school in time for the opening of the school year.	15 partner schools
ENVIRONMENT	
HELP EARTH Green Initiative- aims to green communities through mitigation of carbon footprint and protection of the biodiversity of the ecosytem of partner communities	June 25- Tree planting (98 seedlings) of Trans-Asia Power with *HELP EARTHSavers Club Members of 2 partner schools.* This is done in celebration of Arbor Day. August 3 & 13- Tree-panting (400 seedlings) of Trans-Asia Oil-Guimaras together with *Catalino Gallego Nava Memorial High School and M. Chavez Elem. School*
HELP EARTH Blue Handprint- aims to protect the environment along the coastal and riverside areas through clean-up activities and awareness drive with host communities.	April 27- Sapang Kawayan Creek Cleanup by Trans-Asia Power employees as part of their Earth Day (April 22) Celebration July 6- Mangrove Reforestation conducted by CIP II Power Corporation together with Barangay LGU of Quirino, Bacnotan, La Union Sept 25- Coastal Cleanup at Quirino Surfing Area and Bambana Rock Formation by CIP II Power Corporation in collaboration with HOLCIM and Brgy Quirino LGU. This is in celebration of the International Coastal Cleanup Day.
Waste Management- distribution of recycled oil lube cans converted into trash cans to partner communities. Aims to teach proper waste segregation.	Trans- Asia Guimaras- donated 10 pcs of trash cans to Guimaras Police Provicial Office Materials Management Department- donated 25 pcs of trash cans to Brgy. Quirino, Bacnotan La Union
LIVELIHOOD	

Food Processing	A livelihood initiative for the mothers of Brgy. Quirino, Bacnotan. Started last April 2013 and ongoing until now
TESDA Skills Training	Training of 58 scholars of Trans-Asia Renewable under TESDA in the areas of welding, building and construction and heavy equipment operation. The aim of this program is to make the residents of San Lorenzo Guimaras more employeable in the future
OTHERS	
Recycling of used lead acid batteries (ULABs) in partnership with Motolite and Philippine Business for Social Progress (PBSP)	Trans-Asia Power sold its ULABs to Motolite for proper recycling. Money from the sales was donated to PBSP for their Learning Enhancement Assistance Package (LEAP) Project. Through this, Trans-Asia Power donated more than 300 storybooks to FVR Elementary School,Bulacan last July 24.
Information-Education Campaign (IEC)	Trans-Asia Renewable conducted an IEC, last Sept 2013, for 4 barangays at San Lorenzo, Guimaras to dialogue with communities regarding their concerns over the San Lorenzo Windfarm Project

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Audit Committee performed a Self-Assessment in 2012, with the assistance of PHINMA Group Internal Audit, based on the checklist provided by the SEC in its Memorandum Circular No. 4 Series of 2012.

Currently, there is no process or criteria for assessing the performance of the board, its other committees, the directors, and the CEO/President.

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N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

The Company's Board of Directors may impose the penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation. The commission of a grave violation of the provisions of the Company's Revised Manual on Corporate Governance by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

For 2014, no violation of the provisions of the Manual has been committed by any director, officer or employee and no sanction has been imposed.

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

The roles and responsibilities of the Audit Committee are defined in the Audit Committee Charter approved by the Board of Directors. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, internal control system, internal and external auditor's performance, risk management, and compliance with legal and regulatory matters.

We are pleased to report our activities for Calendar Year 2014.

The Audit Committee had four (4) meetings during the year, including an executive session with the internal auditors. All meetings obtained complete attendance save one meeting where only three members attended. Overall, attendance is at ninety four percent (94%). 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 Group Internal Audit's engagements, the status of Business Resiliency activities and the 2013 Audit Committee Report.

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

ACTIVITIES

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the 2013 audited consolidated financial statements and the 2014 unaudited quarterly consolidated financial statements.

Informatively, in our first meeting for 2015 held on February 18, 2015, we likewise reviewed and endorsed to the Board of Directors for approval the 2014 audited consolidated financial statements presented in this 2014 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.

The related party transactions were also reviewed for potential conflicts of interest. The Audit Committee found these related party transactions to be part of the regular course of business with terms and conditions based on market and in the best interest of the Company.

External Audit

We endorsed to the Board of Directors the nomination of SyCip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2014. 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). Non-audit services and related fees for their services were also reviewed and we concluded that these fees are not significant to impair their independence.

We also proposed to the Board of Directors to retain SGV & Co. as the external auditor for 2015 as discussed in our Committee meeting held February 18, 2015.

Internal Audit

We reviewed and approved the Internal Audit plan for 2014 and found them to be appropriate. Based on this plan, the Committee received and reviewed the audit reports submitted by Group Internal Audit and found that the Company's internal control system is adequate and effective. Various audit and control issues including actions taken by management were discussed in the Committee meetings. This is to ensure that management has taken appropriate corrective actions in a timely manner.

We also reviewed the organization and performance of Group Internal Audit for 2014 and found them to be sufficiently independent and effective.

Business Resiliency Program

We reviewed the status of ongoing activities related to the Business Resiliency program. This program encompasses a wide range of disciplines, including Business Continuity Management and Risk Management.

Integrity Assurance Program

We reviewed and approved the Integrity Assurance Program currently rolled out for the Phinma Group, including the appointment of the Integrity Officer and the adoption of a Code of Business Conduct for its officers and employees.

Audit Committee Performance

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 for publicly listed companies.

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, 2014 and 2013
And Years Ended December 31, 2014, 2013 and 2012

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, 2014 and December 31, 2013 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, 2014, 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, 2014 and 2013, 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 23rd day of February 2015

HELP EARTH
Harnessing Energy Literacy for Planet EARTH

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

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this MAR 09 2015 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	EC0407396	25 February 2014	Manila
Francisco L. Viray	EB0308400	2 June 2010	Manila
Pythagoras L. Brion, Jr.	EB6637129	24 October 2012	Manila

JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 364
Page No. 74
Book No. I
Series of 2015.

Financial Highlights and Key Performance Indicators

	For the Year Ended December 2014	2013	2012
Current Assets	5,121,798	4,870,802	4,223,097
Total Assets	16,591,359	10,986,268	7,564,489
Current Liabilities	2,370,266	3,657,968	589,173
Total Liabilites	9,369,237	3,858,909	635,657
Total Equity	7,222,122	7,127,359	6,928,832
Paid-in Capital	4,903,404	4,899,436	4,881,285
Total Revenues	1,707,698	2,016,857	991,595
Net Income	180,390	572,795	471,432
Earnings Per Share	0.04	0.12	0.16
Current Ratio	2.12:1	1.33:1	7.17:1
Acis Test Ratio	1.64:1	1.14:1	6.83:1
Deb/Equity Ratio	1.29:1	0.54:1	0.09:1
Asset-to-Equity Ratio	2.29:1	1.54:1	1.09:1
Interest Rate Coverage Ratio	2.83:1	53.56:1	Not applicable
Net Debt to Equity Ratio	1.17:1	0.33:1	Not applicable
Retunr on Equity	2.51%	8.15%	8.20%
Retunr on Assets	2.27%	7.90%	10.23%
Asset Turnover	84.28%	105.15%	137.77%

(Amounts in thousand pesos except eranings per share and ratios)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

Company Name

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3,254	03/24	12/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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 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, 2014 and 2013, 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trans-Asia Oil and Energy Development Corporation and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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. 4751303, January 5, 2015, Makati City

February 23, 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 35 and 36)	**₱541,571**	₱687,992
Short-term investments (Notes 7, 35 and 36)	–	51,354
Investments held for trading (Notes 8, 35 and 36)	**377,793**	475,352
Receivables (Notes 9, 31, 35 and 36)	**3,055,022**	2,672,775
Fuel and spare parts - at cost (Note 10)	**307,097**	243,763
Available-for-sale investments (Notes 7, 35 and 36)	–	292,136
Other current assets (Notes 11 and 34)	**840,315**	447,430
Total Current Assets	**5,121,798**	4,870,802
Noncurrent Assets		
Property, plant and equipment (Notes 12 and 19)	**6,863,059**	2,390,616
Investments in associates and interests in joint ventures (Note 13)	**3,747,462**	3,248,944
Available-for-sale investments (Notes 14, 35 and 36)	**268,598**	286,498
Investment properties (Note 15)	**28,302**	30,263
Goodwill and other intangible assets (Note 16)	**440,276**	96,291
Deferred income tax assets - net (Note 29)	**35,199**	47,027
Other noncurrent assets	**86,665**	15,827
Total Noncurrent Assets	**11,469,561**	6,115,466
TOTAL ASSETS	**₱16,591,359**	₱10,986,268
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 18, 31, 35 and 36)	**₱2,285,438**	₱2,508,905
Short-term loans (Note 17)	–	910,000
Income and withholding taxes payable	**46,439**	48,615
Due to stockholders (Notes 20, 31, 35 and 36)	**9,135**	190,448
Current portion of long-term loans (Note 19)	**29,255**	–
Total Current Liabilities	**2,370,267**	3,657,968
Noncurrent Liabilities		
Long-term loans - net of current portion (Note 19)	**6,729,591**	–
Pension and other employee benefits (Note 30)	**28,652**	33,625
Deferred income tax liabilities - net (Note 29)	**158,459**	142,456
Other noncurrent liabilities	**82,268**	24,860
Total Noncurrent Liabilities	**6,998,970**	200,941
Total Liabilities	**9,369,237**	3,858,909

(Forward)

	December 31	
	2014	2013
Equity		
Capital stock (Note 20)	**₱4,865,146**	₱4,863,863
Additional paid-in capital	**38,258**	35,573
Other equity reserve (Note 20)	**35,991**	32,025
Unrealized fair value gains on available-for-sale investments (Note 14)	**74,515**	91,823
Remeasurement losses on defined benefit plan (Note 30)	**(1,454)**	(4,225)
Accumulated share in other comprehensive income of a joint venture (Note 13)	**215**	4,688
Retained earnings (Note 20)	**2,128,208**	2,132,405
Treasury shares (Note 5)	**(28,793)**	(28,793)
Total equity attributable to equity holders of Parent Company	**7,112,086**	7,127,359
Non-controlling interests (Note 33)	**110,036**	–
Total Equity	**7,222,122**	7,127,359
TOTAL LIABILITIES AND EQUITY	**₱16,591,359**	₱10,986,268

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Generation revenue	**₱1,033,907**	₱1,478,894	₱75,068
Trading revenue - net (Note 22)	**662,526**	524,090	901,682
Dividend income (Note 31)	**6,840**	8,097	8,296
Rental income (Notes 15 and 31)	**4,425**	5,776	6,549
	1,707,698	2,016,857	991,595
COSTS AND EXPENSES			
Cost of power generation (Notes 23 and 31)	**784,914**	1,083,239	61,911
Cost of power plant on standby (Note 24)	**–**	–	49,106
General and administrative expenses (Notes 25, 26 and 27)	**386,134**	349,166	290,099
	1,171,048	1,432,405	401,116
OTHER INCOME (LOSS) - NET (Note 28)	**(220,525)**	209,704	84,033
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 13)	**(2,616)**	(61,699)	(20,948)
INCOME BEFORE INCOME TAX	**313,509**	732,457	653,564
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**131,945**	195,423	180,071
Deferred	**1,174**	(35,761)	2,061
	133,119	159,662	182,132
NET INCOME	**₱180,390**	₱572,795	₱471,432
Net Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱182,591**	₱572,795	₱471,432
Non-controlling interests (Note 33)	**(2,201)**	–	–
	₱180,390	₱572,795	₱471,432
Basic/Diluted Earnings Per Share (Note 32)	**₱0.04**	₱0.12	₱0.16

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME FOR THE YEAR	**₱180,390**	₱572,795	₱471,432
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 14)	**(16,586)**	(7,308)	12,169
Income tax effect	**(722)**	1,005	(1,358)
	(17,308)	(6,303)	10,811
Share in net other comprehensive income (loss) of a joint venture - net of deferred income tax (Note 13)	**(4,473)**	4,688	(495)
	(21,781)	(1,615)	10,316
Net other comprehensive loss to be reclassified directly to retained earnings in subsequent periods			
Remeasurement gains (losses) on defined benefit plan - net of deferred income tax (Note 30)	**2,395**	(1,072)	(4,964)
Income tax effect	**376**	322	1,489
	2,771	(750)	(3,475)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(19,010)**	(2,365)	6,841
TOTAL COMPREHENSIVE INCOME	**₱161,380**	₱570,430	₱478,273
Total Comprehensive Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱163,581**	₱570,430	₱478,273
Non-controlling interests (Note 33)	**(2,201)**	–	–
	₱161,380	₱570,430	478,273

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, 2014, 2013 AND 2012

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 20)	Additional Paid-in Capital	Other Equity Reserve (Note 20)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 14)	Remeasurement Losses on Defined Benefit Plan (Note 30)	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 20)	Parent Company Shares of Stock Held by a Joint Venture	Treasury Shares (Note 5)	Total	Non-controlling Interests (Note 33)	Total Equity
BALANCES AT DECEMBER 31, 2013	**₱4,863,863**	**₱35,573**	**₱32,025**	**₱91,823**	**(₱4,225)**	**₱4,688**	**₱2,132,405**	**₱–**	**(₱28,793)**	**₱7,127,359**	**₱–**	**₱7,127,359**
Effect of property dividends payout (Note 20)	–	–	**1,523**	–	–	–	**6,774**	–	–	**8,297**	**112,237**	**120,534**
Net income (loss)	–	–	–	–	–	–	**182,591**	–	–	**182,591**	**(2,201)**	**180,390**
Other comprehensive income (loss)	–	–	–	**(17,308)**	**2,771**	**(4,473)**	–	–	–	**(19,010)**	–	**(19,010)**
Total comprehensive income (loss)	–	–	–	**(17,308)**	**2,771**	**(4,473)**	**182,591**	–	–	**163,581**	**(2,201)**	**161,380**
Dividends declared (Note 20)	–	–	–	–	–	–	**(193,562)**	–	–	**(193,562)**	–	**(193,562)**
Equity-based compensation expense (Note 21)	–	–	**7,588**	–	–	–	–	–	–	**7,588**	–	**7,588**
Issuance of stocks - stock option (Note 21)	**1,283**	**2,358**	**(702)**	–	–	–	–	–	–	**2,939**	–	**2,939**
Forfeiture of stock options (Note 21)	–	**327**	**(327)**	–	–	–	–	–	–	–	–	–
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 13)	–	–	**(4,116)**	–	–	–	–	–	–	**(4,116)**	–	**(4,116)**
	1,283	**2,685**	**2,443**	–	–	–	**(193,562)**	–	–	**(187,151)**	–	**(187,151)**
BALANCES AT DECEMBER 31, 2014	**₱4,865,146**	**₱38,258**	**₱35,991**	**₱74,515**	**(₱1,454)**	**₱215**	**₱2,128,208**	**₱–**	**(₱28,793)**	**7,112,086**	**₱110,036**	**₱7,222,122**
BALANCES AT DECEMBER 31, 2012	**₱4,857,259**	**₱24,026**	**₱27,376**	**₱84,985**	**(₱3,475)**	**₱13,141**	**₱1,936,987**	**(₱11,468)**	**₱–**	**₱6,928,831**	**₱–**	**₱6,928,831**
Net income for the year	–	–	–	–	–	–	572,795	–	–	572,795	–	572,795
Other comprehensive income (loss)	–	–	–	(6,303)	(750)	4,688	–	–	–	(2,365)	–	(2,365)
Total comprehensive income (loss)	–	–	–	(6,303)	(750)	4,688	572,795	–	–	570,430	–	570,430
Dividends declared (Note 20)	–	–	–	–	–	–	(377,377)	–	–	(377,377)	–	(377,377)
Issuance of stocks - stock grant (Notes 20 and 21)	696	411	–	–	–	–	–	–	–	1,107	–	1,107
Equity-based compensation expense (Note 21)	–	–	12,280	–	–	–	–	–	–	12,280	–	12,280
Issuance of stocks - stock option (Note 21)	5,908	10,854	(3,233)	–	–	–	–	–	–	13,529	–	13,529
Forfeiture of stock options (Note 21)	–	282	(282)	–	–	–	–	–	–	–	–	–
Effect of business combination (Note 13)	–	–	–	13,141	–	(13,141)	–	11,468	(28,793)	(17,325)	–	(17,325)
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 13)	–	–	(4,116)	–	–	–	–	–	–	(4,116)	–	(4,116)
	6,604	11,547	4,649	13,141	–	(13,141)	(377,377)	11,468	(28,793)	(371,902)	–	(371,902)
BALANCES AT DECEMBER 31, 2013	**₱4,863,863**	**₱35,573**	**₱32,025**	**₱91,823**	**(₱4,225)**	**₱4,688**	**₱2,132,405**	**₱–**	**(₱28,793)**	**₱7,127,359**	**₱–**	**₱7,127,359**

	Attributable to the Equity Holders of the Parent Company											
	Capital Stock (Note 20)	Additional Paid-in Capital	Other Equity Reserve (Note 20)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 14)	Remeasurement Gains on Defined Benefit Plan (Note 30)	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 20)	Parent Company Shares of Stock Held by a Joint Venture	Treasury Shares (Note 5)	Total	Non-controlling Interests (Note 33)	Total Equity
BALANCES AT DECEMBER 31, 2011	**₱2,829,864**	**₱42,821**	**₱30,540**	**₱74,174**	**₱–**	**₱13,636**	**₱1,581,914**	**(₱7,331)**	**₱–**	**₱4,565,618**	**₱–**	**₱4,565,618**
Net income for the year	–	–	–	–	–	–	471,432	–	–	471,432	–	471,432
Other comprehensive income (loss)	–	–	–	10,811	(3,475)	(495)	–	–	–	6,841	–	6,841
Total comprehensive income (loss)	–	–	–	10,811	(3,475)	(495)	471,432	–	–	478,273	–	478,273
Cash dividends - ₱0.04 per share (Note 20)	–	–	–	–	–	–	(113,195)	–	–	(113,195)	–	(113,195)
Issuance of stocks - stock grant (Notes 20 and 21)	142	–	–	–	–	–	–	–	–	142	–	142
Issuance of stocks from stock rights offering (SRO), net of direct costs of ₱18.79 million (Note 20)	2,027,253	(18,795)	–	–	–	–	–	–	–	2,008,458	–	2,008,458
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 13)	–	–	(3,164)	–	–	–	(3,164)	–	–	(6,328)	–	(6,328)
Increase in parent company shares held by a joint venture (Note 13)	–	–	–	–	–	–	–	(4,137)	–	(4,137)	–	(4,137)
	2,027,395	(18,795)	(3,164)	–	–	–	(116,359)	(4,137)	–	1,884,940	–	1,884,940
BALANCES AT DECEMBER 31, 2012	**₱4,857,259**	**₱24,026**	**₱27,376**	**₱84,985**	**(₱3,475)**	**₱13,141**	**₱1,936,987**	**(₱11,468)**	**₱–**	**₱6,928,831**	**₱–**	**₱6,928,831**

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱313,509**	₱732,457	₱653,564
Adjustments for:			
Interest and other financial charges (Note 28)	**170,969**	13,936	1,343
Depreciation and amortization (Notes 12, 15, 16, and 27)	**161,408**	99,136	44,426
Loss (gain) on derivatives - net (Notes 28 and 36)	**35,220**	(31,159)	(9,364)
Gain on pre-existing relationship (Note 5)	**(8,724)**	–	–
Equity-based compensation expense (Note 21)	**7,588**	12,280	–
Dividend income (Note 31)	**(6,840)**	(8,097)	(8,296)
Interest and other financial income (Note 28)	**(6,113)**	(14,541)	(75,863)
Equity in net losses of associates and joint ventures (Note 13)	**2,616**	61,699	20,948
Gain on option fee (Note 28)	–	–	(30,729)
Gain on remeasurement of previously held investment (Notes 5 and 28)	–	(168,585)	–
Gain on bargain purchase (Notes 5 and 28)	–	(25,926)	–
Provisions for (reversals of):			
Doubtful accounts (Notes 9 and 28)	**33,365**	17,680	2,092
Impairment loss on deferred exploration costs (Notes 16 and 28)	–	(12,874)	12,874
Impairment loss on available-for-sale investments (Notes 14 and 28)	–	49,697	–
Inventory obsolescence (Note 28)	–	487	–
Unrealized foreign exchange loss - net	**1,135**	(5,012)	10,748
Gain on assignment of Mineral Production Sharing Agreement (Notes 16 and 28)	–	(37,934)	–
Gain on sale of:			
Available-for-sale investments (Note 28)	**(404)**	(622)	(75)
Property and equipment (Note 28)	**(505)**	(336)	(176)
Assets held for sale (Note 12)	–	–	(11,017)
Property and equipment written-off (Note 12)	–	–	6,025
Operating income before working capital changes	**703,224**	682,286	616,500
Decrease (increase) in:			
Receivables	**(289,921)**	(1,758,623)	17,632
Fuel and spare parts - at cost	**(64,462)**	10,298	(62,486)
Other current assets	**(438,775)**	(170,126)	(15,840)
Increase (decrease) in accounts payable and other current liabilities	**(816,035)**	1,619,903	(98,262)
Net cash generated from (used in) operations	**(905,969)**	383,738	457,544
Income and withholding taxes paid	**(127,940)**	(209,113)	(242,762)
Net cash flows from (used in) operating activities	**(1,033,909)**	174,625	214,782

(Forward)

	Years Ended December 31		
	2014	**2013**	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to (reductions in):			
Property and equipment (Note 12)	**(₱3,831,856)**	(₱1,406,375)	(₱173,860)
Investments in associates (Note 13)	**(18,722)**	(53,250)	(65,178)
Interests in joint ventures (Note 13)	**(491,000)**	(1,184,000)	(458,525)
Deferred exploration costs (Note 16)	**(21,001)**	(11,197)	(18,928)
Available-for-sale investments	**(759)**	(292,253)	(61,533)
Short-term investments (Note 7)	**339,640**	1,503,986	(1,555,340)
Acquisition of a subsidiary (Note 5)	**(465,640)**	(197,793)	–
Proceeds from:			
Sale and redemption of investments held for trading (Note 9)	**100,664**	461,473	65,770
Sale of available-for-sale investments (Note 14)	**6,547**	7,357	599
Sale of property and equipment (Note 12)	**1,241**	1,188	1,180
Currency forward contracts (Note 33)	–	9,681	7,138
Receipt of option fee (Note 15)	–	–	42,203
Sale of assets held for sale (Note 12)	–	–	75,587
Reimbursement of deferred exploration costs (Note 16)	–	–	21,047
Increase in other noncurrent assets	**(116,217)**	(12,389)	(2,048)
Settlement of currency forward contracts (Note 33)	**(17,672)**	–	–
Cash dividends received	**6,840**	8,097	8,296
Interest received	**6,074**	45,095	36,385
Net cash flows used in investing activities	**(4,501,861)**	(1,120,380)	(2,077,207)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term loans (Note 17)	**1,670,000**	910,000	–
Long-term loans (Note 19)	**6,820,000**	–	–
Issuance of capital stock (Note 20)	**2,939**	17,869	2,008,600
Payments of:			
Short-term loans (Note 17)	**(2,580,000)**	–	–
Cash dividends	**(185,032)**	(194,318)	(112,092)
Interest on short-term and long-term loans	**(155,465)**	(7,673)	–
Debt issuance costs (Note 19)	**(59,199)**	–	–
Finance leases	**(62,281)**	–	–
Decrease in due to stockholders	**(69,525)**	–	–
Increase (decrease) in pension and other employee benefits and other noncurrent liabilities	**8,239**	14,148	(992)
Net cash flows from financing activities	**5,389,676**	740,026	1,895,516
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(327)**	(13,874)	67
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(146,421)**	(219,603)	33,158
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**687,992**	907,595	874,437
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱541,571**	₱687,992	₱907,595

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

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 subsidiaries, Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Gold and Minerals Development Corporation (TA Gold), Trans-Asia Wind Power Corporation (TAWPC), One Subic Power Generation Corporation (One Subic), Trans-Asia Petroleum Corporation (TA Petroleum) [formerly Trans-Asia (Karang Besar) Petroleum Corporation] and Palawan55 Exploration & Production Corporation (Palawan55), collectively referred to as "the Company", are incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management, Inc. (PHINMA, Inc.), also incorporated in the Philippines. TA Oil is managed by PHINMA, Inc. under an existing management agreement (see Note 31).

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 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. Effective December 26, 2013, TA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten years with TA Oil for the administration and management by TA Oil of the entire capacity and net output of TA Power starting 2014. In addition to the fixed capacity, TA Oil is billed by TA Power for transmission and fuel cost.

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 12 and 24). 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. In 2013, CIPP and TA Oil entered into a Power Administration and Management Agreement (PAMA) valid for ten years for the latter's administration and management of the entire capacity and net output of CIPP. As at February 23, 2015, 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. During 2013, the DOE confirmation affirmed the conversion of said WESC from Pre-Development to Development/ Commercial Stage. On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators. The Company is currently selling generated power to the WESM while awaiting for the project's eligibility for the Feed-In-Tariff (FIT) rate. As at December 31, 2014, the Company has fully completed and commissioned 27 2MW wind turbine generators.

TA Petroleum was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. TA Petroleum was registered with the Philippine Stock Exchange on August 28, 2014. As at February 23, 2015, 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 23, 2015, 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 23, 2015, 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 23, 2015, 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 23, 2015, SLTEC has not yet started commercial 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 23, 2015.

One Subic was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. It started its operations on February 17, 2011. On May 12, 2014, TA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic. Prior to the acquisition, One Subic used to be a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

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 23, 2015.

2. Basis of Preparation and Consolidation and Statement of Compliance

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

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 Parent 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 Parent Company controls an investee if and only if the Parent 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 Parent 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 Parent Company obtains control over the subsidiary and ceases when the Parent 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 Parent Company gains control until the date the Parent 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.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from equity attributable to holders of the Parent Company.

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

		Percentage of Ownership (%)		
		2014		2013
	Principal Activities	**Direct**	**Indirect**	Direct
Trans-Asia Power Generation Corporation [a]	Power generation	**100.00**	–	100.00
CIP II Power Generation Corporation	Power generation	**100.00**	–	100.00
Trans-Asia Renewable Energy Corporation	Renewable energy generation	**100.00**	–	100.00
Trans-Asia Gold and Mineral Development Corporation	Mineral exploration	**100.00**	–	100.00
Trans-Asia Wind Power Corporation [b]	Renewable energy generation	**100.00**	–	100.00
One Subic Power Generation Corporation [c]	Power generation	**–**	**100.00**	–
Trans-Asia Petroleum Corporation [d]	Oil and gas exploration	**50.74**	**0.23**	100.00
Palawan55 Exploration & Production Corporation [d]	Oil and gas exploration	**30.65**	**35.34**	100.00

[a] *Acquired the 50% share of Holcim in TA Power on January 1, 2013 (see Note 5).*
[b] *Incorporated on July 26, 2013.*
[c] *Acquired on May 12, 2014 (see Note 5), through TA Power.*
[d] *Shares were distributed as property dividends on August 20, 2014 (see Note 20). As a result, percentage of ownership of the Parent Company in previously wholly owned subsidiaries, TA Petroleum and Palawan55, before the property dividend distribution decreased from 100.00% to 50.97% and 65.99%, respectively.*

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures
The Company adopted for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014.

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

- Investment Entities (Amendments to PFRS 10,*Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities* and Philippine Accounting Standard (PAS) 27, *Separate Financial Statements)*
  These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Company, since none of the entities within the Company qualifies to be an investment entity under PFRS 10.

- PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The additional disclosures required by the amendments are presented in Note 16 to the Company's consolidated 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 and retrospective application is required. These amendments have no impact on the Company as it has not novated its derivatives during the current or prior periods.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have an impact on the Company's consolidated financial statements. These include:

- Annual improvements to PFRSs 2010 – 2012 Cycle (PFRS 13, *Fair Value Measurement*)
  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual improvements to PFRSs 2011 – 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Future Changes in Accounting Policies
The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. 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.

Effective after 2015

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosures* and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). The adoption of the final version of PFRS 9, however, is still for approval by Board of Accountancy.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs
These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's consolidated financial statements.

- Annual Improvements to PFRSs (2010-2012 Cycle)

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - 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 FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  - 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.

  - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and* PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

    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 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 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 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.

- 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.

- Annual Improvements to PFRS (2011-2013 Cycle)

  - 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.

  - 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.

  - 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.

- Annual Improvements to PFRSs (2012-2014 cycle)

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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.

Fair Value Measurement
The Company measures its financial instruments at fair value at each balance sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its financial instruments.

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 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 balance sheet 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 for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the consolidated 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 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.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

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.

   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 "Other income (loss) - net" 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.

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 35).

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.

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 11, 18 and 35).

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 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 effective interest rate. 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 effective interest 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.

The Company's cash and cash equivalents, short-term investments and receivables are classified as loans and receivables (see Notes 6, 7, 9 and 36).

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 effective interest 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 effective interest.

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.

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 effective interest 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.

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, 14 and 36).

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 effective interest method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as interest expense in the consolidated statement of income.

The Company's short-term loans, accounts payable and other current liabilities (excluding statutory payables), due to stockholders, long-term loans and other noncurrent liabilities are classified as other financial liabilities (see Notes 17, 18, 19, 31 and 35).

Debt Issue Costs
Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

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 "Other income (loss) - net" 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.

Fuel and Spare Parts
Fuel and spare parts are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost of fuel and spare parts.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depletion, depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties (where applicable), borrowing costs incurred during the construction period and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In 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.

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	9-25 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 depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of 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.

Interest in Joint Arrangements
PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement.

The Company's SCs are all under exploration stage, thus, the Company recognizes its share of the related exploration expenses as it is billed through cash calls.

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 other comprehensive income of those investees is presented as part of the Company's other comprehensive income. 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.

<u>Investment Properties</u>
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.

Leasehold Rights

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding any capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the assets are derecognized.

The useful lives of leasehold rights are assessed as finite. Leasehold rights are amortized on a straight-line basis based on the term in the facility lease agreement. The amortization expense on leasehold rights are recognized in the consolidated statement of income in the expense category consistent with its function.

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 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 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 statement of income.

Goodwill

Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Leasehold rights

Intangible assets with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

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 (APIC)
APIC 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 associates and 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.

Dividends on Common Stock
The Company may pay dividends in cash, property, or by the issuance of shares of stock. All dividends are subject to the approvals of the BOD; however, property dividends need approval from SEC and stock dividends require approval of at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. The Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on common stock are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

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.

Equity in Net Earnings (Losses) of Associates and Joint Ventures
The Company recognizes its share in the net income or loss of associates and joint ventures proportionate to the equity in the economic shares of such associates, in accordance with the equity method.

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 Employee 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 Options
Stock option grants 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.

Borrowing Costs

Borrowing 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. 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.

Income Tax

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 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 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 Taxes
Creditable withholding taxes represent 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.

Input VAT is recognized when the Company purchases goods and services from a VAT-registered supplier. Unapplied input VAT is included in "Other current assets" in the consolidated 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.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 37 to the consolidated financial statements.

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 classification of leases
Under TA Oil's ESA with Guimelco and with Holcim, TA Oil sells all of its output to Guimelco and sells all or substantially all of its output to Holcim (see Note 34). 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 Company also entered into various easements and right of way agreements with various land owners to support the erection of transmission lines to be used to connect its 54MW Wind Farm Project in Guimaras. These agreements contain a lease as the arrangements convey the right to use the item and TAREC has control over the utility of the asset.

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 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 lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as operating lease.

One Subic has a lease contract with Subic Bay Metropolitan Authority (SBMA) for a parcel of land and electric generating plant and facilities where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as operating lease.

The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset, among others, which indicates that it does not transfer substantially all the risks and rewards from the various land owners to the Company incidental to the ownership of the parcels of land. These leases are classified 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 indicates that the risks and rewards related to the asset are transferred to the Company. These leases are classified as finance 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 leases are classified as operating leases.

Determining and classifying a joint arrangement
Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at December 31, 2014 and 2013, the Company's SCs are joint arrangements in the form of a joint operation.

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.

Accordingly, the Company classified its interests in SLTEC and ACTA 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 36.

Material partly-owned subsidiaries
The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Company (see Note 33). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of non-controlling interests and those subsidiaries which type of activities they engage in is important to the group as at end of the year.

Material associates and joint ventures
The consolidated financial statements include additional information about associates and joint ventures that are material to the Company (see Note 13). Management determined material associates as those associates where the Company's carrying amount of investment is greater than 5% of the total investments in associates and interest in joint ventures as at end of the year.

<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 ₱4.27 billion and ₱4.49 billion as at December 31, 2014 and 2013, respectively, while fair values of the Company's financial liabilities amounted to ₱9.02 billion and ₱2.61 billion as at December 31, 2014 and 2013, respectively (see Note 36).

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, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is

objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. Allowance for doubtful accounts is recorded when management believes that the receivable balance cannot be provided or realized after exhausting all efforts and courses of action. 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, 2014 and 2013, allowance for doubtful accounts amounted to ₱63.13 million and ₱29.78 million, respectively. The carrying value of receivables amounted to ₱3.06 billion and ₱2.67 billion as at December 31, 2014 and 2013, 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 flows from the AFS investments. Accordingly, an impairment loss of ₱49.70 million was recognized under the "Other income (loss) - net" account in the 2013 consolidated statement of income (see Note 28). No impairment loss was deemed necessary in 2014 and 2012. The carrying value of AFS investments amounted to ₱268.60 million and ₱578.63 million as at December 31, 2014 and 2013, respectively (see Notes 7 and 14).

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, 2014 and 2013, deferred income tax assets recognized by the Company amounted to ₱43.80 million and ₱81.10 million, respectively. The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized are disclosed in Note 29.

Estimated useful lives of property, plant and equipment, investment properties and leasehold rights
The Company estimates the useful lives of property, plant and equipment, investment properties and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and leasehold rights 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, investment properties and leasehold rights 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. There was no change in the useful life.

The total depreciation and amortization of property, plant and equipment, investment properties and leasehold rights amounted to ₱161.41 million, ₱99.14 million and ₱44.43 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Notes 12, 15, 16 and 27).

Impairment of nonfinancial assets, other than goodwill and deferred exploration costs
The Company assesses whether there are any indicators of impairment for all nonfinancial assets, other than goodwill and deferred exploration costs, at each balance sheet date. These nonfinancial assets (investments in associates and interests in joint ventures, property, plant and equipment, investment properties and leasehold rights) are tested for impairment whenever events or changes in circumstances indicate that carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In cases where the value in use cannot be reliably measured, the recoverable amount is based on fair value less costs to sell.

The carrying amounts of the Company's nonfinancial assets as at December 31 are as follows:

	2014	2013
Property, plant and equipment (see Note 12)	**₱6,863,059**	₱2,390,616
Investments in associates and interests in joint ventures (see Note 13)	**3,747,462**	3,248,944
Investment properties (see Note 15)	**28,302**	30,263
Leasehold rights (see Note 16)	**89,719**	–

No impairment loss was deemed necessary on these nonfinancial assets in years 2014, 2013 and 2012.

In 2012, property, plant and equipment with carrying value of ₱6.02 million were directly written-off and charged to "Other income (loss) - net" account in the consolidated statement of income as a result of the transfer of CIPP's power plant from Laguna to La Union (see Note 28).

Accumulated impairment losses on investments in associates and interest in joint ventures amounted to ₱1.56 million as at December 31, 2014 and 2013 (see Note 13).

Impairment of deferred exploration costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the

contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. In 2013, the Company reversed the provision for impairment loss amounting to ₱12.87 million which was recognized in 2012 since management believes that it will be able to recover its costs on the basis of new studies and test results (see Note 28). No impairment loss was deemed necessary in 2014. Carrying value of deferred exploration costs amounted to ₱116.40 million and ₱96.29 million as at December 31, 2014 and 2013, respectively (see Note 16).

Impairment of goodwill
The Company's goodwill was tested for impairment where the recoverable amount was determined using the value in use approach. Value in use was based on the cash flow projections on the most recent financial budgets/forecasts approved by the BOD, which management believes are reasonable. The discount rate applied was 10%, which was based on the weighted average cost of capital adjusted for the difference in currency and specific risks.

The carrying amount of goodwill amounted to ₱234.15 million as at December 31, 2014 and 2013 (see Note 16). No impairment loss was recognized on goodwill for the year ended December 31, 2014.

Purchase price allocation - Estimating the fair values of acquiree's identifiable assets and liabilities and pre-existing relationship and previously held interest; goodwill and gain on bargain purchase,
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 in 2013 amounted to ₱974.06 million, while that of One Subic in 2014 amounted to ₱263.72 million (see Note 5).

The Company accounts for the acquired businesses using the acquisition method which require 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 profit or loss. 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 acquisition of One Subic in 2014 has resulted in recognition of goodwill. The carrying value of goodwill as at December 31, 2014 amounted to ₱234.15 million (see Note 16). Also, prior to TA Power's acquisition of One Subic, TA Oil has an existing PAMA with One Subic which is considered as a pre-existing relationship in a business combination. The acquisition of One Subic also resulted to recognition of gain on settlement of pre-existing relationship amounting to ₱8.72 million included under "Other income (loss) - net" account in the 2014 consolidated statement of income (see Notes 5 and 28).

The Company's acquisition of the 50% of TA Power in 2013 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 (loss) - net" account in the 2013 consolidated statement of income (see Notes 5 and 28).

Pension and other employee 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 employee benefits liability amounted to ₱28.65 million and ₱33.63 million as at December 31, 2014 and 2013, respectively (see Note 30).

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 30.

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.

As at December 31, 2014 and 2013, other equity reserve from stock option plan amounted to ₱15.32 million and ₱8.77 million, respectively. Total expense arising from share-based payments recognized by the Company amounted to ₱7.59 million and ₱12.28 million for the years ended December 31, 2014 and 2013, respectively (see Note 21).

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 Combinations**

One Subic
On May 12, 2014, TA Power purchased from UDEC the entire outstanding shares of stock of One Subic. The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of their fair values as follows at date of acquisition:

	Carrying Values	Fair Values Recognized
Current Assets:		
Cash	₱23,504	₱23,504
Receivables	132,955	131,827
Fuel and spare parts	4,381	4,381
Other current assets	3,383	3,383
Total Current Assets	164,223	163,095
Noncurrent Assets		
Property, plant and equipment	109,928	104,505
Other noncurrent assets	8,282	5,972
Deferred income tax assets	1,346	–
Leasehold rights (see Note 16)	–	99,839
Total Noncurrent Assets	119,556	210,316
Current Liabilities		
Accounts payable	68,569	68,569
Income and withholding taxes payable	6,897	6,897
Total Current Liabilities	75,466	75,466
Noncurrent Liabilities		
Mortgage payable	1,872	1,872
Pension liability	5,617	4,827
Deferred income tax liability	–	27,530
Total Noncurrent Liabilities	7,489	34,229
Identifiable Net Assets Acquired	₱200,824	₱263,716

Identifiable Net Assets Acquired	₱263,716
Goodwill from the acquisition (see Note 16)	234,152
Purchase consideration transferred	₱497,868
Cash paid	₱489,144
Cash consideration allocated to pre-existing relationship	8,724
Purchase consideration transferred	₱497,868

Cash flows from an investing activity:	
Net cash acquired from subsidiary	₱23,504
Cash payment	(489,144)
Net cash outflow	(₱465,640)

The goodwill of ₱234.15 million reflects the expected synergy in the Company's growing generation portfolio (see Note 16). The goodwill is not deductible for tax purposes.

The fair value and gross amount of trade and other receivables amounted to ₱131.83 million and ₱132.96 million, respectively. The difference between the fair value and the gross amount of trade and other receivables represents the portion expected to be uncollectible.

The Company's consolidated revenues and consolidated net income would have increased by ₱318.68 million and ₱63.79 million, respectively, for the year ended December 31, 2014 had the acquisition of One Subic actually taken place on January 1, 2014. Total revenues and net income of One Subic included in the Company's consolidated statement of income from May 12, 2014 to December 31, 2014 amounted to ₱205.35 million and ₱48.48 million, respectively.

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 acquisition of additional 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 a 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:

	Carrying Values	Fair Values Recognized
Current Assets:		
Cash and cash equivalents	₱263,311	₱263,311
Investments held for trading	121,421	121,421
Trade and other receivables	233,296	228,157
Fuel and spare parts	104,133	104,133
Other current assets	128,343	127,168
Total Current Assets	850,504	844,190
Noncurrent Assets:		
Property, plant and equipment	14,299	475,849
Available-for-sale investments	70,139	70,139
Deferred income tax assets – net	860	860
Investment property	8,607	13,085
Other noncurrent assets	1,058	1,058
Total Noncurrent Assets	94,963	560,991
Current Liabilities:		
Trade and other payables	273,564	273,564
Due to related parties	7,387	7,387
Derivative liability	12	12
Total Current Liabilities	280,963	280,963
Noncurrent Liabilities:		
Provision	5,000	5,000
Other post-employment benefits	5,351	5,351
Deferred income tax liabilities	–	139,808
Total Noncurrent Liabilities	10,351	150,159
Total identifiable net assets acquired	₱654,153	₱974,059

Total identifiable net assets acquired	₱974,059
Gain on bargain purchase (see Note 28)	25,926
Purchase consideration transferred	₱948,133
Cash paid	₱475,500
Cash consideration allocated to pre-existing relationship	(14,396)
Cash paid for the acquisition	461,104
Fair value of previously held interest	487,029
Purchase consideration transferred	₱948,133
Cash flows from an investing activity:	
Net cash acquired from subsidiary	₱263,311
Cash paid	(461,104)
Net cash outflow	(₱197,793)

The fair value and gross amount of trade and other receivables amounted to ₱228.16 million and ₱233.30 million, respectively. The difference between the fair value and the gross amount of trade and other receivables represents the portion expected to be uncollectible.

The Company recognized ₱168.59 million gain from remeasurement of previously held interest of 50% in TA Power, included in "Other income (loss) - net" account in the consolidated statement of income for the year ended December 31, 2013 (see Note 28), 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.

As a result of the acquisition, the Company recognized gain on bargain purchase amounting to ₱25.93 million, included under "Other income (loss) - net" in the consolidated statement of income for the year ended December 31, 2013 (see Note 28). The gain resulted primarily from remeasurement of property, plant and equipment based on expected future cash generation.

The cash consideration of ₱475.50 million paid by the Parent Company included 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.

The revenues and net income of TA Power in the Company's consolidated statement of income for the year ended December 31, 2013 amounted to ₱4.91 billion and ₱282.10 million, respectively.

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

6. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱162,019**	₱212,593
Short-term deposits	**379,552**	475,399
	₱541,571	₱687,992

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.

Short-term deposits account includes debt service reserves amounting to ₱48.05 million as at December 31, 2014 for the wind project loan facility.

7. Investments in Escrow Account

The Company placed in an escrow fund account the net proceeds from its November 2012 stock rights offering. The said escrow account shall only be used for the following:

- 54MW Wind Energy Project in San Lorenzo, Guimaras
- Equity investment in SLTEC to fund the second 135MW clean coal-fired power plant in Calaca, Batangas
- Other potential investments in power project opportunities

Following is the composition of the escrow fund and its classification in the 2013 consolidated balance sheet:

Short-term investments	
Savings account	₱51,354
Available-for-sale investments - current	
AFS investments in bonds and FXTNs	341,833
Less Impairment loss (see Note 28)	49,697
	292,136
	₱343,490

In 2013, the Company acquired additional AFS investments in bonds and FXTNs totaling ₱344.00 million. Loss on 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 of in 2014 as a result of the decline in the prices of the instruments, 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 28).

The Company utilized the escrow account in accordance with the purpose and timing for which it was approved. The account was fully disbursed in 2014.

8. Investments Held for Trading

	2014	2013
Investments in UITFs	**₱377,793**	₱475,271
Investments in bonds and FXTNs	**–**	81
	₱377,793	₱475,352

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 under "Other income (loss) - net" in the consolidated statements of income, amounted to ₱2.88 million unrealized gains in 2014, ₱58.29 million unrealized losses in 2013 and ₱18.68 million unrealized gains in 2012 (see Note 28).

Investments in UITFs include debt service reserves amounting to ₱56.40 million for the wind project loan facility.

9. Receivables

	2014	2013
Trade	**₱3,055,297**	₱2,629,331
Due from related parties (see Note 31)	**264**	186
Receivables from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 16)	**39,365**	45,449
Consortium - SC 50 (see Note 16)	**20,000**	–
Employees	**2,107**	3,954
Stockholders (see Note 31)	**35**	19,312
Others	**1,086**	4,327
	3,118,154	2,702,559
Less allowance for doubtful accounts	**63,132**	29,784
	₱3,055,022	₱2,672,775

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.

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

	2014							
		Neither Past Due nor Impaired	**Past Due but not Impaired**				**Past Due and Impaired**
	Total		**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	
Trade	**₱3,055,297**	**₱1,712,029**	**₱14,528**	**₱6,993**	**₱1,941**	**₱1,299,333**	**₱20,473**
Due from related parties	**264**	**264**	**–**	**–**	**–**	**–**	**–**
Others	**62,593**	**19,226**	**–**	**–**	**–**	**708**	**42,659**
	₱3,118,154	**₱1,731,519**	**₱14,528**	**₱6,993**	**₱1,941**	**₱1,300,041**	**₱63,132**

	2013						
		Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
	Total		<30 Days	30–60 Days	61–90 Days	91–120 Days	
Trade	₱2,629,331	₱2,472,719	₱10,542	₱15,688	₱9,024	₱94,868	₱26,490
Due from related parties	186	186	–	–	–	–	–
Others	73,042	68,907	–	–	69	772	3,294
	₱2,702,559	₱2,541,812	₱10,542	₱15,688	₱9,093	₱95,640	₱29,784

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

	2014		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱26,490**	**₱3,294**	**₱29,784**
Provision for the year (see Notes 16 and 28)	**–**	**39,365**	**39,365**
Write-off during the year	**(17)**	–	**(17)**
Reversal during the year (see Note 28)	**(6,000)**	–	**(6,000)**
Balances at end of year	**₱20,473**	**₱42,659**	**₱63,132**

	2013		
	Trade	Others	Total
Balances at beginning of year	₱8,810	₱3,294	₱12,104
Provision for the year (see Note 28)	17,680	–	17,680
Balances at end of year	₱26,490	₱3,294	₱29,784

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 Energy Regulatory Commission (ERC) from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

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

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. During the year, the Company collected ₱410.00 million under the said Multilateral Agreement and was recognized as payable to PEMC.

10. **Fuel and Spare Parts - at cost**

	2014	2013
Fuel	**₱250,918**	₱203,996
Spare parts	**56,179**	39,767
	₱307,097	₱243,763

Fuel charged to Cost of power generation and Cost of Power Plant on Standby amounted to ₱357.44 million, ₱846.89 million and ₱44.98 million in 2014, 2013 and 2012, respectively (see Notes 23 and 24).

11. **Other Current Assets**

	2014	2013
Input VAT	**₱450,813**	₱54,502
Creditable withholding taxes	**292,494**	154,298
Prepaid expenses	**71,201**	113,113
Deposits receivables	**25,807**	22,335
Prepaid taxes	**–**	91,511
Derivative asset (see Note 35)	**–**	11,671
	₱840,315	₱447,430

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

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

Prepaid expenses pertain to insurance, professional fees, rent and other expenses paid in advance. Prepaid expenses also include debt issue costs and other charges incurred in relation to the ₱4.3-Billion Term Loan Facility. Upon drawdown, the related debt issue costs are amortized over the life of the debt instruments using the effective interest method and any unamortized debt issuance costs are presented as a reduction from the long term debt. As at December 31, 2014 and 2013, debt issue costs and other charges included in "Prepaid expenses" amounted to ₱17.09 million and ₱5.48 million, respectively.

Deposits receivable pertain to advances to suppliers and option money paid to various land owners.

12. **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, 2013	₱10,800	₱171,263	₱714,489	₱20,347	₱16,836	₱36,502	₱31,279	₱–	₱1,001,516
Additions	–	1,623	21,338	–	5,225	626	5,456	1,372,108	1,406,376
Acquisition through business combination (see Note 5)	27,701	15,844	427,164	–	2,563	–	2,577	–	475,849
Disposals	–	–	–	–	(2,812)	–	–	–	(2,812)
Reclassifications	–	–	–	–	–	(11,240)	–	11,240	–
At December 31, 2013	38,501	188,730	1,162,991	20,347	21,812	25,888	39,312	1,383,348	2,880,929
Additions	16,558	10,942	74,128	–	5,493	3,340	8,216	4,399,325	4,518,002
Acquisition through business combination (see Note 5)	–	98,762	–	–	4,880	–	863	–	104,505
Disposals	–	–	–	–	(5,533)	–	(369)	–	(5,902)
Written-off	–	(9,497)	–	(20,347)	(1,516)	(1,069)	(5,029)	–	(37,458)
Reclassifications	174,792	–	5,607,983	–	–	–	(102)	(5,782,673)	–
At December 31, 2014	229,851	288,937	6,845,102	–	25,136	28,159	42,891	–	7,460,076
Accumulated Depletion, Depreciation, Amortization and Impairment									
At January 1, 2013	–	77,582	241,937	20,347	7,774	18,215	29,241	–	395,096
Depreciation and amortization (see Note 27)	618	12,328	76,303	–	4,036	1,222	2,670	–	97,177
Disposals	–	–	–	–	(1,960)	–	–	–	(1,960)
At December 31, 2013	618	89,910	318,240	20,347	9,850	19,437	31,911	–	490,313
Depreciation and amortization (see Note 27)	618	12,736	125,293	–	5,307	1,189	4,186	–	149,329
Disposals	–	–	–	–	(4,798)	–	(369)	–	(5,167)
Written-off	–	(9,497)	–	(20,347)	(1,516)	(1,069)	(5,029)	–	(37,458)
At December 31, 2014	1,236	93,149	443,533	–	8,843	19,557	30,699	–	597,017
Net Book Value									
At January 1, 2013	₱10,800	₱93,681	₱472,552	₱–	₱9,062	₱18,287	₱2,038	₱–	₱606,420
At December 31, 2013	37,883	98,820	844,751	–	11,962	6,451	7,401	1,383,348	2,390,616
At December 31, 2014	**228,615**	**195,788**	**6,401,569**	–	**16,293**	**8,602**	**12,192**	–	**6,863,059**

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 2012 consolidated statement of income (see Note 24).

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 net book value of ₱6.02 million was written-off in 2012 (see Note 28).

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 which were subsequently reclassified to assets held for sale in 2011. The sale was completed in September 2012. Gain recognized from the said sale amounted to ₱11.02 million (see Note 28).

The Company continues to implement the development activities on the 12 WESC areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project of TAREC which obtained approval for the commerciality of the wind project. Construction costs related to the project were included under construction in progress as at December 31, 2013 (see Note 34). The said project was completed in the last quarter of 2014. The carrying amount of the wind farm as at December 31, 2014 was ₱5.76 billion, included under "Machinery and equipment and Land and Land Improvements" account.

Land held under finance leases
The Company entered into finance leases of land in Suclaran and Cabano in San Lorenzo, Guimaras and Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of San Lorenzo wind farm. The carrying value of property and equipment held under finance leases, included under "Land and land improvements", as at December 31, 2014 amounted to ₱100.87 million.

Capitalized borrowing costs
As at December 31, 2014, borrowing costs capitalized include the following:

Interest expense on:	
Specific borrowings* (see Note 19)	₱102,901
General borrowings (see Note 19)	8,152
Amortization of debt issue costs (see Note 19)	4,096
Accretion of finance charges related to finance leases	8,868
	₱124,017

Net of interest income amounting to ₱3.17 million.

The rate used to determine the amount of borrowing costs eligible for capitalization of general borrowings was 5%. The rates used to determine the amount of borrowing costs eligible for capitalization of finance charges related to finance leases range from 6% to100%.

Mortgaged property and equipment
The Company's wind farm amounting to ₱5.78 billion is mortgaged as security for the ₱4.3 billion term loan (see Note 19).

13. 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 are as follows:

	Percentage of Ownership	2014	2013
Associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱278,041**	₱219,510
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		278,672	220,141
Joint ventures:			
SLTEC	50.00	**3,468,734**	3,028,741
ACTA	50.00	**56**	62
		3,468,790	3,028,803
		₱3,747,462	₱3,248,944

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

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

	2014	2013
Acquisition costs:		
Balance at beginning of year	**₱3,367,338**	₱2,355,088
Addition	**509,723**	1,237,250
Business combination (see Note 5)	**–**	(225,000)
Balance at end of year	**3,877,061**	3,367,338
Accumulated equity in net income (losses):		
Balance at beginning of year	**(141,619)**	11,851
Equity in net losses for the year	**(2,616)**	(61,699)
Business combination (see Note 5)	**–**	(91,771)
Balance at end of year	**(144,235)**	(141,619)
Accumulated share in other comprehensive income:		
Balance at beginning of year	**4,688**	13,141
Share in other comprehensive income (loss)	**(4,473)**	4,688
Business combination (see Note 5)	**–**	(13,141)
Balance at end of year	**215**	4,688
Other equity transactions:		
Balance at beginning of year	**20,096**	12,744
Share in expenses directly attributable to issuance of stocks of a joint venture	**(4,116)**	(4,116)
Business combination (see Note 5)	**–**	11,468
Balance at end of year	**15,980**	20,096
Less accumulated impairment losses	**1,559**	1,559
	₱3,747,462	₱3,248,944

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 integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation.

The summarized information in respect to MGI, a material associate of the Company, as at and for the year ended December 31 and the reconciliation with the carrying amount of the investment in the consolidated financial statements are shown below:

Summarized balance sheets

	2014	2013
Current assets	**₱284,032**	₱219,788
Noncurrent assets	**3,402,660**	2,960,723
Total assets	**3,686,692**	3,180,511
Current liabilities	**(553,221)**	(114,973)
Noncurrent liabilities	**(2,021,307)**	(2,187,497)
Net assets	**1,112,164**	878,041
Proportion of the Company’s ownership	**25%**	25%
Carrying amount of investment	**₱278,041**	₱219,510

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

Summarized statements of income

	2014	2013	2012
Generation revenues	**₱654,448**	₱–	₱–
Cost of power generation	**269,248**	–	–
Gross profit	**385,200**	–	–
Other income	**1,568**	–	–
Interest income	**684**	3,669	10,368
General and administrative expenses	**(227,941)**	(48,831)	(36,996)
Income (loss) before income tax	**159,511**	(45,162)	(26,628)
Provision for income tax	**276**	–	–
Net income (loss)	**₱159,235**	(₱45,162)	(₱26,628)

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.

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 operations started in February 2014.

The Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the Maibarara Geothermal Power Plant (see Note 34). 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.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As of December 31, 2014 and 2013, MGI is in compliance with the said loan covenants.

In 2014 and 2013, MGI made several cash calls and TA Oil, as a Project Sponsor, infused additional investment amounting to ₱491.00 million and ₱53.25 million, respectively.

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, 2014, 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	₱2,359
Noncurrent asset	15
Total assets	2,374
Current liability	134
Net assets	₱2,240
Proportion of the Company's ownership	28.18%
Carrying amount of investment	631

The results of operations of Asia Coal for the year ended October 31, 2009 are as follows:

Interest income	₱194
General and administrative expenses	(152)
Other expenses	(83)
Benefit from income tax	4
Net loss	₱37

Asia Coal had no activities since it filed for the shortening of its corporate life, hence no movement in the above balance.

Interests in a Joint Venture
The summarized information in respect to SLTEC, a material joint venture of the Company, as at and for the year ended December 31, and the reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

SLTEC

Balance sheets

	2014	2013
Current assets	**₱3,406,270**	₱2,834,088
Noncurrent assets	**18,354,529**	11,096,892
Current liabilities	**(1,934,807)**	(809,000)
Noncurrent liabilities	**(12,888,525)**	(7,064,498)
Equity	**6,937,467**	6,057,482
Proportion of the Company's ownership	**50%**	50%
Carrying amount of investment	**₱3,468,734**	₱3,028,741

Additional information:

Cash and cash equivalents	**₱2,720,872**	₱2,752,973
Current financial liabilities*	**31,667**	83,949
Noncurrent financial liabilities	**12,888,525**	7,064,498

**Excluding trade, other payables and provision.*

Statements of income

	2014	2013	2012
Expenses	**(₱79,463)**	(₱143,013)	(₱35,079)
Other income	**7,015**	57,053	8,706
Provision for deferred income tax	**(12,388)**	(14,832)	(5,424)
Net loss	**(84,836)**	(100,792)	(31,797)
Other comprehensive income (loss)	**(8,946)**	9,376	–
Additional information:			
Depreciation and amortization	**7,768**	1,319	5,091
Interest income	**19,234**	13,600	10,556
Interest expense	**3,491**	192,116	–

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 from its APIC and Retained earnings. Of this amount, ₱6.33 million which represents the Company's share in the said costs, was recognized equally as a reduction from the Company's other equity reserve account and retained earnings.

In 2014 and 2013, the Company invested additional capital amounting to ₱18.72 million and ₱1.18 billion, respectively, in response to several equity calls for the expansion of the coal-fired power plant in Calaca.

14. **Available-for-sale Investments**

	2014	2013
Shares of stock:		
Listed	**₱131,244**	₱156,509
Unlisted	**83,247**	83,247
Golf club shares	**54,107**	46,742
	₱268,598	₱286,498

AFS investments are stated at fair value as at December 31, 2014 and 2013, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Net loss on change in fair value of ₱17.31 million and ₱6.30 million is recognized as other comprehensive loss, net of deferred income tax of ₱0.72 million and ₱1.00 million, in 2014 and 2013, respectively. Net gain on 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.

15. **Investment Properties**

The details and movements of this account are shown below.

	Land	Mezzanine	Total
Cost			
At January 1, 2013	₱–	₱28,133	₱28,133
Acquisition through business combination (see Note 5)	13,085		13,085
At December 31, 2013	13,085	28,133	41,218
At December 31, 2014	**13,085**	**28,133**	**41,218**
Less Accumulated depreciation			
At January 1, 2013	–	8,994	8,994
Depreciation (see Note 27)	–	1,961	1,961

(Forward)

	Land	Mezzanine	Total
At December 31, 2013	₱–	₱10,955	₱10,955
Depreciation (see Note 27)	–	1,961	1,961
At December 31, 2014	**–**	**12,916**	**12,916**
Net Book Value			
At January 1, 2013	₱–	₱19,139	₱19,139
At December 31, 2013	13,085	17,178	30,263
At December 31, 2014	**13,085**	**15,217**	**28,302**

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 as at December 31, 2014 and 2013. The Company's investment properties are composed of land and mezzanine property. Since there are no quoted market prices for identical assets in an active market available, the valuation is based on sound valuation approach and technique. Valuation techniques based on Market Data Approach and Sales Comparison Approach are used for the land and mezzanine property, respectively. The key assumptions used to determine the fair value of the investment properties and sensitivity analyses are discussed below.

Investment property	Significant unobservable inputs	Range (weighted average)
Land	Asking price	₱1,700 - ₱2,500 (₱2,051)
Mezzanine Property	Sales Price (₱/sqm.)	₱76,413 - ₱140,000 (₱109,977)

The value of the land is arrived at using the Market Data Approach which estimates the value of the land based on sales and listings of comparable property registered within the vicinity. This technique requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as bases of comparison are situated within the immediate vicinity of the land. The comparison was premised on the factors of location, size and shape of lot, time element and bargaining allowance.

The value of the mezzanine property is arrived at using the Sales Comparison approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot location and facilities offered and the time element.

Rental income in 2014, 2013 and 2012 amounted to ₱1.80 million, ₱2.63 million and ₱2.51 million, respectively, recognized in the consolidated statements of income, while related direct costs and expenses amounted to ₱2.30 million in 2014 and ₱2.35 million in 2013 and 2012 included as part of "General and administrative expenses" account in the consolidated statements of income.

16. **Goodwill and Other Intangible Assets**

Following are the details and movements in this account:

	Leasehold Rights	Deferred Exploration Costs	Goodwill	Total
Cost				
At January 1, 2013	₱–	₱85,094	₱–	₱85,094
Additions:				
Supplemental option fee	–	8,680	–	8,680
Cash calls	–	2,517	–	2,517
At December 31, 2013	–	96,291	–	96,291
Acquisition through business combination (see Note 5)	99,839	–	234,152	333,991
Additions:				
Farm-in agreement	–	11,719	–	11,719
Supplemental option fee	–	8,883	–	8,883
Cash calls	–	399	–	399
Cash call refunds	–	(887)	–	(887)
At December 31, 2014	99,839	116,405	234,152	450,396
Less Accumulated amortization and impairment				
At January 1, 2013	–	12,874	–	12,874
Reversal of impairment (see Note 28)	–	(12,874)	–	(12,874)
At December 31, 2013	–	–	–	–
Amortization (see Note 27)	10,120	–	–	10,120
At December 31, 2014	10,120	–	–	10,120
Net Book Value				
At January 1, 2013	₱–	₱72,220	₱–	₱72,220
At December 31, 2013	–	96,291	–	96,291
At December 31, 2014	**89,719**	**116,405**	**234,152**	**440,276**

Leasehold Rights and Goodwill
Leasehold rights and goodwill arise from the acquisition of TA Power of the entire outstanding shares of stocks of One Subic (see Note 5).

Impairment Testing of Goodwill
The goodwill acquired was allocated for impairment testing to each of the CGUs of those businesses, namely content solutions, knowledge processing solutions, medical billing and medical coding, respectively. The recoverable amount of goodwill was determined using the value in use approach. Value in use was based on the cash flow projections of the most recent financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rate of 10% was applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the assets or businesses of such CGUs.

The recoverable amount exceeded the carrying amount of the individual assets, which as a result, no impairment was recognized for the year ended December 31, 2014.

Deferred Exploration Costs

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

	2014	2013
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,085**	15,972
SC 6 (Northwest Palawan)	**20,784**	20,385
SC 55 (Southwest Palawan)	**5,713**	5,713
SC 52 (Cagayan Province)	**30,438**	21,555
SC 50 (Northwest Palawan)	**11,719**	–
	₱116,405	₱96,291

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

On April 23, 2013, the DOE approved the assignment of the SCs to the Company.

As at December 31, 2014 and 2013, no impairment loss was recognized on deferred exploration costs.

The following summarizes the status of 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.

On May 5, 2014, Otto Energy notified the Company and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

As at February 23, 2015, the approval of the aforementioned transfer of interest and request for suspension of Sub-Phase 5 remains pending with the DOE.

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 contact 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%.

On March 17, 2014, the Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2015 to enable the remaining parties to proceed with planned exploration activities.

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.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block by yearend. By yearend, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.

Upon re-assignment of Pitkin's 70% participating interest, TA Petroleum's holdings shall revert from 2.334% to 7.78%.

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. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US$724,000. As at February 23, 2015, geophysical studies are ongoing.

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 fulfilment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and payment of training assistance, development assistance and scholarship funds to the DOE.

d. SC 50 (Northwest Palawan)

In 2013, the Company commenced negotiations with Frontier Energy Limited (Frontier Energy), 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 136,000,000 in Frontier Oil shares through the latter's forthcoming initial public offering.

On September 1, 2014, the Company made advances to Frontier Oil amounting to ₱20,000,000 (see Note 9) pursuant to the Memorandum of Agreement (MOA) with Frontier Energy and Frontier Oil dated August 22, 2014, subject to execution of a Farm-in Agreement and Loan Agreement among the parties not later than 30 days from date of execution of the MOA.

On October 16, 2014, the Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil

2. Deed of Assignment with Frontier Energy

3. Loan Agreement with Frontier Oil

The assignment of 10% participating interest in SC 50 is subject to the approval of the DOE. As at February 23, 2015, the DOE has not approved the assignment of participating interest.

e. SC 52 (Cagayan Province)

The Company and Frontier Oil 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 Company desires and Frontier Oil decided to extend the Option and expand its coverage to include the untested deeper prospective gas-bearing intervals in the Nassiping - 2 well under the following terms:

1) The Company shall pay to Frontier Oil a total of US$400,000 (Supplement Option Fee) as follows:
   a. US$200,000 shall be paid within 5 working days of signing of this second amendment agreement

   b. US$200,000 shall be paid within 5 working days of Company's receipt of a written notice from F Frontier Oil which confirms that Frontier Oil has entered into a binding rig contract that will enable Frontier Oil to comply with the Workover Program

2) Upon payment of the Supplemental Option Fee, the Option Period shall be extended until 90 days from the date of completion of the Workover Program.

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 Oil 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 Oil 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 Oil 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. In view of this suspension of the Stimulation and Testing Program, the Company recognized impairment loss amounting to ₱12.87 million.

Frontier Oil 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 Oil 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.

On July 8, 2013, the first tranche of the supplemental option fee amounting to ₱8.7 million or US$200,000 was paid.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well. On account of this recent development, the Company reversed in full the impairment loss. Based on the quantification of an independent expert, the expected monetary value of the contingent resources attributable to the SC 52 portion of the Nassiping Dome is US$128.7 million.

As requested by Frontier Oil, the DOE approved the extension of Sub-Phase 5 to January 8, 2015. On January 3, 2014, the second tranche of ₱8.88 million or US$200,000 was paid.

f. 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.

Palawan55'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.

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 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 farm out campaign. The new work program was subsequently approved by the DOE. On April 29, 2014, the DOE extended the term of Sub-Phase 4 to December 23, 2014. Otto Energy commenced preparations for exploratory drilling.

On October 15, 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to December 23, 2015. The requested extension was approved by the DOE on November 7, 2014.

Palawan55 holds 6.82% participating interest in SC 55.

<u>MPSA 252-2007-V (Camarines Norte)</u>
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$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was presented as "Other income (loss) - net" in the 2012 consolidated statement of income (see Note 28).

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 (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 recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche (see Note 28). As at December 31, 2014 and 2013, receivable from Investwell amounted to ₱39.37 million and ₱45.45 million, respectively. In 2014, the Company has provided ₱39.37 million allowance for impairment on its receivable from Investwell since the latter has not complied with the restructured payment (see Notes 9 and 28).

17. **Short-term Loans**

	2014	2013
Balance at beginning of year	**₱910,000**	₱–
Availments during the year	**1,670,000**	910,000
Payments during the year	**(2,580,000)**	–
Balance at end of year	**₱–**	₱910,000

During 2014 and 2013, the Company availed of 90-day to 120-day unsecured short-term loans from local banks, with interest rate of 3.2% per annum. These short-term loans were settled during 2014.

Total interest expense on short-term loans amounted to ₱19.43 million and ₱1.11 million for the years ended December 31, 2014 and 2013, respectively (see Note 28).

18. **Accounts Payable and Other Current Liabilities**

	2014	2013
Trade	**₱982,265**	₱2,261,460
Non-trade	**713,049**	67,469
Due to related parties (see Note 31)	**294,781**	37,351
Accrued interest expense	**130,259**	4,099
Output VAT - net	**109,701**	102,981
Accrued expenses	**37,407**	13,833
Accrued directors' and annual incentives (see Note 31)	**12,518**	17,973
Deferred rent income	**144**	220
Derivative liabilities (see Note 35)	**83**	–
Others	**5,231**	3,519
	₱2,285,438	₱2,508,905

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

19. **Long-term Loans**

As at December 31, 2014, this account consists of:

TAREC term loan facility	₱3,820,000
TA Oil long term loans	3,000,000
	6,820,000
Add premium on long-term loans (embedded derivative)	10,997
Less unamortized debt issue costs	72,151
	6,758,846
Less current portion of long-term loans	29,255
Noncurrent portion	₱6,729,591

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

	Derivatives	Debt Issue Costs
As at January 1, 2014	₱–	₱–
Additions	12,096	78,338
Amortization for the year (see Note 28)	(1,099)	(6,187)*
As at December 31, 2014	₱10,997	₱72,151

**Includes capitalized amortization of debt issue costs of ₱4,096 (see Note 12).*

TAREC
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 were used to partially finance the 54MW San Lorenzo Wind Farm composed of 27 2MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each – DBP as the Tranche A lender and SBC as the Tranche B lender.

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

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

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

The loan agreement provides loan disbursement schedule for the drawdown of the loan. TAREC made the following drawdowns during the year 2014 with the corresponding carrying values as at December 31, 2014:

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2014	₱310,000	₱306,205	₱310,000	₱305,710
May 27, 2014	550,000	543,549	550,000	543,259
August 5, 2014	550,000	544,015	550,000	543,529
September 2, 2014	500,000	494,619	500,000	494,389
	₱1,910,000	₱1,888,388	₱1,910,000	₱1,886,887

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable feed-in-tariff (FIT) rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱8.53/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

As at December 31, 2014, 11% of the loan facility remains undrawn, in the amount of ₱480.00 million – ₱240.00 million for each tranche. The Company has incurred debt issue costs and other charges amounting to ₱54.30 million in relation to the loan facility, which includes related debt issue costs and other charges on the undrawn loan facility amounted to ₱5.48 million.

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of TAREC:
(a) Minimum Debt Service Coverage Ratio (DSCR) post dividend declaration of 1.20x throughout the term of the loan
(b) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch)
(c) Restricted payments (not to distribute dividends, make payments to affiliates)

Commercial operations, as defined in said Term Loan Facility, shall mean the date on which the Wind Farm Project is capable of being fully operational and able to generate power and transmit the same to the Visayas Grid and shall require the Commissioning and the Take-Over (as defined in the Construction Contracts) of the Wind Farm Project by TAREC and the issuance of the Certificate of Compliance by the ERC. As at February 23, 2015, the certificate of compliance has not been issued by ERC.

The loan facility is secured by TAREC's wind farm, included in "Machinery and Equipment" account under Property, plant and equipment (see Note 12). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, TA Oil or the Company entered into a Pledge Agreement covering the subscriptions of stocks of TA Oil and its nominees.

TA Oil

The relevant terms of the long-term loans of TA Oil are as follows:

Description	Interest Rate (per annum)	Terms	2014
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	₱1,493,688
₱1.00 billion loan with SBC	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to drawdown date plus 1.00%, for 5 years	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum, payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge	995,672
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge	494,211
			₱2,983,571

TA Oil's loan with CBC has an embedded interest rate floor required to be bifurcated. As at December 31, 2014, the Company recognized a loss on derivatives and derivative liability amounting to ₱12.10 million during the year 2014 and the derivative liability was closed out to the balance of the loan.

TA Oil's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost.

Description	Prepayment provision
	Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.

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

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

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

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

As at December 31, 2014, the Company is in compliance with the terms as required in the loan covenants.

Total interest expense recognized on long-term loans, of which ₱111.05 million has been capitalized, amounted to ₱248.21 million in 2014 (see Notes 12 and 28).

20. **Equity**

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

	Number of Shares	
	2014	2013
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**4,863,862,757**	4,857,258,870
Issuance during the year:		
Exercise of stock options (see Note 21)	**1,283,332**	5,908,010
Stock grants (see Note 21)	–	695,877
	1,283,332	6,603,887
Balance at end of year	**4,865,146,089**	4,863,862,757

The issued and outstanding shares as at December 31, 2014 and 2013 are held by 3,254 and 3,274 equity holders, respectively.

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

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to ₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded by a stock rights offering. On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.415 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 Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders ("Overallotment Option"). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion. The proceeds were used to finance its equity investments in 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 and paid-up capital amounted to ₱2.13 billion and ₱4.90 billion, respectively, as at December 31, 2014 and 2013. Undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱485.23 million and ₱489.39 million as at December 31, 2014 and 2013, respectively, are not currently available for dividend distribution.

Other Equity Reserve
This account consists of:

	2014	2013
Other equity reserves from joint venture [a]	**₱19,144**	₱23,260
Other equity reserve from Stock Option Plan [b]	**15,324**	8,765
Effect of distribution of property dividends - TA Petroleum shares [c]	**1,523**	–
	₱35,991	₱32,025

a. This relates to the share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company's joint ventures (see Note 13).

b. This reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration in accordance to the Stock Option Plan (see Note 21).

c. This represents the impact of the property dividend distribution in the form of TA Petroleum shares on the equity attributable to equity holders of the Parent Company when the Parent Company's ownership interest decreased but did not result in loss of control. The Parent Company's effective ownership in TA Petroleum decreased from 100% to 50.97% in 2014.

Dividends declared
Cash dividends declared in 2014, 2013 and 2012 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
February 16, 2012	Cash	0.04 per share	₱113,195	March 1, 2012
March 21, 2013	Cash	0.04 per share	194,318*	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,057	August 5, 2013
March 24, 2014	**Cash**	**0.04 per share**	193,562	**April 7, 2014**

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

On July 22, 2013, the Parent 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 are included under "Due to stockholders" account in the 2013 consolidated balance sheet (see Note 31). 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 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**.** Property dividends were distributed on August 20, 2014 after all three conditions were met.

As at December 31, 2014, unpaid cash dividends amounting to ₱9.13 million are included under "Due to stockholders" account in the 2014 consolidated balance sheet (see Note 31).

21. 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 2014.

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 stock options:

	2014	2013
Outstanding at January 1	**35,666,684**	–
Granted during the year	**–**	42,090,303
Forfeited during the year	**(598,001)**	(515,609)
Exercised during the year* (see Note 20)	**(1,283,332)**	(5,908,010)
Outstanding at December 31	**33,785,351**	35,666,684
Exercisable at December 31	**19,146,140**	7,606,482

** The weighted average stock price at the date of exercise of these options was ₱2.43 and ₱2.46 in 2014 and 2013, respectively.*

The remaining contractual life for the stock options outstanding as at December 31, 2014 and 2013 is 1.55 years and 2.55 years, respectively.

The fair value of options granted in 2013 amounted to ₱23.03 million.

A summary of the stock option plan for the years ended December 31 follows:

	Vesting date	**July 22, 2013**	**July 22, 2014**	**July 22, 2015**
2014	Vesting shares	**14,030,101**	**13,420,991**	**12,506,044**
	Vesting date	July 22, 2013	July 22, 2014	July 22, 2015
2013	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 ₱7.59 million and ₱12.28 million in 2014 and 2013, respectively.

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 sheets amounted to ₱15.32 million and ₱8.77 million as at December 31, 2014 and 2013, respectively.

22. Trading Revenue

	2014	2013	2012
Trading revenue	**₱10,575,671**	₱8,260,461	₱3,493,338
Cost of power purchased	**9,913,145**	7,736,371	2,591,656
	₱662,526	₱524,090	₱901,682

23. Cost of Power Generation

	2014	2013	2012
Fuel	**₱357,436**	₱846,891	₱36,551
Depreciation and amortization (see Note 27)	**140,908**	81,335	5,864
Salaries (see Note 26)	**58,757**	37,744	5,936
Repairs and maintenance	**53,146**	50,928	5,628
Rental	**47,323**	811	564
Insurance	**47,240**	15,352	636
Taxes and licenses	**43,910**	26,373	1,372
Filing fees	**9,880**	14	–
Station used	**6,985**	5,921	3,248
Pension and employee benefits (see Notes 26 and 30)	**6,740**	12,064	1,194
Others	**12,589**	5,806	918
	₱784,914	₱1,083,239	₱61,911

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

The details of the cost of power plant on standby for the year ended December 31, 2012 follow:

Depreciation and amortization (see Note 27)	₱19,675
Fuel	8,432
Building maintenance and repairs	8,390
Salaries (see Note 26)	5,711
Transportation and travel	1,982
Insurance	1,641
Employee benefits (see Note 26)	981
Taxes and licenses	631
Concession and other fees	312
Rental	246
Others	1,105
	₱49,106

As discussed in Note 12, 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.

25. **General and Administrative Expenses**

	2014	2013	2012
Salaries and directors' fees (see Notes 21, 26 and 31)	**₱98,070**	₱85,909	₱82,814
Taxes and licenses	**95,655**	45,264	28,800
Management and professional fees (see Note 31)	**75,212**	108,306	97,122
Depreciation and amortization (see Note 27)	**20,500**	17,802	18,888
Pension and employee benefits (see Notes 26 and 30)	**18,088**	15,420	11,216
Building maintenance and repairs	**14,399**	13,041	11,252
Donation and contribution	**12,317**	6,819	6,121
Insurance, dues and subscriptions	**12,115**	18,268	8,867
Transportation and travel	**6,801**	5,303	4,432
Rent	**4,834**	567	511
Office supplies	**3,871**	2,216	1,978
Meeting and conferences	**3,096**	1,672	1,499
Communication	**2,951**	1,972	1,816
Corporate social responsibilities	**2,540**	1,326	4,211
Bank charges	**2,102**	262	1,114
Entertainment, amusement and recreation	**293**	695	404
Other taxes and fees	–	20,682	2,011
Plug and abandonment	–	–	5,127
Others	**13,290**	3,642	1,916
	₱386,134	₱349,166	₱290,099

26. **Personnel Expenses**

	2014	2013	2012
Salaries and directors' fees included under:			
Cost of power generation (see Note 23)	**₱58,757**	₱37,744	₱5,936
Cost of power plant on standby (see Note 24)	–	–	5,711
General and administrative expenses (see Note 25)	**98,070**	85,909	82,814
Pension and employee benefits included under:			
Cost of power generation (see Note 23)	**6,740**	12,064	1,194
Cost of power plant on standby (see Note 24)	–	–	981
General and administrative expenses (see Note 25)	**18,088**	15,420	11,216
	₱181,655	₱151,137	₱107,852

27. **Depreciation and Amortization**

	2014	**2013**	2012
Cost of power generation (see Note 23)	**₱140,908**	₱81,335	₱5,864
Cost of power plant on standby (see Note 24)	–	–	19,675
General and administrative expenses (see Note 25)	**20,500**	17,802	18,888
	₱161,408	₱99,137	₱44,427

28. **Other Income (Loss) - Net**

	2014	2013	2012
Interest and other finance charges (see Notes 17 and 19)	**(₱170,969)**	(₱13,936)	(₱1,343)
Gain (loss) on derivatives - net (see Note 35)	**(35,220)**	31,159	9,364
Reversal of (provisions for - net):			
Doubtful accounts (see Note 9)	**(33,365)**	(17,680)	(2,092)
Impairment loss on AFS investments (see Note 7)	–	(49,697)	–
Impairment loss on deferred exploration costs (see Note 16)	–	12,874	(12,874)
Inventory obsolescence	–	(487)	–

(Forward)

	2014	2013	2012
Gain on pre-existing relationship (see Note 5)	**₱8,724**	₱–	₱–
Interest and other financial income	**6,113**	14,541	75,863
Property and equipment written-off (see Note 12)	**–**	–	(6,025)
Gain (loss) on sale of:			
Property and equipment (see Note 12)	**505**	336	176
AFS investments (see Note 14)	**404**	622	75
Asset held for sale (see Note 12)	**–**	–	11,017
Gain on remeasurement of previously held interest (see Note 5)	**–**	168,585	–
Gain on assignment of MPSA (see Note 16)	**–**	37,934	–
Gain on bargain purchase (see Note 5)	**–**	25,926	–
Foreign exchange loss - net	**(751)**	(8,863)	(27,199)
Option fee (see Note 6)	**–**	–	30,729
Others	**4,034**	8,390	6,342
	(₱220,525)	₱209,704	₱84,033

Interest and Other Financial Income

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

	2014	2013	2012
Interest income on:			
Cash in banks	**₱93**	₱53	₱460
Short-term deposits and investments	**2,498**	32,345	15,628
Bonds	**–**	2,314	6,680
FXTNs	**–**	3,169	6,583
Others	**417**	2,719	6,275
	3,008	40,600	**35,626**
Net gains (losses) on investments held for trading:			
Fair value gains on investments held for trading:			
Realized gain	**226**	46,528	22,036
Unrealized gain (loss)	**2,879**	(58,294)	18,677
Gain (loss) on sale of investments in bond	**–**	(11,761)	2,426
Amortization of bond premium/discount - net	**–**	(2,532)	(2,902)
	3,105	(26,059)	40,237
	₱6,113	₱14,541	₱75,863

Interest and Other Finance Charges

The details of interest and other finance charges are as follows:

	2014	2013	2012
Interest expense on:			
Short-term loans (see Note 17)	**₱19,426**	₱1,108	₱–
Long-term loans* (see Note 19)	**136,054**	–	–
Security deposit	**1,890**	–	–
Tax assessment	**1,003**	9,823	–
Asset retirement obligation	**371**	371	–
Others	**7,298**	364	373
Other finance charges	**2,836**	2,270	970
Amortization of debt issue cost (see Note 19)	**2,091**	–	–
	₱170,969	₱13,936	₱1,343

**Net of accretion of interest expense of ₱1,099 as an effect of amortization of embedded derivatives.*

29. **Income Tax**

a. Current income tax pertains to the following:

	2014	2013	2012
RCIT	**₱130,518**	₱194,329	₱180,071
MCIT	**1,427**	1,094	–
	₱131,945	₱195,423	₱180,071

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

	2014	2013
Deferred income tax assets:		
Allowance for doubtful accounts	**₱17,951**	₱6,142
Pension and other employee benefits	**8,356**	11,738
NOLCO	**6,069**	21,152
Derivative liabilities	**3,324**	–
Unamortized past service cost	**2,099**	1,333
Asset retirement obligation	**1,945**	1,834
Accrued expenses	**1,538**	36,591
MCIT	**1,431**	–
Unamortized discount on security deposits	**567**	–
Unrealized foreign exchange losses	**335**	231
Allowance for probable losses	**146**	–
Deferred rent income	**43**	66
Allowance for impairment loss	–	2,014
	43,804	81,101

(Forward)

	2014	2013
Deferred income tax liabilities:		
Unamortized debt issue costs	**(₱4,125)**	₱–
Unrealized fair value gains on available-for-sale investments	**(3,931)**	(3,207)
Asset retirement obligation	**(446)**	(490)
Unrealized fair value gains on UITFs	**(103)**	(18)
Accrued revenues	–	(26,852)
Derivative asset	–	(3,507)
	(8,605)	(34,074)
Deferred income tax assets - net	**₱35,199**	₱47,027

Deferred income tax liabilities:		
Excess of fair value over cost of power plant	**₱131,529**	₱142,454
Leasehold rights	**24,495**	–
Unamortized capitalized borrowing costs	**2,435**	–
Unrealized fair value gains on investment held for trading and derivatives	–	2
Deferred income tax liabilities	**₱158,459**	₱142,456

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:

	2014	2013
NOLCO	**₱124,944**	₱41,169
Allowance for impairment loss on property and equipment	**105,009**	105,009
Pension and other employee benefits	**5,865**	1,123
MCIT	**1,141**	1,095
Allowance for probable losses on mineral exploration	–	3,097
Allowance for doubtful accounts	–	6,718
Allowance for inventory obsolescence	–	487
Unrealized foreign exchange losses	–	135
	₱236,959	₱158,833

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, 2014, NOLCO totaling ₱145.18 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱2.52 million can be credited against future RCIT due as follows:

Expiry Date	MCIT	NOLCO
December 31, 2015	₱–	₱27,833
December 31, 2016	1,145	30,261
December 31, 2017	1,427	87,082
	₱2,572	₱145,176

NOLCO amounting to ₱50.35 million, ₱46.69 million and ₱5.26 million were applied against taxable income in 2014, 2013 and 2012, respectively. MCIT amounting to ₱0.04 million was applied against RCIT in 2012. NOLCO amounting to ₱7.44 million, ₱12.08 million and ₱12.71 million expired in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Applicable statutory income tax rates	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Dividend income exempt from tax	**(0.65)**	(0.33)	(0.38)
Equity in net losses of associates	**0.25**	2.53	9.62
Movement in temporary differences, NOLCO, MCIT for which no deferred income tax assets were recognized and others	**12.86**	(10.40)	(11.37)
Effective income tax rates	**42.46%**	21.80%	27.87%

30. Pension and Other Employee Benefits

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees.

Pension and employee benefits consist of:

	2014	2013
Pension liability	**₱18,795**	₱16,007
Vacation and sick leave accrual	**18,353**	17,618
	37,148	33,625
Less current portion of vacation and sick leave accrual*	**8,496**	–
	₱28,652	₱33,625

**Included in "Accrued expenses" under Accounts payable and other current liabilities.*
**Included in Cost of power generation and general and administrative expenses.*

Pension and other employee benefits included under costs of power generation and general and administrative expenses amounted ₱11.38 million, ₱12.24 million and ₱7.29 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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 ₱97.01 million and ₱86.89 million as at December 31, 2014 and 2013, respectively.

Changes in net defined benefit liability of funded plan in 2014 are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At January 1, 2014, before effect of business combination	**₱102,896**	**₱86,889**	**₱16,007**
Effect of business combination	**4,827**	**–**	**4,827**
At January 1, 2013, as adjusted	**107,723**	**86,889**	**20,834**
Pension expense in consolidated statement of income:			
Current service cost	**11,017**	**–**	**11,017**
Net interest	**3,297**	**4,480**	**(1,183)**
	14,314	**4,480**	**9,834**
Benefits paid	**(3,688)**	**(3,688)**	**–**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**–**	**(3,636)**	**3,636**
Actuarial changes arising from changes in financial assumptions	**(2,548)**	**–**	**(2,548)**
	(2,548)	**(3,636)**	**1,088**
Contributions	**–**	**12,961**	**(12,961)**
At December 31, 2014	**₱115,801**	**₱97,006**	**₱18,795**

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	₱29,875	₱13,884
Effect of business combination	58,014	43,450	14,564
At January 1, 2013, as adjusted	101,773	73,325	28,448
Pension expense in consolidated statement of income:			
Current service cost	11,716	–	11,716
Net interest	5,380	4,184	1,196
	17,096	4,184	12,912
Benefits paid	(3,811)	(3,811)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(246)	246
Actuarial changes arising from changes in financial assumptions	(12,162)	–	(12,162)
	(12,162)	(246)	(11,916)
Contributions	–	13,437	(13,437)
At December 31, 2013	₱102,896	₱86,889	₱16,007

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	₱32,325	₱8,798
Pension expense in consolidated statement of income:			
Current service cost	4,968	–	4,968
Net interest	2,403	1,909	494
	7,371	1,909	5,462
Benefits paid	(8,323)	(8,323)	–
Remeasurements in other comprehensive income for actuarial changes arising from changes in financial assumptions	3,588	(1,284)	4,872
Contributions	–	5,248	(5,248)
At December 31, 2012	₱43,759	₱29,875	₱13,884

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 December 31 follows:

	2014	2013	2012
Investments in:			
Equity instruments	**₱65,282**	₱62,760	₱23,583
Government securities	**30,015**	9,732	3,595
Deposit instruments	–	5,067	–
UITFs	**1,704**	2,240	1,217
Corporate bonds	–	1,156	–
Cash and cash equivalents	**5**	7,360	2,019
Liabilities	–	(1,426)	(539)
	₱97,006	₱86,889	₱29,875

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 million as at December 31, 2014 and 2013. 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, 2014 and 2013. 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:

	2014	2013
Discount rate	**4.44%**	5.13%
Salary increase rate	**5.00%**	6.00%

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%)	5.44%	(₱5,291)
	(Actual – 1.00%)	3.44%	7,921
Salary increase rate	(Actual + 1.00%)	6.00%	7,471
	(Actual – 1.00%)	4.00%	(5,009)

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 67% of equity instruments, 32% fixed income instruments and 1% cash and cash equivalents.

The Company expects to contribute ₱16.32 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 20.11 years.

31. **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, 2014 and 2013, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the years ended December 31, 2014 and 2013 with related parties are as follows:

		2014			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
Philippine Investment Management (Phinma), Inc					
Revenues	**₱718**	Rent and share in expenses	**₱40**	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and Expenses	**47,213**	Management fees and share in expenses	**(19,046)**	30-day, non-interest bearing	Unsecured
Receivable	**1,988**	Advances	**–**		
Joint Ventures					
South Luzon Thermal Energy Corp. (SLTEC)					
Revenues	**28,210**	Trading revenues, rent and share in expenses	**209**	30-day, non-interest bearing	Unsecured
Cost and Expenses	**174,867**	Trading costs	**(192,353)**	30-day, non-interest bearing	Unsecured
Payable	**–**	Rental deposit	**(590)**	End of lease term	Unsecured, no impairment
Associate					
Asia Coal					
Payable	**–**	Advances	**(254)**	non-interest bearing	Unsecured, no impairment
MGI					
Costs	**699,933**	Trading cost	**(80,683)**	30-day, non-interest bearing	Unsecured
Other Related Parties					
PPHC					
Payable	**–**	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured, no impairment
Phinma Corp.					
Revenues	**5,390**	Cash dividend and share in expenses	**–**		
Costs and Expenses	**2,247**	Share in expenses	**(159)**	30-day, non-interest bearing	Unsecured
Payable	**141,400**	Advances	**–**	Interest bearing	Unsecured, no impairment
Union Galvasteel Corp.					
Revenue	**760**	Cash dividend	**–**	-	-
Asian Plaza Inc.					
Revenue	**942**	Cash dividend	**–**	-	-
Payable	**94,300**	Advances	**–**	-	-
T-O Insurance, Inc.					
Costs and Expenses	**111,840**	Insurance expense	**(1,525)**	30-60 day, non-interest bearing	Unsecured
Receivable	**163**	Refund on overpayment	**15**	30-60 day, non-interest bearing	Unsecured , no impairment
Coral Way					
Expenses	**39**	Share in expenses	**–**		
Directors					
Expenses	**15,797**	Annual incentives	**(12,518)**	On demand	Unsecured

(Forward)

2014

Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Stockholders					
Payable	**₱193,562**	Cash dividend	**(₱9,135)**	On demand	Unsecured
Receivable	**–**	Withholding tax on property dividend	**35**	On demand	Unsecured

2013

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱812	Rent and share in expenses	₱53	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	61,457	Management fees and share in expenses	(34,961)	30-day, non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	2,516	Rent and share in expenses	133	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(590)	End of lease term	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(254)	On demand	Unsecured
MGI					
Payable	731	Trading cost	(731)	30-day, non-interest bearing	Unsecured
Other Related Parties					
PPHC					
Payable	–	Advances	(171)	On demand	Unsecured
Phinma Corp.					
Cash Dividend	5,156	Dividend income	–		
Costs and Expenses	938	Share in expenses	(5)	30-day, non-interest bearing	Unsecured
Payable	120,000	Share in expenses	–		
Union Galvasteel Corp.					
Cash Dividend	1,520	Dividend income	–		
Costs and Expenses	13	Roofing materials	–		
Asian Plaza Inc.					
Cash Dividend	1,319	Dividend income	–		
Araullo University Advances	3,700	Advances	–		
T-O Insurance, Inc.					
Costs and Expenses	56,627	Insurance expense	(639)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	19,658	Annual incentives	(17,973)	On demand	Unsecured
Stockholders					
Payable	194,318	Cash dividend	(5,851)	On demand	Unsecured
Payable	187,218	Cash and Property Dividend	(184,597)	Upon issuance of CAR	Unsecured

2012

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
Phinma, Inc					
Revenues	₱730	Rent and share in expenses	₱115	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	36,149	Management fees and share in expenses	(22,329)	30-day, non-interest bearing	Unsecured

(Forward)

2012					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Joint Ventures					
SLTEC					
Revenues	₱3,926	Rent and share in expenses	₱1,367	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(590)	End of lease term	Unsecured
TA Power					
Revenues	826,424	Electricity sold, rent and share in expenses	85,536	30-day, non-interest bearing	Unsecured, no impairment
Costs and Expenses	513,576	Electricity purchases	(63,957)	30-day, non-interest bearing	Unsecured
Associate					
Asia Coal					
Payable	–	Advances	(254)	On demand	Unsecured
Other Related Parties					
PPHC					
Revenue	2,172	Dividend income	–		
Payable	–	Advances	(171)	On demand	Unsecured
Phinma Corp.					
Cash Dividend	3,256	Dividend income	–		
Costs and Expenses	1,535	Share in expenses	(73)	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.					
Cash Dividend	1,520	Dividend income	–		
Asian Plaza Inc.					
Cash Dividend	1,319	Dividend income	–		
Fuld & Company					
Costs and expenses	4,977	Professional fees	(3,950)	30-day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Costs and Expenses	6,667	Insurance expense	(56)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	26,683	Annual incentives	(23,288)	On demand	Unsecured
Stockholders					
Payable	113,195	Unclaimed cash dividend	(9,034)	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. TA Power became a wholly owned subsidiary of TA Oil on January 1, 2013 (see Note 5).

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.

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 ₱97.01 million and ₱86.89 million as at December 31, 2014 and 2013, 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 2014 and 2013.

The plan assets include shares of stock of the Parent Company with fair value ₱0.06 million as at December 31, 2014 and 2013. 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, 2014 and 2013. 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.

Compensation of Key Management Personnel
Compensation of key management personnel of the Company are as follows:

	2014	2013	2012
Short-term employee benefits	**₱46,414**	₱56,504	₱49,584
Post-employment benefits	**2,471**	581	805
	₱48,885	₱57,085	₱50,389

32. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2014	2013	2012
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income attributable to equity holders of Parent Company	**₱182,591**	₱572,795	₱471,432
Common shares outstanding at beginning of year (see Note 20)	**4,863,862,757**	4,857,258,870	2,829,863,527
Weighted average number of shares issued during the year	**527,990**	2,976,053	181,878,126
(b) Weighted average common shares outstanding	**4,864,390,747**	4,860,234,923	3,011,741,653
Basic/Diluted EPS (a/b)	**₱0.04**	₱0.12	₱0.16

The Company's stock options have no dilutive effect in 2014 and 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.

33. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interest are provided below:

Proportion of equity interest held by non-controlling interests in 2014 follows:

Name	Percentage of ownership (%)
TA Petroleum	49.03
Palawan55	34.01

Accumulated balances of material non-controlling interests and loss allocated to material non-controlling interests as at and for the year ended December 31, 2014 follow:

Name	Accumulated balance of NCI	Net loss allocated to NCI	Total comprehensive loss allocated to NCI
TA Petroleum	₱107,216	₱2,192	₱2,192
Palawan55	2,820	9	9
	₱110,036	₱2,201	₱2,201

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before intercompany eliminations:

Summarized balance sheets as at December 31, 2014 follow:

	TA Petroleum	Palawan55
Current assets	₱131,613	₱2,563
Noncurrent assets	87,520	5,781
Current liabilities	638	50
Total equity	₱218,495	₱8,294
Attributable to:		
Equity holders of the Parent Company	₱111,279	₱5,474
Non-controlling interests	107,216	2,820

Summarized statements of income and statements of comprehensive income for the year ended December 31, 2014 follow:

	TA Petroleum	Palawan55
Revenues	₱119	₱11
Expenses	(14,249)	(250)
Other income - net	729	–
Benefit from deferred income tax	1	67
Net loss	₱13,400	₱172
Total comprehensive loss	₱13,400	₱172

Summarized statements of cash flows for 2014 follow:

Operating	(₱35,832)	(₱262)
Investing	57,882	–
Net increase (decrease) in cash and cash equivalents	₱22,050	(₱262)

There were no dividends paid to non-controlling interests for the year ended December 31, 2014.

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.

34. **Significant Laws, Commitments and Contracts**

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.

Retail Competition and Open Access
Upon meeting all conditions set forth in RA 9136 Section 31, namely, a) Establishment of WESM; b) Approval of the unbundling of transmission and distribution wheeling charges; c) Initial implementation of the cross subsidy scheme; d) Privatization of at least (70%) of the total capacity of generating assets of NPC in Luzon and Visayas, and; e) Transfer of the management of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators, the Energy Regulatory Commission (ERC) promulgated last December 17, 2012 the Transitory Rules for the Retail Competition and Open Access (RCOA), by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers such as TA Oil are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of 1 MW). This major development in the Power Industry enabled TAOil to grow.

Feed in Tariff (FIT)
Pursuant to Section 7 of the Republic Act No. 9513 or the Renewable Energy Act of 2008, which mandates the establishment of the feed-in tariff system (FIT System) for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass, the following regulations have been passed:

(i) Department Circular No. DC2013-05-0009, the Guidelines for the Selection Process of Renewable Energy Projects under Feed-In Tariff System and the Award of Certificate for Eligibility; prescribing the rules for eligibility of Renewable Energy Developer to avail of the FIT

(ii) ERC Resolution No. 10, Series of 2012, approved the FIT rates and equivalent degression rates for all Renewable Energy technologies entitle to FIT.

RE Technology	FIT Rate (PhP/kWh)	Degression Rate	Installation Target
Wind	8.53	0.5% after 2 years from effectivity of FIT	200
Biomass	6.63	0.5% after 2 years from effectivity of FIT	250
Solar	9.68	6% after 1 year from effectivity of FIT	50
Run-of-River Hydropower	5.90	0.5% after 2 years from effectivity of FIT	250

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which lead the Energy Regulatory Commission to impose a supplemental regulatory cap, under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the Wholesale Electricity Spot Market (WESM) meant to limit significant increases in the WESM.

The Secondary Price Cap imposes a Cumulative Price Threshold (CPT) amounting to ₱1,512,028.00 equivalent to the Generator Weighted Average Prices (GWAP) over a rolling seven-day period, or 168-hour trading interval, equivalent to an average spot price of ₱9,000/megawatt (₱9 per kWh) over the period. A breach of the CPT for the period triggers the imposition of a price cap amounting to P6,245/MWh [₱6.245 per kWh]. The market clearing price for the immediate trading interval following the breach will be pegged at the price cap and shall be maintained until after a determination that the succeeding GWAP rolling average is already below the CPT.

This regulatory cap was made permanent. and requires all trading participants in the WESM to comply. TAOil and its subsidiaries that sell to WESM are subject to this cap.

TAOil through its subsidiary Trans-Asia Renewable Energy Corp. (TAREC) is one of the pioneering developers of wind farms in the country. TAREC successfully inaugurated its San Lorenzo Wind Farm Project with an aggregated total of 54 MW. Upon being declared eligible, the FIT System will enable TAOil to be secured of its capital returns.

Memorandum of Agreement (MOA) Between Power Sector Assets and Liabilities Management (“PSALM”) Corporation and TAOil

On October 30, 2013, PSALM Corporation conducted the third round of bidding for the Sale of Power Barges (“PB”) 101, 102 and 103 (the “Power Barges”). SPC Island Power Corporation (SIPC) was declared the Highest Bidder, while TAOil was declared as the Second Highest Bidder. On November 8, 2013, PB 103 was de-moored and ran aground during the onslaught of Typhoon Yolanda resulting in damage to its hull and other equipment, which prompted SIPC to terminate its Asset Purchase Agreement with PSALM. At present, PB 101 and 102 are located at Bo. Obrero, Iloilo City while PB 103 is currently located at Keppel Subic Shipyard Inc., at Subic Zambales for purposes of cleaning and repairs.

Subsequently, PSALM and TAOil entered into negotiations for the sale of the Power Barges and on December 23, 2014, the parties entered into a Memorandum of Agreement (MOA) to provide for the terms and conditions for the sale of the Power Barges at the contract price of ₱420 million.

The parties agreed to several conditions precedent to be observed prior to the transfer to TAOil of the Power Barges, which was to occur on February 21, 2015. However, the Closing Date of February 21, 2015 did not push through due to insufficiency of the documents submitted by PSALM and ongoing unresolved issues of PSALM with Keppel relative to PB 103. Trans-Asia notified PSALM that it is giving PSALM 45 days or until April 10, 2015 within which to submit the required documents to comply with the conditions under the MOA.

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.

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 Lafarge Republic, Inc. (Teresa Cement Plant)

On November 4, 2013, TA Oil entered into Electricity Sale Contract with Lafarge Republic, Inc. for its Teresa Cement Plant. The contract was possible under the Retail Competition and Open Access Regime. TA Oil agreed to supply the peaking electricity requirements of the Lafarge Teresa facility.

Contract of Sale of Electricity with Lafarge Republic Aggregates Inc. (Lafarge BAAC)

On February 3, 2014 TA Oil entered into Electricity Sale Contract with Lafarge Republic Aggregates Inc. TA Oil agreed to supply all the electricity requirements of Lafarge BAAC.

Electricity Sale Contract with Direct Power Services, Inc. (DPSI)

On April 17, 2013, TA Oil entered into Electricity Sale Contract with Direct Power Services, Inc. TA Oil agreed to supply all the electricity requirements of facilities supplied by Direct Power. The contract has duration of twelve (12) years.

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 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.

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 Supply Agreement
On June 17, 2014, TA Oil entered into Electricity Sales Contract with Holcim Philippines, Inc. (Mabini Grinding Plant) for a period of 10 years. TA Oil agreed to supply the electricity requirements of Holcim Mabini.

Power Supply Agreement with the Region 8 Electric Cooperatives
On December 20, 2014, TA Oil also executed a separate Power Supply Agreement with each of the following cooperatives for a period of two (2) years (Dec. 26, 2014 to Dec. 25, 2016): a) Leyte II Electric Co., Inc. (LEYECO II); b) Leyte V Electric Co., Inc. (LEYECO V); c) Southern Leyte Electric Co., Inc. (SOLECO); d) Samar I Electric Co., Inc. (SAMELCO I); e) Samar II Electric Co., Inc. (SAMELCO II); f) Eastern Samar Electric Co., Inc. (ESAMELCO); and g) Northern Samar Electric Co., Inc. (NORSAMELCO); and for a period of one (1) year (Dec. 24, 2014 – Dec. 25, 2015): a) Don Orestes Romualdez Electric Co., Inc. (DORELCO); b) Leyte III Electric Co., Inc. (LEYECO III); c) Leyte IV Electric Co., Inc. (LEYECO IV); d) Biliran Electric Co., Inc. (BILECO).

Electricity Supply Agreement with Universal Robina Corp.
On September 3, 2014, TA Oil entered into Electricity Sales Contract with Universal Robina Corp (URC CMC Plant). TA Oil agreed to supply the electricity requirements Universal Robina for a period of 3 years.

Administration Agreement for the 40 MW Strips of the Unified Leyte Geothermal Power Plant (UL GPP)
On February 6, 2014, TAOil was officially declared a winning bidder of a 40 MW Strip of the UL GPP.

Consequently, Power Sector Assets and Liabilities Management Corp. (PSALM) and TAOil, with conformity of the National Power Corporation entered into an Administration Agreement for the Selection and Appointment of the Independent Power Producer Administrators (IPPAs) for the Strips of Energy of the UL GPP. The term of the agreement is until 25 July 2021.

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.

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
TA Oil's lease agreement with Guimelco
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:

	2014	2013
Within one year	**₱160,000**	₱480,000
After one year but not more than five years		160,000
	₱160,000	₱640,000

One Subic's lease agreement with SBMA
The Company has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. 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 $96,762 for the duration of the lease term. Future minimum lease payments under this operating lease agreement follows:

	2014
Within one year	₱56,703
After one year but not more than five years	226,814
	₱283,517

TAREC's lease agreement with various land owners
The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount 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 retained with the land owners. These leases are classified as operating leases and have terms of 20 to 25 years. Future minimum lease payments under these agreements are as follows:

Within one year	₱–
After one year but not more than five years	1,636
More than five years	10,546
	₱12,182

Finance Lease

TAREC's lease agreement with various land owners

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:

Within one year	₱986
After one year but not more than five years	51,086
More than five years	321,419
	₱373,491

Total interest expense on finance leases amounting to 8.87 million for the year ended December 31, 2014 was capitalized to the wind farm (see Note 12).

35. **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
- Interest rate 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, 2014 and 2013 are as follows:

	2014				2013	
	US Dollar (US$)	**SG Dollar (SG$)**	**Euro (€)**	**GB Pound (£)**	US Dollar (US$)	Euro (€)
Financial Assets						
Cash and cash equivalents	**₱35**	**₱–**	**₱–**	**₱–**	₱534	₱–
Other receivables	**20**	**–**	**–**	**–**	1,024	–
Other noncurrent assets	**86**	**–**	**–**	**–**	–	–
	141	**–**	**–**	**–**	1,558	–
Financial Liabilities						
Accounts payable and other current liabilities	**8,995**	**1**	**2**	**36**	250	78
Net foreign currency-denominated assets (liabilities)	**(8,854)**	**(1)**	**(2)**	**(36)**	1,308	(78)
Peso equivalent	**(₱395,951)**	**(₱34)**	**(₱109)**	**(₱2,499)**	₱55,816	(₱4,253)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rate used were ₱44.720 to US$1.00, ₱36.206 to AU$1.00, ₱33.696 to SG$1.00, ₱54.339 to €1.00 and ₱69.406 to £1.00 as at December 31, 2014 and ₱44.395 to US$1.00, and ₱60.816 to €1.00 as at December 31, 2013.

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, 2014 and 2013. 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 36).

Year	Increase (Decrease) in Foreign Exchange Rate	Effect on Profit Before Tax US$	(SG$)	Euro (€)	GBP (£)
2014	**(₱0.25)**	**₱2,214**	**₱–**	**₱1**	**₱9**
	(0.50)	**4,427**	**1**	**1**	**18**
	0.25	**(2,214)**	**(0)**	**(1)**	**(9)**
	0.50	**(4,427)**	**(1)**	**(1)**	**(18)**
2013	(0.25)	(327)	–	20	–
	(0.50)	(654)	–	39	–
	0.25	327	–	(20)	–
	0.50	654	–	(39)	–

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.

	2014					
	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	**₱1,712,029**	**₱–**	**₱–**	**₱1,322,795**	**₱20,473**	**₱3,055,297**
Due from related parties	**264**	**–**	**–**	**–**	**–**	**264**
Others	**19,226**	**–**	**–**	**708**	**42,659**	**62,593**
	₱1,731,519	**₱–**	**₱–**	**₱1,323,503**	**₱63,132**	**₱3,118,154**

	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	₱ 2,472,719	₱–	₱–	₱130,122	₱26,490	₱2,629,331
Due from related parties	186	–	–	–	–	186
Others	68,907	–	–	841	3,294	73,042
	₱2,541,812	₱–	₱–	₱130,963	₱29,784	₱2,702,559

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:

	2014					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 Years**	**Total**
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable[a]	**₱1,627**	**₱1,693,372**	**₱–**	**₱–**	**₱–**	**₱1,694,999**
Accrued expenses[b]	**5,512**	**23,400**	–	–	–	**28,912**
Accrued interest	–	**130,259**	–	–	–	**130,259**
Accrued directors' and annual incentives	–	**12,518**	–	–	–	**12,518**
Due to related parties	**425**	**184,170**	**110,186**	–	–	**294,781**
Derivative liabilities	**83**	–	–	–	–	**83**
Others	**2,151**	**3,080**	–	–	–	**5,231**
Due to stockholders	**9,135**	–	–	–	–	**9,135**
Finance lease liability[c]	–	–	**670**	**10,694**	**47,589**	**58,953**
Long-term loans[d]	–	**163,417**	**276,105**	**3,889,687**	**6,171,583**	**10,500,792**
Other noncurrent liabilities[e]	–	–	–	**32,456**	–	**32,456**
	₱18,933	**₱2,210,216**	**₱386,961**	**₱3,932,837**	**₱6,219,172**	**₱12,768,119**

[a] *Excluding current portion of finance lease liability amounting to ₱0.32 million.*
[b] *Excluding current portion of vacation and sick leave accruals amounting to ₱8.50 million.*
[c] *Gross contractual payments.*
[d] *Including contractual interest payments.*
[e] *Excluding noncurrent portion of finance lease liability amounting to ₱49.81 million.*

	2013				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Short-term loans	₱910,000	₱–	₱–	₱–	₱910,000
Accounts payable and other current liabilities:					
Trade and nontrade accounts payable[a]	3,670	2,325,968	–	–	2,329,638
Accrued expenses[b]	5,512	3,020			8,532
Accrued interest[c]	–	959	–	–	959
Accrued directors' and annual incentives	17,973	–	–	–	17,973
Due to related parties	36,575	–	776		37,351
Due to stockholders	190,448	–	–	–	190,448
Other noncurrent liabilities[d]	–	–	–	18,747	18,747
	₱1,164,178	₱2,329,947	₱776	₱18,747	₱3,513,648

[a]*Excludes payable to employees amounting to ₱0.71 million.*
[b]*Excludes nonfinancial liability amounting to ₱5.30 million.*
[c]*Excludes interest expense on deficiency taxes amounting to ₱3.14 million.*
[d]*Excludes asset retirement obligation amounting to ₱6.11 million.*

As at December 31, 2014 and 2013, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2014				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱541,571**	**₱–**	**₱–**	**₱–**	**₱541,571**
Receivables:					
Trade	**1,712,029**	**23,462**	**1,319,806**	–	**3,055,297**
Due from related parties	**264**	–	–	–	**264**
Others	**43,367**	**19,226**	–	–	**62,593**
Refundable deposits*	–	–	**26,222**	–	**26,222**
Financial assets at FVPL:					
Investments held for trading	**377,793**	–	–	–	**377,793**
AFS Investments:					
Quoted	–	–	–	**185,351**	**185,351**
Unquoted	–	–	–	**83,247**	**83,247**
	₱2,675,024	**₱42,688**	**₱1,346,028**	**₱268,598**	**₱4,332,338**

*Included in "Other noncurrent assets" account

	2013				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Cash and cash equivalents	₱687,992	₱–	₱–	₱–	₱687,992
Short-term investments	51,354	–	–	–	51,354
Receivables:					
Trade	157,313	2,472,018	–	–	2,629,331
Due from related parties	–	186	–	–	186
Others	4,135	68,907	–	–	73,042
Refundable deposits*	–	–	–	13,747	13,747
Financial assets at FVPL:					
Investments held for trading	475,352	–	–	–	475,352
Derivative asset**	–	11,671	–	–	11,671
AFS Investments:					
Quoted	–	–	–	203,251	203,251
Unquoted	–	–	–	83,247	83,247
Government securities	–	292,136	–	–	292,136
	₱1,376,146	₱2,844,918	₱–	₱300,245	₱4,521,309

*Included in "Other noncurrent assets" account.
**Included under "Other current assets" account.

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
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2014, the Company has fixed rate financial instruments measured at fair value.

The Company's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Company generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:

<u>TAREC</u>
TAREC entered into a ₱4.30 billion peso-denominated Term Loan Facility that will be used to partially finance the 54MW San Lorenzo Wind Farm. 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 interest of Tranche A bears a fixed rate for the first ten years and is subject to an interest rate repricing on the last five years.

<u>TA Oil</u>
In 2014, the Parent Company also availed a total of peso-denominated ₱3.00 billion corporate notes and loan agreements from CBC, SBC and BDO to be used to fund its projects and working capital. SBC has a term of 5 years with quarterly payments starting on the 5th quarter drawdown. Both BDO and CBC have a term of 10 years with quarterly payments starting on the 5th quarter drawdown having fixed interest rates to be repriced for the last 3 years.

The following table sets out the carrying amount, by maturity of the Company's financial assets that are exposed to interest rate risk:

		2014					
	Interest Rates	Within 1 Year	1–2 Years	2–3 Years	3-4 Years	Beyond 4 years	Total
2014							
Long-term loans							
<u>TAREC</u>							
DBP	**6.25 - 8.36%**	**₱–**	**₱–**	**₱55,427**	**₱71,307**	**₱1,761,652**	**₱1,888,386**
SBC	**6.57 - 6.74%**	**–**	**–**	**63,911**	**90,311**	**1,732,665**	**1,886,887**
<u>TA Oil</u>							
BDO	**5.81 - 6.55%**	**4,730**	**9,179**	**9,426**	**9,407**	**461,469**	**494,211**
CBC	**5.68 - 7.13%**	**15,008**	**30,014**	**29,993**	**29,981**	**1,388,693**	**1,493,689**
SBC	**4.84 - 4.95%**	**9,517**	**18,523**	**18,979**	**18,951**	**929,702**	**995,672**
Special savings account (SSA)	**0.25-1.75%**	**366**	**–**	**–**	**–**	**–**	**366**
Special Deposit Accounts (SDA)	**0.45-1.13%**	**14**	**–**	**–**	**–**	**–**	**14**

	2013						
	Interest Rates	Within 1 Year	1–2 Years	2–3 Years	3-4 Years	Beyond 4 years	Total
Fixed rate							
Special savings account (SSA)	0.375%-2.75%	₱476	₱–	₱–	₱–	₱–	₱476
Investments in bonds and FXTNs	11.88%	0.8	–	–	–	–	0.8

The other financial instruments of the Company that are not included in the preceding table are not subject to interest rate repricing 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 year ended December 31, 2014. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2014	
	Increase (Decrease) in Basis Points	**Effect on Profit Before Tax**
Long - term loans	**25**	**(₱138,256)**
SSA	**25**	**92**
SDA	**25**	**4**
Long - term loans	**(25)**	**138,256**
SDA	**(25)**	**(92)**
SSA	**(25)**	**(4)**

	2013	
	Increase (Decrease) in Basis Points	Effect on Profit Before Tax
FXTN	25	₱0.2
SDA	25	0.7
SSA	25	1,188
Short-term loan	25	(2,275)
FXTN	(25)	(0.2)
SDA	(25)	(0.7)
SSA	(25)	(1,188)
Short-term loan	(25)	2,275

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 15.36% and 6.50% in 2014 and 2013, respectively, resulting in an increase in equity of 30.59 million and 4.82 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, issue new shares or acquire long-term debts.

During the year, the Company availed ₱3.00 billion loan agreement from CBC, SBC and BDO and a ₱4.30 billion peso-denominated Term Loan Facility with SBC and DBP (see Note 19). In relation to these agreements, the Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

The following debt covenants are being complied with by the Company as part of maintaining a strong credit rating with its creditors:

TA Oil

CBC and BDO

(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(b) Maximum Debt to Equity ratio of 1.5 times

SBC

(c) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(d) Maximum Debt to Equity ratio of 2.0 times
(e) Minimum Current ratio of 1.0 times

TAREC

Under the Omnibus Loan Facility Agreement, the Company must maintain a Historical Debt Service Coverage Ratio of at least 1.20:1.00 and a Debt to Equity ratio of not exceeding 70:30. It also requires equity contributions from its shareholders amounting to ₱328.13 million for retention and contingencies.

Additional covenants prevent the Company in entering into any joint ventures, partnerships, or similar business combinations or arrangements. It also prohibits the Company from making payments of dividends or return of capital.

As at December 31, 2014, the Company is in compliance with the terms as required in the loan covenants.

36. **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	
	2014	2013	**2014**	2013
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱541,571**	₱687,992	**₱541,571**	₱ 687,992
Short-term investments	–	51,354	–	51,354
Receivables:				
Trade	**3,034,824**	2,602,841	**3,034,824**	2,602,841
Due from related parties	**264**	186	**264**	186
Others	**19,934**	69,748	**19,934**	69,748
Refundable deposits	**26,222**	13,474	**26,222**	13,474
	3,622,815	3,425,595	**3,622,815**	3,425,595
Financial assets at FVPL:				
Investments held for trading	**377,793**	475,352	**377,793**	475,352
Derivative assets[(a)]	–	11,671	–	11,671
	377,793	487,023	**377,793**	487,023
AFS investments:				
Quoted	**185,351**	203,251	**185,351**	203,251
Unquoted	**83,247**	83,247	**83,247**	83,247
Government securities and FXTNs	–	292,136	–	292,136
	268,598	578,634	**268,598**	578,634
	₱4,269,206	₱4,491,252	**₱4,269,206**	₱4,491,252
Financial Liabilities				
Financial liability at FVPL -				
Derivative liabilities[(b)]	**₱83**	₱–	**₱83**	₱–
Other financial liabilities				
Accounts payable and other current liabilities[(c)]	**2,175,510**	2,405,704	**2,175,510**	2,405,704
Due to stockholders	**9,135**	190,448	**9,135**	190,448
Short-term loans	–	910,000	–	910,000
Long-term loans (see Note 19)	**6,758,846**	–	**6,758,846**	–
Other noncurrent liabilities[(d)]	**75,785**	18,747	**75,785**	18,747
	9,019,276	3,524,899	**9,019,276**	3,524,899
	₱9,019,359	₱3,524,899	**₱9,019,359**	₱3,524,899

(a)Presented as part of "Other current assets" in 2013.

(b)Presented as part of "Accounts payable and other current liabilities".

(c)Excludes nonfinancial items amounting to ₱109.85 million and ₱103.21 million as at December 31, 2014 and 2013, respectively.

(d)Excludes asset retirement obligation amounting to ₱6.48 million and ₱6.11million as at December 31, 2014 and 2013, 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
Net asset value per unit has been used to determine the fair values of investments held for trading.

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

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

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:

	2014		
	Level 1	**Level 2**	**Total**
Assets:			
Investments held for trading	**₱–**	**₱377,793**	**₱377,793**
AFS investments	**185,351**	**–**	**185,351**
Liabilities:			
Derivative liabilities	**–**	**(83)**	**(83)**
	₱185,351	**₱377,710**	**₱563,061**

	2013		
	Level 1	Level 2	Total
Assets:			
Investments held for trading	₱–	₱475,352	₱475,352
AFS investments	203,251	–	203,251
Derivative asset	–	11,671	11,671
	₱203,251	₱487,023	₱690,274

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, 2014 and 2013.

Derivative Assets and Liabilities
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$0.10 and US$7.04 million as at December 31, 2014 and 2013, respectively. The weighted average fixing rate amounted to ₱45.23 to US$1.00 and ₱44.08 to US$1.00 as at December 31, 2014 and 2013, respectively. The net fair value of these embedded derivatives amounted to ₱0.08 and ₱11.67 million losses at December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at beginning of year	**₱11,671**	₱375
Net changes in fair value during the year	**(9,022)**	31,158
Fair value of settled contracts	**(2,732)**	(19,862)
Balance at end of year	**(₱83)**	₱11,671

The net changes in fair value during the year are included in the "Other income (loss)- net" account in the consolidated statements of income (see Note 28).

The fair value of derivative assets is presented under "Other current assets" account in the consolidated balance sheets (see Note 11). The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets (see Note 18).

37. **Operating Segments**

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

However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	2014			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱1,696,433**	**₱–**	**₱11,265**	**₱1,707,698**
Results				
Depreciation and amortization	**143,168**	**506**	**17,734**	**161,408**
Provision for/(reversal of) impairment of doubtful accounts	**(6,000)**	**39,365**	**–**	**33,365**
Segment profit	**703,348**	**(61,868)**	**(327,971)**	**313,509**
Operating assets	**₱14,808,574**	**₱138,583**	**₱1,644,202**	**₱16,591,359**
Operating liabilities	**₱6,043,390**	**₱6,093**	**₱3,319,754**	**₱9,369,237**
Other disclosure				
Capital expenditure	**₱4,501,660**	**₱340**	**₱16,002**	**₱4,518,002**
Capital disposal	**1,163**	**27**	**4,711**	**5,901**

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱6.84million and ₱4.42 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 ₱203.54 million. Other loss - net not included in the profit for operating segment includes interest income, gain on sale of AFS and property and equipment and others amounted to ₱135.69 million.

c. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱919.36 million, receivables and other current assets totaling ₱297.22 million and noncurrent assets amounting to ₱427.62 million as these are managed on a group basis.

d. Segment liabilities do not include accounts payable and other current liabilities of ₱102.63 million, income and withholding taxes of ₱46.44 million and net deferred income tax liabilities of ₱158.46 million. Long term loan and other noncurrent liabilities amounting to ₱2.98 billion and ₱28.65 million are not included in segment liabilities of operating segments.

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

	2013			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue*	₱2,002,984	₱–	₱13,873	₱2,016,857
Results				
Depreciation and amortization	83,220	474	15,443	99,137
Provision for doubtful accounts	17,680	–	–	17,680
Reversal of impairment loss on deferred exploration costs	–	12,874	–	12,874
Segment profit	₱864,277	₱32,434	(₱164,254)	₱732,457
Operating assets	₱9,810,075	₱321,832	₱854,361	₱10,986,268
Operating liabilities	₱2,506,787	₱19,411	₱1,332,711	₱3,858,909
Other disclosure				
Capital expenditure	₱1,879,138	₱79	₱3,007	₱1,882,224

**In the 2013 consolidated financial statements, Revenue includes Interest and other financial income. This was reclassified to Other income (loss) - net to conform with 2014 presentation.*

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱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. Other loss - net not included in the profit for operating segment includes interest income, provision for impairment loss on AFS investments, and others amounted to ₱35.03 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 employee 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*	₱976,750	₱–	₱14,845	₱991,595
Results				
Depreciation and amortization	28,699	435	15,293	44,427
Provision for doubtful accounts	2,092	–	–	2,092
Impairment loss on deferred exploration costs	–	12,874	–	12,874
Property, plant and equipment write-off	6,025	–	–	6,025
Segment profit	₱785,701	(₱486)	(₱131,651)	₱653,564
Operating assets	₱5,426,364	₱258,872	₱1,879,253	₱7,564,489
Operating liabilities	₱478,213	₱17,542	₱139,902	₱635,657
Other disclosure				
Capital expenditure	₱170,409	₱1,295	₱2,156	₱173,860

**In the 2012 consolidated financial statements, Revenue includes Interest and other financial income. This was reclassified to Other income (loss) - net to conform with 2014 presentation*

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱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 includes interest income and others amounted to ₱81.54 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 employee benefits totaling ₱34.98 million.

38. **Supplemental Cash Flow Information**

The following table shows the Company's non-cash investing and financing activities and corresponding transaction amounts for the year ended December 31, 2014:

Non-cash investing and financing activities:	
Acquisition of property, plant and equipment on account	₱443,540
Capitalization of borrowing costs (see Note 12)	120,844
Distribution of property dividends	120,318
Acquisition of property, plant and equipment under finance lease (see Note 12)	100,870
Cash call refund not yet received	887,102

39. **Other Matter**

As discussed in Note 20, on August 20, 2014, TA Oil distributed the cash and property dividends in the form of its investment in TA Petroleum to its shareholders after securing SEC's approval of the registration and receipt of CAR from the BIR.

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

On November 21, 2014 TA Oil, and its independent legal counsel filed an administrative protest in response to the FLD, basically requesting for reconsideration and reinvestigation of the assessment citing the following arguments:

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

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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A and have issued our report thereon dated February 23, 2015. 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 Consolidated 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. 4751303, January 5, 2015, Makati City

February 23, 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Supplementary Schedules

- Schedule of Retained Earnings Available for Dividend Declaration
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2014
- Map of Relationships of the Companies within the Group

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

(Amounts in Thousands)

Retained earnings, beginning	₱1,610,343
Adjustment:	
Deferred income tax asset as at December 31, 2013	(18,449)
Derivative asset as at December 31, 2013	(5,369)
Unrealized FV gain of FVPL as at December 31, 2013	56,276
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	1,642,801
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	310,768
Add (deduct):	
Unrealized fair value gains on investments held for trading and derivative assets in 2014	(51,282)
Movement of recognized deferred income tax assets	(12,740)
Net income actually realized during the year	246,746
Less: Dividends declared during the year	(194,555)
Retained earnings available for dividend declaration, end	₱1,694,992

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, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'	X		X
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		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		X
	Amendments to PFRS 5: Changes in Methods of Disposal*	Not Early Adopted		
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, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		X
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	X		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early adopted		
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	X		X
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early adopted		
PFRS 11	Joint Arrangements	X		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early adopted		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Investment Entities	X		X
PFRS 13	Fair Value Measurement	X		
	Amendment to PFRS 13: Short-term Receivables and Payables	X		
	Amendment to PFRS 13: Fair Value Measurement – Portfolio Exception*	Not Early adopted		
PFRS 14	Regulatory Deferral Accounts*	Not Early adopted		
PFRS 15	Revenue from Contracts with Customers*	Not Early adopted		
Philippine Accounting Standards (PAS)				
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		X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	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		X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	X		
	Amendment to PAS 16: Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
	Amendment to PAS 16: Agriculture - Bearer Plants*	Not Early Adopted		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19 (Revised)	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions*	Not Early Adopted		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	X		X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation	X		X
PAS 23 (Revised)	Borrowing Costs	X		X
PAS 24 (Revised)	Related Party Disclosures	X		
	Amendments to PAS 24: 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	X		X
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures	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		X
	Amendment to PAS 32: Classification of Rights Issues	X		X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		X
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Amendments to PAS 34: Disclosure of information ‘elsewhere in the interim financial report*	Not Early Adopted		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
	Amendments to PAS 38: 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		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	X		X
	Amendments to PAS 39: The Fair Value Option	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		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		X
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	X		X
PAS 40	Investment Property	X		
	Amendment to PAS 40*	Not Early Adopted		
PAS 41	Agriculture			X
	Amendment to PAS 41: Agriculture - Bearer Plants*	Not Early Adopted		
Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		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		X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	X		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		X

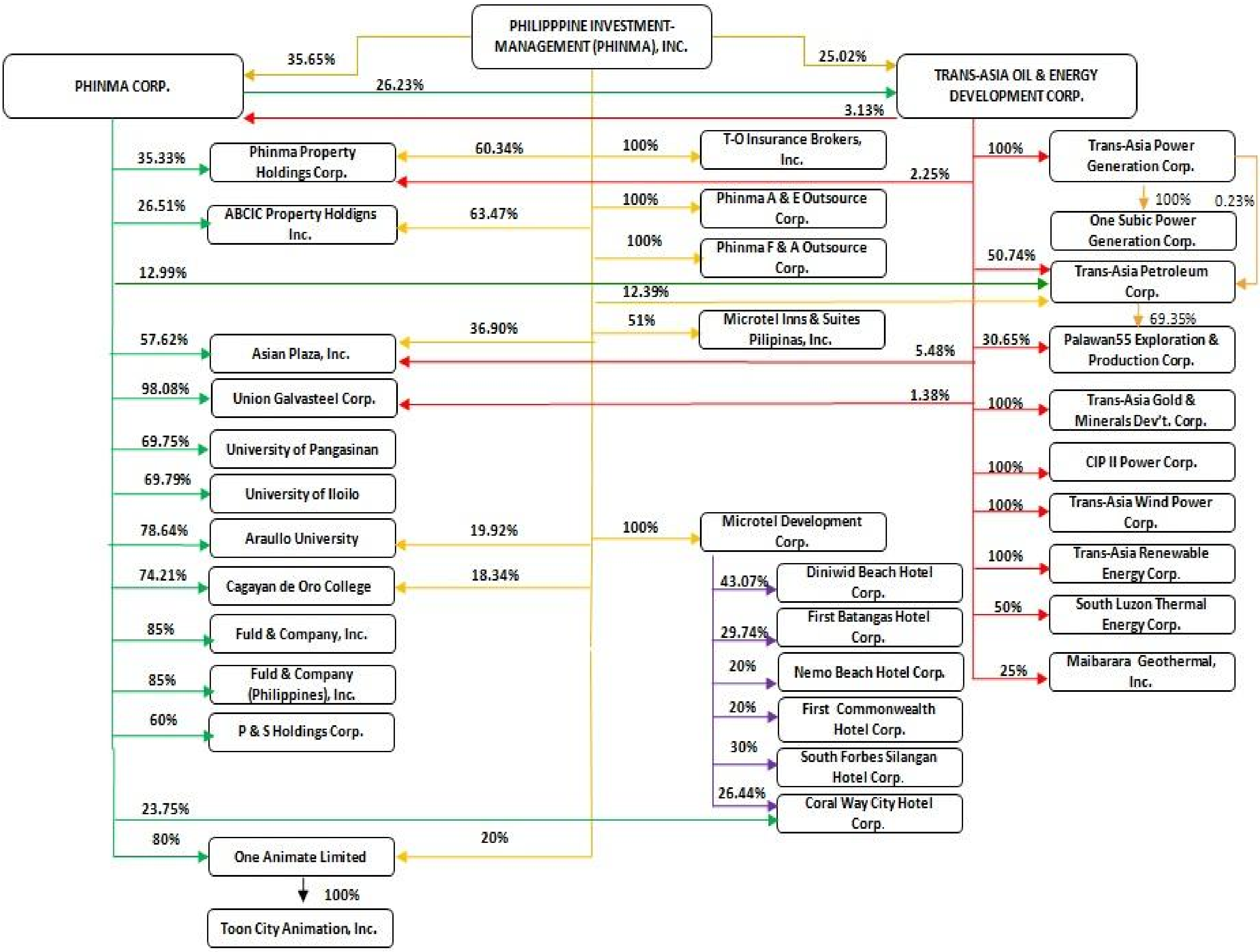
**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes	X		X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		X
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	X		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		X
IFRIC 17	Distributions of Non-cash Assets to Owners	X		
IFRIC 18	Transfers of Assets from Customers	X		X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	X		X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro	X		X
SIC-10	Government Assistance - No Specific Relation to Operating Activities	X		X
SIC-12	Consolidation - Special Purpose Entities	X		X
	Amendment to SIC - 12: Scope of SIC 12	X		X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	X		X
SIC-15	Operating Leases - Incentives	X		X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures	X		X
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		X
SIC-32	Intangible Assets - Web Site Costs	X		X

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

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

Map of Relationships of the Companies within the Group
As of December 31, 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, 2014

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 Unit Investment Trust Fund and Money Market Fund (UITF & MMF)				
Banco De Oro	₱209,844,656	₱210,401,980	₱210,401,980	₱ -
Metropolitan Bank & Trust Company	-	-	-	-
Rizal Commercial Banking Corp.	25,764,552	26,021,726	26,021,726	-
Bank of the Phil. Island	31,930,194	32,160,556	32,160,556	-
AB Capital Investment Corp.	77,348,979	109,208,422	109,208,422	-
		377,792,684	377,792,684	-
Available-for-sale financial assets				
Phinma Corporation	12,788,708	140,377,763	140,377,763	5,115,483
Union Galvasteel Corp./Atlas Holdings Corporation	1,462,999	27,579,355	27,579,355	760,190
Phinma Property Holdings Corporation	266,191,807	37,234,059	37,234,059	-
Asian Plaza, Inc.	37,684	18,433,158	18,433,158	942,100
Manila Golf & Country Club	1 share (100 units)	37,000,000	37,000,000	-
Tagaytay Midlands Golf Club, Inc.	2	880,000	880,000	-
Alabang Country Club, Inc.	1	2,600,000	2,600,000	-
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	60,000	60,000	-
Metro Club A	2	560,000	560,000	-
Rockwell Club	1	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	120,000	120,000	-
Aboitiz Equity Ventures, Inc.	800	42,160	42,160	1,440
Ayala Land	2,997	100,999	100,999	-
Banco de Oro	986	108,263	108,263	2,279
First Philippine Holdings Corporation	5,260	472,877	472,877	800
Globe Telecom, Inc.	30	51,900	51,900	-
Philex Mining Corp "B	4,500	(95,246)	(95,246)	575
BPI	1,124	105,656	105,656	382
Ayala Corp.	500	347,000	347,000	4,143
Aboitiz Power Corporation	1,600	68,640	68,640	2,656
Metropolitan Bank and Trust Company	1,462	121,346	121,346	2,035
Atlas Consolidated Mining	9,000	91,800	91,800	1,462
A. Soriano	179	1,212	1,212	-
Energy Development Corp.	6,000	45,185	45,185	-
Security Bank	1,473	223,896	223,896	-
Philippine Long Distance Telephone Company	-	19,500	19,500	-
Pepsi Cola	15,000	65,400	65,400	-
First Generation Corp.	7,200	131,945	131,945	2,520
RCBC	1,000	40,121	40,121	1,000
D & L Industries, Inc.	4,000	66,640	66,640	-
Del Monte Pacific Ltd.	4,000	61,920	61,920	-
Robinsons Retail Holdings	1,500	113,550	113,550	615
SSI Group	15,000	148,650	148,650	-
		268,597,749	268,597,749	6,837,680
		₱646,390,433	₱646,390,433	₱6,837,680

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2014

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Noncurrent	Balance at End of Period
			Amount Collected	Amount Written-Off			
Not Applicable: The Company has no amounts receivable form directors, officers, employees, related parties and principal stockholders as at December 31, 2014.							

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2014

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	₱20,384,760	₱ -	₱ -	₱ -	₱398,940	₱20,783,700
SC 51	32,665,864	-	-	-	-	32,665,864
SC 55	5,713,210	-	-	-	-	5,713,210
SC 69	15,972,361	-	-	-	(887,102)	15,085,259
SC 52	21,554,373	8,882,800	-	-	-	30,437,173
SC 50	-	11,719,086	-	-	-	11,719,086
Mineral exploration costs	-	-	-	-	-	-
	96,290,568	20,601,886	-	-	(488,162)	116,404,292
Allowance for probable losses	-	-	-	-	-	-
Total deferred exploration cost	96,290,568	20,601,886	-	-	(488,162)	116,404,292
Leasehold rights	-	99,838,574	(10,118,774)	-	-	89,719,800
Goodwill	-	234,152,394	-	-	-	234,152,394
	₱96,290,568	₱354,592,854	(₱10,118,774)	₱ -	(₱488,162)	₱440,276,486

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule E. Long-Term Debt
December 31, 2014

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
Development Bank of the Philippines	₱1,910,000,000	₱ -	₱1,910,000,000
Security Bank Corporation	1,910,000,000		1,910,000,000
Security Bank Corporation	1,000,000,000	10,000,000	990,000,000
China Bank Corporation	1,500,000,000	15,000,000	1,485,000,000
Banco De Oro	500,000,000	5,000,000	495,000,000
Total	6,820,000,000	30,000,000	6,790,000,000
Derivative on long-term loans	10,996,479	808,871	10,187,608
Unamortized debt issue costs	(72,150,732)	(1,553,808)	(70,596,924)
	₱6,758,845,747	₱29,255,063	₱6,729,590,684

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule F. Indebtedbess to Related Parties (Long-Term Loans from Related Companies)
December 31, 2014

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, 2014.		

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2014

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 December 31, 2014.				

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2014

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	4,865,146,089	84,930,164	2,624,857,003	59,616,971	2,180,672,115

EXHIBIT C

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Parent Company Financial Statements
December 31, 2014 and 2013
And Years Ended December 31, 2014 and 2013

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 (the "Company") is responsible for the preparation and fair presentation of the parent company balance sheets as of December 31, 2014 and December 31, 2013 and the related parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the parent company financial statements and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2014 and 2013, has examined the parent company 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 23rd day of February 2015

TRANS-ASIA OIL & ENERGY DEVELOPMENT CORPORATION
11/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200
Tel. (632) 870-0100 Fax. No. (632) 870-0433 www.transasia-energy.com

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Harnessing Energy Literacy for Planet EARTH

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

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this MAR 0 9 2015 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	EC0407396	25 February 2014	Manila
Francisco L. Viray	EB0308400	2 June 2010	Manila
Pythagoras L. Brion, Jr.	EB6637129	24 October 2012	Manila

JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 365
Page No. 74
Book No. I
Series of 2015.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

Company Name

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
APFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.transasia-energy.com	870-0100	–

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3,254	03/24	12/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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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 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, 2014 and 2013, 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.

BUREAU OF INTERNAL REVENUE
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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, 2014 and 2013, 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 No. 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 No. 15-2010 in Note 38 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. 4751303, January 5, 2015, Makati City

February 23, 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

PARENT COMPANY BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 33 and 34)	**₱122,387**	₱236,252
Short-term investments (Notes 7, 33 and 34)	–	51,354
Investments held for trading (Notes 8, 33 and 34)	**112,460**	108,356
Receivables (Notes 9, 33 and 34)	**3,318,365**	3,025,462
Fuel and spare parts - at cost (Note 10)	**249,318**	90,998
Available-for-sale investments (Notes 7, 33 and 34)	–	292,136
Other current assets (Note 11)	**165,730**	155,746
Total Current Assets	**3,968,260**	3,960,304
Noncurrent Assets		
Property, plant and equipment (Note 12)	**154,077**	154,673
Investments in subsidiaries and associates and interests in joint ventures (Note 13)	**6,959,486**	5,635,517
Available-for-sale investments (Notes 14, 33 and 34)	**201,719**	210,714
Investment property (Note 15)	**15,218**	17,179
Deferred exploration costs (Note 16)	**30,437**	21,554
Deferred income tax assets - net (Note 28)	**22,688**	13,141
Other noncurrent assets	**24,455**	15,827
Total Noncurrent Assets	**7,408,080**	6,068,605
TOTAL ASSETS	**₱11,376,340**	₱10,028,909
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17, 33 and 34)	**₱1,603,829**	₱2,247,778
Short-term loans (Notes 18, 33 and 34)	–	910,000
Income and withholding taxes payable	**20,414**	40,953
Due to stockholders (Notes 30, 33 and 34)	**9,135**	193,614
Current portion of long-term loans (Notes 19, 33 and 34)	**29,255**	–
Total Current Liabilities	**1,662,633**	3,392,345
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 19, 33 and 34)	**2,954,316**	–
Pension and other employee benefits (Note 29)	**19,358**	21,133
Deposits payable (Notes 33 and 34)	**20,512**	13,747
Other noncurrent liabilities	**6,483**	6,112
Total Noncurrent Liabilities	**3,000,669**	40,992
Total Liabilities	**4,663,302**	3,433,337
Equity		
Capital stock (Note 20)	**4,865,146**	4,863,863
Additional paid-in capital	**38,258**	35,573
Other equity reserve - stock option plan (Note 20)	**15,324**	8,765
Unrealized fair value gains on available-for-sale investments - net of tax (Note 14)	**68,790**	77,187
Remeasurement losses on defined benefit plan - net of tax	**(1,036)**	(160)
Retained earnings (Note 20)	**1,726,556**	1,610,344
Total Equity	**6,713,038**	6,595,572
TOTAL LIABILITIES AND EQUITY	**₱11,376,340**	₱10,028,909

See accompanying Notes to Parent Company Financial Statements.

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TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31	
	2014	2013
REVENUE		
Generation revenue	**₱90,666**	₱75,902
Trading revenue - net (Note 22)	**942,364**	419,474
Dividend income (Note 30)	**4,981**	6,237
Rental income (Notes 15 and 30)	**4,608**	7,222
	1,042,619	508,835
COSTS AND EXPENSES		
Cost of power generation (Note 23)	**76,580**	57,949
General and administrative expenses (Note 24)	**316,037**	225,381
	392,617	283,330
OTHER INCOME (LOSS) - NET (Note 27)	**(201,634)**	24,229
INCOME BEFORE INCOME TAX	**448,368**	249,734
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**147,494**	84,210
Deferred	**(9,893)**	(207)
	137,601	84,003
NET INCOME	**₱310,767**	₱165,731
Basic/Diluted Earnings Per Share (Note 31)	**₱0.06**	₱0.03

See accompanying Notes to Parent Company Financial Statements.

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TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2014	2013
NET INCOME	**₱310,767**	₱165,731
OTHER COMPREHENSIVE INCOME		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized fair value losses on available-for-sale investments (Note 14)	**(7,675)**	(8,802)
Income tax effect	**(722)**	1,004
	(8,397)	(7,798)
Net other comprehensive income to be reclassified directly to retained earnings in subsequent periods		
Remeasurement gains (losses) on defined benefit plan (Note 29)	**(1,252)**	4,735
Income tax effect	**376**	(1,421)
	(876)	3,314
Other comprehensive loss, net of tax	**(9,273)**	(4,484)
TOTAL COMPREHENSIVE INCOME	**₱301,494**	₱161,247

See accompanying Notes to Parent Company Financial Statements.

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TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in Thousands)

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Other Equity Reserve - Stock Option Plan (Note 20)	Unrealized Fair Value Gains (Losses) on Available-for-Sale Investments - net of tax	Remeasurement Gains (Losses) on Defined Benefit Obligation - net of tax	Retained Earnings (Note 20)	Total
BALANCES AT JANUARY 1, 2014	**₱4,863,863**	**₱35,573**	**₱8,765**	**₱77,187**	**(₱160)**	**₱1,610,344**	**₱6,595,572**
Net income	–	–	–	–	–	310,767	310,767
Other comprehensive income	–	–	–	(8,397)	(876)	–	(9,273)
Total comprehensive income	–	–	–	(8,397)	(876)	310,767	301,494
Dividends declared (Note 20)	–	–	–	–	–	(194,555)	(194,555)
Cost of employee stock option plan (Note 21)	–	–	7,588	–	–	–	7,588
Issuance of stocks - stock option (Notes 20 and 21)	1,283	2,358	(702)	–	–	–	2,939
Forfeiture of stock options (Note 21)	–	327	(327)	–	–	–	–
	1,283	2,685	6,559	–	–	(194,555)	(184,028)
BALANCES AT DECEMBER 31, 2014	**₱4,865,146**	**₱38,258**	**₱15,324**	**₱68,790**	**(₱1,036)**	**₱1,726,556**	**₱6,713,038**
BALANCES AT JANUARY 1, 2013	₱4,857,259	₱24,026	₱–	₱84,985	(₱3,474)	₱1,826,149	₱6,788,945
Net income	–	–	–	–	–	165,731	165,731
Other comprehensive income	–	–	–	(7,798)	3,314	–	(4,484)
Total comprehensive income	–	–	–	(7,798)	3,314	165,731	161,247
Cash dividends - (Note 20)	–	–	–	–	–	(381,536)	(381,536)
Issuance of stocks - stock grant (Notes 20 and 21)	696	411	–	–	–	–	1,107
Cost of employee stock option plan (Note 21)	–	–	12,280	–	–	–	12,280
Issuance of stocks - stock option (Notes 20 and 21)	5,908	10,854	(3,233)	–	–	–	13,529
Forfeiture of stock options (Note 21)	–	282	(282)	–	–	–	–
	6,604	11,547	8,765	–	–	(381,536)	(354,620)
BALANCES AT DECEMBER 31, 2013	₱4,863,863	₱35,573	₱8,765	₱77,187	(₱160)	₱1,610,344	₱6,595,572

See accompanying Notes to Parent Company Financial Statements.

APR 15 2015
EXCISE LT REGULATORY DIVISION

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱448,368**	₱249,734
Adjustments for:		
Interest and other financial charges (Note 27)	**144,770**	9,993
Depreciation and amortization (Note 26)	**25,534**	23,117
Gain (loss) on derivatives - net (Notes 27 and 34)	**21,119**	(14,676)
Equity-based compensation expense (Note 21)	**7,055**	11,419
Dividend income (Note 30)	**(4,981)**	(6,237)
Interest and other financial income (Note 27)	**(1,988)**	(27,396)
Unrealized foreign exchange (gains) losses - net	**466**	(4,674)
Gain on assignment of Mineral Production Sharing Agreement (Notes 16 and 27)	**–**	(37,935)
Provision for (reversal of):		
Doubtful accounts (Notes 9 and 27)	**39,366**	13,242
Impairment loss on deferred exploration costs (Notes 16 and 27)	**–**	(12,874)
Impairment loss on available-for-sale investments (Notes 7 and 27)	**–**	49,697
Gain on sale of:		
Property and equipment (Note 27)	**(276)**	(201)
Available-for-sale investments (Note 27)	**(131)**	(622)
Operating income before working capital changes	**679,302**	252,587
Decrease (increase) in:		
Receivables	**(332,454)**	(2,050,403)
Fuel and spare parts	**(158,320)**	17,177
Other current assets	**(15,353)**	(154,561)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(683,369)**	1,694,665
Income and withholding taxes payable	**(20,539)**	60,974
Net cash used in operations	**(530,733)**	(179,561)
Income taxes paid, including creditable withholding taxes	**(147,494)**	(129,234)
Net cash flows used in operating activities	**(678,227)**	(308,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	**(8,356,150)**	(7,916,329)
Investments in subsidiaries and associates and interests in joint ventures (Note 13)	**(1,446,597)**	(2,821,762)
Property and equipment (Note 12)	**(23,713)**	(7,232)
Deferred exploration costs (Note 16)	**(8,883)**	(8,680)
Available-for-sale investments	**(206)**	(292,253)
Proceeds from (settlement of):		
Sale of short-term investments	**339,640**	1,503,986
Currency forward contracts (Note 32)	**(3,571)**	9,682
Sale of available-for-sale investments	**1,657**	3,012
Sale of property and equipment	**1,011**	1,053
Sale/redemption of investments held for trading	**8,355,937**	8,595,311
Cash dividends received	**4,981**	6,237
Interest received	**1,935**	38,252
Decrease in other noncurrent assets	**(8,627)**	(13,447)
Net cash flows used in investing activities	**(₱1,142,586)**	(₱902,170)

(Forward)

APR 15 2015

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term loans (Note 18)	**₱1,670,000**	₱910,000
Long-term loans (Note 19)	**3,000,000**	–
Issuance of capital stock (Note 20)	**2,939**	14,636
Payments of :		
Short-term loans (Note 18)	**(2,580,000)**	–
Debt issuance costs (Note 19)	**(29,516)**	
Interest on short-term and long-term loans	**(108,694)**	(5,523)
Cash dividends (Note 20)	**(186,025)**	(196,956)
Decrease in due to stockholders	**(69,848)**	–
Decrease in pension liability	**1,571**	(1,305)
Increase in deposits payable	**6,764**	13,747
Net cash flows provided by financing activities	**1,707,191**	734,599
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(243)**	(5,443)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(113,865)**	(481,809)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**236,252**	718,061
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱122,387**	₱236,252

See accompanying Notes to Parent Company Financial Statements.

APR 15 2015
EXCISE LT REGULATORY DIVISION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (the Company) is incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 8, 1969. The Company's subsidiaries Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Gold and Minerals Development Corporation (TA Gold), Trans-Asia Wind Power Corporation (TAWPC), Trans-Asia Petroleum Corporation (TA Petroleum) and Palawan55 Exploration & Production Corporation (Palawan55) are also incorporated and registered with the SEC. The direct and ultimate parent company of TA Oil is Philippine Investment-Management, Inc. (PHINMA), also incorporated in the Philippines. TA Oil is managed by PHINMA under an existing management agreement (see Note 32).

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 Company is also registered as a Wholesale Aggregator and is a licensed Retail Electric Supplier (RES). 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 an 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.

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 Board of Directors (BOD) on February 23, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), derivative instruments and available-for-sale (AFS) investments, which have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest thousands (000), except par values, per share amounts, number of shares and when otherwise indicated.

The parent company financial statements are prepared for submission to the Bureau of Internal Revenue (BIR) and SEC.

The accompanying parent company 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) 10, *Consolidated Financial Statements*. The consolidated financial statements are filed with and may be obtained at the SEC.

Statement of Compliance
The parent company financial statements have been prepared in accordance with PFRS.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS that became effective during the year. The adoption of the new standards and amendments as at January 1, 2014 did not have a material effect on the accounting policies, financial position or performance of the Company, with the exception of PAS 36, *Impairment of Assets*.

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

- Investment Entities (Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27)

  These amendments 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 FVPL. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Company, since the Company and its subsidiaries do not qualify as investment entities under PFRS 10.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Company, since the Company has no offsetting arrangements.

- PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The additional disclosures required by the amendments are presented in Note 16 to the parent company 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 and retrospective application is required. These amendments have no impact on the Company as it has not novated its derivatives during the current or prior periods.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (Philippine IFRIC) 21, *Levies*

  Philippine 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. Retrospective application is required for Philippine IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of Philippine IFRIC 21 in prior years.

Improvements to PFRS

Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have a significant impact on the Company's parent company financial statements. These include:

- Annual improvements to PFRS (2010 – 2012 Cycle) - PFRS 13, *Fair Value Measurement*

  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual improvements to PFRS (2011 – 2013 Cycle) - PFRS 1, *First-time Adoption of PFRS*

  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its parent company financial statements.

Effective in 2015

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Currently, the Company's employees or third parties do not contribute to the Company's defined benefit plan, thus, the Company does not expect that these amendments will have an impact on its financial position or performance.

Effective after 2015

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment, and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3, *Business Combinations*, principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PFRS 9, *Financial Instruments – Hedge Accounting*, and Amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosures*, and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 nonfinancial 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company is currently assessing the impact of this standard.

Annual Improvements to PFRS

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's parent company financial statements.

- Annual Improvements to PFRS (2010-2012 Cycle)

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*

    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - 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 FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  - 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.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets: Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment and intangible assets, 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 amendments also clarify that the amount of the adjustment of the accumulated depreciation or amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  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.

- 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.

- Annual Improvements to PFRS (2011-2013 Cycle)

  - 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.

  - 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.

  - 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.

- Annual Improvements to PFRS (2012-2014 cycle)

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - PFRS 7 – *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation will not be applicable to the Company.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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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.

Fair Value Measurement
The Company measures its financial instruments at fair value at each balance sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its financial instruments.

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 nonfinancial 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 balance sheet 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 and 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 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 for which fair value is measured and recognized in the parent company financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at 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.

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, other financial liabilities, 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 balance sheet 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 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 payment has been established.

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 investments held for trading under the “Other income (loss) - net” 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.

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 34).

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 under "Other income (loss) - net" account. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

The Company's derivative asset, included under "Other current assets" account, and derivative liability, included under "Accounts payable and other current liabilities" account, are classified as financial assets and financial liabilities at FVPL (see Notes 11, 17 and 34).

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 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 effective interest. 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 effective interest 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.

The Company's cash and cash equivalents, short-term investments, receivables and refundable deposits (included under "Other non-current assets" account) are classified as loans and receivables (see Notes 6, 7, 9 and 34).

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 effective interest 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 effective interest.

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.

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 parent company 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 effective interest 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.

The Company classified its investments in government securities and FXTNs as current AFS investments, while the Company's investments in listed and unlisted equity securities and quoted golf club shares are classified as noncurrent AFS investments (see Notes 7, 8, 14 and 34).

Other Financial Liabilities
Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

Other financial liabilities are classified as current, except for maturities greater than 12 months after the balance sheet date.

The Company's short-term loans, accounts payable and other current liabilities (excluding statutory payables), due to stockholders, long-term loans and other noncurrent liabilities are classified as other financial liabilities (see Notes 17, 18, 19, 30 and 34).

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the parent company statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the parent company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Debt Issue Costs
Debt issue costs are deducted against long-term loans and are amortized over the terms of the related borrowings using the effective interest method.

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 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, 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 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 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 "Other income (loss) - net" 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
- 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 noncash assets transferred or liabilities assumed, is recognized in the parent company statement of income.

Offsetting of 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.

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), nonrefundable taxes and any other costs directly attributable to bringing the property, plant and equipment 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 the parent company statement of 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depletion, 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 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

A subsidiary is an entity which the Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls the investee when it exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if, and only if, the investee has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

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.

Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control. 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 operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over a subsidiary. 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.

Investments in subsidiaries and associates and interests in joint ventures are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognized income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary, associate and joint venture. The Company recognizes dividend income from its subsidiaries, associates and joint ventures when its right to receive the dividend is established.

An investment in a subsidiary or an 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 parent company statement of income in the year the investment is derecognized.

Investment Property
Investment property is carried at cost, including transaction costs, net of accumulated depreciation and impairment in value, if any. 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 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 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 Nonfinancial 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 each balance sheet date 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, 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 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 (APIC)
APIC 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 reserve is 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.

Dividends on Common Stock
The Company may pay dividends in cash, property, or by the issuance of shares of stock. All dividends are subject to the approval of the BOD; however, property dividends need approval from SEC and stock dividends require approval of at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. The Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on common stock are recognized as liability and deducted from equity when declared.

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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, except for some of its trading revenue arrangements. 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 take-or-pay arrangement 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 Income
Dividend income is recognized when the Company's right to receive 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.

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.

<u>Costs and Expenses</u>
Costs and expenses are recognized when incurred.

<u>Pensions and Other Employee Benefits</u>

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 12 months after the balance sheet date is recognized for services rendered by employees up to the balance sheet date.

<u>Stock Options</u>
Stock option grants 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 only if one of 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.
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.

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 and carryforward benefits of unused tax credits 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 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 income 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 Taxes
Creditable withholding taxes represent 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.

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 and stock split 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.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 35 to the parent company financial statements.

Contingencies
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 of the Company 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 32). 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 Agreements (PAMAs) with One Subic, CIPP and TA Power qualify as leases on the basis that One Subic, CIPP and TA Power sell all their output to the Company 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, CIPP and TA Power. 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, CIPP and TA Power are recorded as trading costs on the applicable terms of the PAMA (see Note 32).

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 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 lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease.

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 leases are classified as operating leases.

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle; and
- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:

    a. the legal form of the separate vehicle
    b. the terms of the contractual arrangement
    c. other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at December 31, 2014 and 2013, the Company's service contract is a joint arrangement in the form of a joint operation.

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.

The Company has determined that its interests in South Luzon Thermal Energy Corporation (SLTEC) and ACTA Power Corporation (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 parent company balance sheets. The classification of the Company's financial assets and financial liabilities are presented in Note 34.

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 financial assets and financial liabilities are disclosed in Note 34.

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, the Company considers the significant financial difficulties of the customer or significant delay in payment of the Company. 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, 2014 and 2013, allowance for doubtful accounts amounted to ₱57.97 million and ₱18.60 million, respectively. The carrying value of receivables amounted to ₱3.32 billion and ₱3.03 billion as at December 31, 2014 and 2013, 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 in 2013 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 (loss) - net" account in the 2013 parent company statement of income (see Note 27). No impairment loss was deemed necessary in 2014. The carrying value of AFS investments amounted to ₱201.72 million and ₱502.85 million as at December 31, 2014 and 2013, respectively (see Notes 7 and 14).

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, 2014 and 2013, deferred income tax assets recognized by the Company amounted to ₱31.19 million and ₱18.45 million, respectively (see Note 28).

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. There was no change in the useful lives in 2014 and 2013.

The total depreciation and amortization of property, plant and equipment and investment property amounted to ₱25.53 million and ₱23.12 million for the years ended December 31, 2014 and 2013, respectively (see Note 26).

Impairment of Nonfinancial Assets, Other than Deferred Exploration Costs
The Company assesses whether there are any indicators of impairment for all nonfinancial assets, other than deferred exploration costs, at each balance sheet date. These nonfinancial assets (investments in subsidiaries and associates and interests in joint ventures; property, plant and equipment; and investment property) are tested for impairment whenever events or changes in circumstances indicate that carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In cases where the value in use cannot be reliably measured, the recoverable amount is based on fair value less costs to sell. The carrying values of the Company's nonfinancial assets as at December 31 are as follows:

	2014	2013
Investments in subsidiaries and associates and interests in joint ventures (see Note 13)	**₱6,959,486**	₱5,635,517
Property, plant and equipment (see Note 12)	**154,077**	154,673
Investment property (see Note 15)	**15,218**	17,179

No impairment loss was deemed necessary on these nonfinancial assets in years 2014 and 2013. Accumulated impairment losses on investments in subsidiaries and associates amounted to ₱46.74 million, respectively, as at December 31, 2014 and 2013 (see Note 13).

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. No impairment loss was deemed necessary in 2014. In 2013, the Company reversed the provision for impairment loss amounting to ₱12.87 million which was recognized in 2012 since management believes that it will be able to recover its costs on the basis of new studies and test results (see Note 27). The carrying value of deferred exploration costs amounted to ₱30.44 million and ₱21.55 million as at December 31, 2014 and 2013, respectively (see Note 16).

Pension and Other Employee Benefits
The cost of defined benefit pension plans and other employee 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 employee benefits liability amounted to ₱19.36 million and ₱21.13 million as at December 31, 2014 and 2013, respectively (see Note 29).

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 29.

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.

As at December 31, 2014 and 2013, other equity reserve from stock option plan amounted to ₱15.32 million and ₱8.77 million, respectively. Total expense arising from share-based payments recognized by the Company amounted to ₱7.59 million and ₱12.28 million for the years ended December 31, 2014 and 2013, respectively (see Note 21).

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

This account consists of:

	2014	2013
Cash on hand and in banks	**₱61,449**	₱175,736
Short-term deposits	**60,938**	60,516
	₱122,387	₱236,252

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 (SRO). The said escrow account shall only be used for the following:

- 54MW Wind Energy Project in San Lorenzo, Guimaras
- Equity investment in SLTEC to fund the second 135MW clean coal-fired power plant in Calaca, Batangas
- Other potential investments in power project opportunities

Following is the composition of the escrow fund and its classification in the 2013 parent company balance sheet:

Short-term investments	
Savings account	₱51,354
Available-for-sale investments - current	
AFS investments in bonds and FXTNs	341,833
Less impairment loss (see Note 27)	49,697
	292,136
	₱343,490

In 2013, the Company acquired additional AFS investments in bonds and FXTNs totaling ₱344.00 million. Loss on 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 of in 2014 as a result of the decline in the prices of the instruments, 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 27).

The Company utilized the escrow account in accordance with the purpose and timing for which it was approved. The account was fully disbursed in 2014.

8. Investments Held for Trading

This account consists of:

	2014	2013
Investments in UITFs	**₱112,460**	₱108,275
Investments in bonds and FXTNs	**–**	81
	₱112,460	₱108,356

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 under “Other income (loss) - net” in the parent company statements of income, amounted to ₱0.38 million unrealized gain and ₱56.28 million unrealized loss for the years ended December 31, 2014 and 2013, respectively (see Note 27).

9. **Receivables**

This account consists of:

	2014	2013
Trade	**₱2,403,876**	₱2,479,906
Due from related parties (see Notes 30 and 32)	**928,206**	493,946
Receivable from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 16)	**39,366**	45,449
Stockholders (see Note 30)	**35**	19,312
Employees	**666**	1,344
Others	**4,186**	4,109
	3,376,335	3,044,066
Less allowance for doubtful accounts	**57,970**	18,604
	₱3,318,365	₱3,025,462

Trade receivables mainly represent receivables from Philippine Electricity Market Corporation (PEMC) and the Company’s bilateral customers. Trade receivables are noninterest-bearing and are generally on terms of 30 to 60 days.

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

	2014						
	Total	**Neither Past Due nor Impaired**	**Past Due but not Impaired <30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	**Past Due and Impaired**
Trade	**₱2,403,876**	**₱1,641,571**	**₱14,528**	**₱6,992**	**₱1,941**	**₱723,510**	**₱15,334**
Due from related parties	**928,206**	**58,883**	–	–	–	**869,323**	–
Others	**44,253**	**897**	–	–	–	**720**	**42,636**
	₱3,376,335	**₱1,701,351**	**₱14,528**	**₱6,992**	**₱1,941**	**₱1,593,553**	**₱57,970**

	2013						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30–60 Days	61–90 Days	91–120 Days	Past Due and Impaired
Trade	₱2,479,906	₱2,329,311	₱10,542	₱15,688	₱9,024	₱100,007	₱15,334
Due from related parties	493,946	404,338	–	–	–	89,608	–
Others	70,214	66,103	–	–	69	772	3,270
	₱3,044,066	₱2,799,752	₱10,542	₱15,688	₱9,093	₱190,387	₱18,604

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

	2014		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱15,334**	**₱3,270**	**₱18,604**
Provision for the year (see Note 27)	**–**	**39,366**	**39,366**
Balances at end of year	**₱15,334**	**₱42,636**	**₱57,970**

	2013		
	Trade	Others	Total
Balances at beginning of year	₱2,092	₱3,270	₱5,362
Provision for the year (see Note 27)	13,242	–	13,242
Balances at end of year	₱15,334	₱3,270	₱18,604

Due to its interpretation of the Wholesale Electricity Spot Market (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 Manila Electric Company (MERALCO) and the Energy Regulatory Commission (ERC) from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

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

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. During the year, the Company collected ₱208.72 million under the said Multilateral Agreement and was recognized as payable to PEMC.

10. **Fuel and Spare Parts – at Cost**

This account consists of:

	2014	2013
Fuel	**₱236,748**	₱81,319
Spare parts	**12,570**	9,679
	₱249,318	₱90,998

Fuel charged to "Cost of power generation" account in the parent company statements of income amounted to ₱51.86 million and ₱33.03 million in 2014 and 2013, respectively (see Note 23).

11. **Other Current Assets**

This account consists of:

	2014	2013
Creditable withholding taxes	**₱93,326**	₱22,374
Input VAT - net	**64,583**	26,404
Deposit receivables	**6,638**	7,023
Prepaid expenses	**1,183**	1,355
Prepaid taxes	–	93,221
Derivative asset (see Note 34)	–	5,369
	₱165,730	₱155,746

Creditable withholding taxes represent 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 property.

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

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

Prepaid taxes represent tax credits to be applied in the following year against the Company's RCIT.

12. Property, Plant and Equipment

The details and movements of this account are shown below:

	2014						
	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Total
Cost							
Balance at beginning of year	**₱171,263**	**₱102,596**	**₱20,347**	**₱17,762**	**₱9,225**	**₱32,822**	**₱354,015**
Additions	**10,942**	**–**	**–**	**4,058**	**2,996**	**5,717**	**23,713**
Disposals	**–**	**–**	**–**	**(4,619)**	**–**	**(305)**	**(4,924)**
Write-offs	**(9,497)**	**–**	**(20,347)**	**(1,516)**	**(1,069)**	**(3,172)**	**(35,601)**
Balance at end of year	**172,708**	**102,596**	**–**	**15,685**	**11,152**	**35,062**	**337,203**
Accumulated depreciation, amortization, depletion and impairment							
Balance at beginning of year	**88,773**	**44,937**	**20,347**	**9,653**	**7,043**	**28,589**	**199,342**
Depreciation and amortization (see Note 26)	**11,747**	**5,102**	**–**	**3,190**	**738**	**2,796**	**23,573**
Disposals	**–**	**–**	**–**	**(3,883)**	**–**	**(305)**	**(4,188)**
Write-offs	**(9,497)**	**–**	**(20,347)**	**(1,516)**	**(1,069)**	**(3,172)**	**(35,601)**
Balance at end of year	**91,023**	**50,039**	**–**	**7,444**	**6,712**	**27,908**	**183,126**
Net book value	**₱81,685**	**₱52,557**	**₱–**	**₱8,241**	**₱4,440**	**₱7,154**	**₱154,077**

	2013						
	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Total
Cost							
Balance at beginning of year	₱171,263	₱102,596	₱20,347	₱16,905	₱8,658	₱29,177	₱348,946
Additions	–	–	–	3,020	567	3,645	7,232
Disposals	–	–	–	(2,163)	–	–	(2,163)
Balance at end of year	171,263	102,596	20,347	17,762	9,225	32,822	354,015
Accumulated depreciation, amortization, depletion and impairment							
Balance at beginning of year	77,582	39,835	20,347	7,849	6,291	27,593	179,497
Depreciation and amortization (see Note 26)	11,191	5,102	–	3,115	752	996	21,156
Disposals	–	–	–	(1,311)	–	–	(1,311)
Balance at end of year	88,773	44,937	20,347	9,653	7,043	28,589	199,342
Net book value	₱82,490	₱57,659	₱–	₱8,109	₱2,182	₱4,233	₱154,673

13. Investments in Subsidiaries and Associates and Interests in Joint Ventures

This account consists of investments in the following investee companies:

Investee	Principal Activity	Percentage of Direct Ownership	
		2014	2013
Subsidiaries:			
TAREC	Renewable energy generation	**100.00**	100.00
TA Power [(a)]	Power generation	**100.00**	100.00
TA Petroleum [(b)]	Oil and gas exploration	**50.74**	100.00
CIPP	Power generation	**100.00**	100.00
TA Gold	Mineral exploration	**100.00**	100.00
TAWPC [(c)]	Renewable energy generation	**100.00**	100.00
Palawan55 [(b)]	Oil and gas exploration	**30.65**	30.65
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 of Holcim Philippines, Inc. (Holcim) in TA Power on January 1, 2013.*

(b) *(1) Shares were distributed as property dividends on August 20, 2014 (see Note 20). As a result, percentage of ownership of the Company in TA Petroleum decreased from 100% to 50.74%. (2) TA Petroleum has 69.35% ownership interest in Palawan55. (3) TA Oil has indirect ownership of 0.23% in TA Petroleum through TA Power and 35.34% in Palawan55 through TA Petroleum. (4)Consequently, the Company's effective interests in TA Petroleum and Palawan55 decreased from 100% to 50.97% and 65.99%, respectively.*

(c) *Incorporated on July 26, 2013.*

(d) *Ceased commercial operations.*

(e) *Shortened corporate life to October 31, 2009.*

All of the above investee companies were incorporated in the Philippines.

The carrying values of the Company's investments follow:

	2014	2013
Investments in subsidiaries:		
TAREC	**₱2,000,000**	₱1,063,125
TA Power	**701,624**	701,183
TA Petroleum	**123,550**	246,711
CIPP	**151,504**	151,412
TAWPC	**116,137**	116,137
TA Gold	**12,661**	12,661
Palawan55	**3,065**	3,065
	3,108,541	2,294,294
Investments in associates:		
MGI	**266,800**	248,078
Asia Coal	**620**	620
	267,420	248,698

(Forward)

	2014	2013
Interests in joint ventures:		
SLTEC	**₱3,583,025**	₱3,092,025
ACTA	**500**	500
	3,583,525	3,092,525
	₱6,959,486	₱5,635,517

Movements of investments are as follows:

	December 31, 2014			
	Subsidiaries	**Associates**	**Joint Ventures**	**Total**
Cost				
Balance at beginning of year	**₱2,314,922**	**₱274,813**	**₱3,092,525**	**₱5,682,260**
Additions during the year	**936,875**	**18,722**	**491,000**	**1,446,597**
Cost of share-based payment (see Note 21)	**533**	**–**	**–**	**533**
Distributed as property dividends (see Note 20)	**(123,161)**	**–**	**–**	**(123,161)**
	3,129,169	**293,535**	**3,583,525**	**7,006,229**
Less accumulated impairment losses	**20,628**	**26,115**	**–**	**46,743**
	₱3,108,541	**₱267,420**	**₱3,583,525**	**₱6,959,486**

	December 31, 2013			
	Subsidiaries	Associates	Joint Ventures	Total
Cost				
Balance at beginning of year	₱504,549	₱221,563	₱2,133,525	₱2,859,637
Additions during the year	1,109,012	53,250	1,184,000	2,346,262
Step acquisition	700,500	–	(225,000)	475,500
Cost of share-based payment (see Note 21)	861	–	–	861
	2,314,922	274,813	3,092,525	5,682,260
Less accumulated impairment losses	20,628	26,115	–	46,743
	₱2,294,294	₱248,698	₱3,092,525	₱5,635,517

As at December 31, 2014 and 2013, allowance for impairment losses amounted to ₱46.74 million. No additional impairment was recognized for the years ended December 31, 2014 and 2013.

Investments in Subsidiaries

TAREC

TAREC was incorporated and registered with the SEC on September 2, 1994. TAREC was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Philippine Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirmed the conversion of said WESC from Pre-Development to Development/Commercial Stage. During 2013, the Company made additional investment in TAREC totaling ₱992.88 million, ₱649.83 million of which came from the escrow account. In 2014, additional investment made by the Company amounted to ₱936.88 million. The additional investments made by the Company were used to finance TAREC's 54MW San Lorenzo Wind farm composed of 27 2MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the Visayas grid. On October 7, 2014, the 54MW Wind Power project started delivering power to the Visayas grid from the commissioning operations of the first three (3) units of wind turbine generators. TAREC is currently selling generated power to the WESM while awaiting for the project's eligibility for the Feed-in-Tariff rate. As at December 31, 2014, TAREC has fully completed and commissioned 27 2MW wind turbine generators.

TA Power
TA Power was incorporated and registered with the SEC on March 18, 1996 to engage in power generation. TA Power operates and maintains a 52MW power generation plant in Norzagaray, Bulacan. Previously, the Company had a 50% interest in TA Power, a joint venture with Holcim, which is accounted as an interest in a joint venture. 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 the Company'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.

In October 2006, PEMC approved TA Power's application for registration as trading participant for both generation and customer categories in the 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. Effective December 26, 2013, TA Power entered into a PAMA valid for ten (10) years with the Company for the administration and management by the Company of the entire capacity and net output of TA Power. In addition to the fixed capacity, the Company is billed by TA Power for transmission and fuel cost.

On May 12, 2014, the Company, through TA Power, purchased from Udenna Energy Corporation (UDEC), the entire outstanding shares of stocks of One Subic Power Generation Corporation (One Subic), the lessee and operator of the 116MW diesel power plant located in Subic Bay Freeport Zone, Olongapo City. One Subic was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. One Subic started its operations on February 17, 2011. Prior to the acquisition, One Subic used to be a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

TA Petroleum
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. The SEC also approved the change in the name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. On July 22, 2013, the Company declared property dividends to its 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 shares of the Company held by its stockholders (see Note 20). The Company distributed the property dividends on August 20, 2014, which reduced the Company's effective interest in TA Petroleum from 100% to 50.97%. On August 14, 2014, the SEC approved the listing of the shares of TA Petroleum. On August 28, 2014, TA Petroleum listed its shares at the

Philippine Stock Exchange (PSE) by way of introduction with "TAPET" as its symbol. As at February 23, 2015, TA Petroleum has not started commercial operations.

As at December 31, 2014 and 2013, the Company's investment in TA Petroleum has an allowance for impairment losses of ₱3.29 million.

CIPP
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 Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets to MERALCO resulting in the cessation of CIPP's operations. Substantially all of its employees were separated effective January 31, 2010. 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 of 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. The Company has completed the transfer of CIPP's power plant in 2012. In 2013, CIPP and the Company entered into a PAMA valid for ten (10) years for the latter's administration and management of the entire capacity and net output of CIPP. As at February 23, 2015, the Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

TA Gold
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. In May 2012, the Company terminated its Operating Agreement on the MPSA with TA Gold. As at February 23, 2015, TA Gold's exploration activities remain suspended.

As at December 31, 2014 and 2013, the Company's investment in TA Gold has an allowance for impairment losses of ₱17.34 million.

TAWPC
TAWPC was incorporated by TAREC and registered with the SEC on July 26, 2013. TAWPC's 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 ₱116.13 million. As a result of the assignment, TAWPC became a wholly owned subsidiary of the Company. As at February 23, 2015, TAWPC has not started commercial operations.

Palawan55
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 forms of petroleum. As a result of the Company's declaration and distribution of TA Petroleum shares as property dividends, the Company's effective interest in Palawan55 reduced from 100% to 65.99%. As at February 23, 2015, Palawan55 has not yet 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 twenty (20) years at an agreed price, subject to certain adjustments.

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 operations of MGI started in February 2014.

The Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the Maibarara Geothermal power plant (see Note 32). 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; 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.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As of December 31, 2014 and 2013, MGI is in compliance with the said loan covenants.

In 2014 and 2013, MGI made several cash calls and the Company, as a Project Sponsor, infused additional investment amounting to ₱18.72 million and ₱53.25 million, respectively.

UAC
As at December 31, 2014 and 2013, the Company's investment in UAC amounting to ₱12.22 million is fully provided with allowance for impairment losses.

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 23, 2015, 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's allowance for impairment losses on its investment in Asia Coal amounted to ₱13.90 million as at December 31, 2014 and 2013.

Interests in Joint Ventures

SLTEC
SLTEC was incorporated and registered on July 29, 2011 to engage in the construction and operations of a 2x135MW coal-fired power plant located in Calaca, Batangas. SLTEC is a 50-50 joint venture agreement between the Company and AC Energy Holdings, Inc. (AC Energy).

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 (2) 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 (1) 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.

The project officially commenced in December 2011 for its first of two-unit, Units 1 and 2, coal-fired power plant both with a generating capacity of 135MW each. SLTEC will operate as a base load plant to serve the anticipated demand for power in the Luzon grid. Percentage of completion for the construction of the coal-fired power plant is as follows:

	2014	2013
Unit 1	**100.00%**	81.24%
Unit 2	**88.40%**	24.63%

The Unit 1 of the coal-fired power plant is currently under testing and commissioning phase and is expected to be operational by the first quarter of 2015. Unit 2 is currently under construction and is expected to be completed by the fourth quarter of 2015.

In 2014 and 2013, the Company invested additional capital amounting to ₱491.00 million and ₱1.18 billion, respectively, in response to several equity calls for the expansion of the coal-fired power plant in Calaca, Batangas. As at February 23, 2015, SLTEC has not yet started its commercial operations.

ACTA
The Company has 50% interest in 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 23, 2015.

14. **Available-for-Sale Investments**

This account consists of:

	2014	2013
Shares of stock:		
Listed	**₱84,372**	₱100,712
Unlisted	**76,167**	76,167
Quoted golf club shares	**41,180**	33,835
	₱201,719	₱210,714

The unlisted shares are stated at cost as there are no reliable sources and bases for subsequent fair value determination.

The movements in this account are as follows:

	2014	2013
Balance at beginning of year	**₱210,714**	₱ 217,484
Additions	**206**	4,422
Disposals	**(1,526)**	(2,390)
Net change in the fair value of AFS financial assets	**(7,675)**	(8,802)
	₱201,719	₱210,714

The movements in net unrealized loss on AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	**₱77,187**	₱84,985
Loss due to changes in fair market value of AFS financial assets	**(7,675)**	(8,802)
Tax effect of the changes in fair market values	**(722)**	1,004
	₱68,790	₱77,187

15. **Investment Property**

Details of movement in this account follow:

	2014	2013
Cost	**₱28,133**	₱28,133
Less accumulated depreciation		
Balance at beginning of the year	**10,954**	8,993
Depreciation (see Note 26)	**1,961**	1,961
Balance at end of year	**12,915**	10,954
	₱15,218	₱17,179

The Company's investment property is composed the mezzanine property. Investment property is stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment property amounting to ₱37.65 million as at December 31, 2014 and 2013 is based on the December 31, 2013 valuation by an independent firm of appraisers. Since there were no quoted market prices for identical assets in an active market available, the valuation is based on sound valuation approach and technique.

The key assumption used to determine the fair value of the investment property and sensitivity analyses follows:

Significant unobservable inputs	Range (weighted average)
Sales Price (₱/sqm.)	₱76,413 - ₱140,000 (₱109,977)

The value of the mezzanine property is arrived at using the Sales Comparison approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot location and facilities offered and the time element.

Rental income from investment property included under “Rental income” account in the parent company statements of income in years 2014 and 2013 amounted to ₱1.80 million and ₱2.63 million, respectively, while related direct costs and expenses amounted to ₱2.30 million and ₱2.35 million in 2014 and 2013 included as part of “General and administrative expenses” account in the parent company statements of income.

16. Deferred Exploration Costs

Changes in this account follow:

	2014	2013
Cost		
Balance at beginning of year	**₱21,554**	₱12,874
Additions	**8,883**	8,680
Balance at end of year	**30,437**	21,554
Allowance for impairment loss		
Balance at beginning of year	**₱–**	₱12,874
Reversal of provisions (see Note 27)	–	(12,874)
	–	–
Net book value	**₱30,437**	₱21,554

SC 52 (Cagayan Province)
The balance of the deferred oil exploration costs as at December 31, 2013 and 2014 consists of costs incurred in SC 52.

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 under the following terms:

1) The Company shall pay to Frontier Oil a total of US$400,000 (Supplement Option Fee) as follows:

   a. US$200,000 shall be paid within 5 working days of signing of this second amendment agreement; and
   b. US$200,000 shall be paid within 5 working days of Company's receipt of a written notice from F Frontier Oil which confirms that Frontier Oil has entered into a binding rig contract that will enable Frontier Oil to comply with the Workover Program

2) Upon payment of the Supplemental Option Fee, the Option Period shall be extended until 90 days from the date of completion of the Workover Program.

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. In view of this suspension of the Stimulation and Testing Program, the Company recognized impairment loss amounting to ₱12.87 million in 2012.

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.

On July 8, 2013, the first tranche of the supplemental option fee amounting to ₱8.7 million or US$200,000 was paid.

In December 2013, Frontier signed a drilling rig contract for the deepening and testing of the Nassiping-2 well. On account of this recent development, the Company reversed in full in 2013 the impairment loss recognized in 2012. Based on the quantification of an independent expert, the expected monetary value of the contingent resources attributable to the SC 52 portion of the Nassiping Dome is US$128.7 million.

As requested by Frontier, the DOE approved the extension of Sub-Phase 5 to January 8, 2015. On January 3, 2014, the second tranche of the supplemental option fee amounting to ₱8.88 million or US$200,000 was paid.

MPSA 252-2007-V (Camarines Norte)
The Office of the President denied the Company's Appeal for reversal of the decision of the Philippine 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$4.00 million payable in four tranches. In 2011, the receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as gain on option fee. In 2012, the receipt of the second and third nonrefundable tranches amounting to US$1.00 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 recognized as gain on option fee.

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 recognized US$0.87 million (₱37.94 million) income representing a portion of the final tranche (see Note 27). As at December 31, 2014 and 2013, receivable from Investwell amounted to ₱39.37 million and ₱45.45 million, respectively. In 2014, the Company has provided ₱39.37 million allowance for impairment on its receivable from Investwell since the latter has not complied with the restructured payment (see Notes 9 and 27).

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2013
Trade	**₱741,853**	₱1,321,301
Non-trade	**20,859**	17,790
Due to related parties (see Note 30)	**578,506**	883,135
Deferred output tax	**197,602**	–
Accrued interest payable	**38,442**	4,099
Accrued directors' and incentives (see Note 30)	**12,249**	6,637
Accrued expenses	**10,966**	11,786
Deferred rent income	**144**	220
Derivative liability (see Note 34)	**83**	–
Others	**3,125**	2,810
	₱1,603,829	₱2,247,778

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

18. Short-term Loans

Details of the Company's short-term loans follow:

	2014	2013
Balances at beginning of year	**₱910,000**	₱–
Availments during the year	**1,670,000**	910,000
Payments during the year	**(2,580,000)**	–
Balances at end of year	**₱–**	₱910,000

During 2014 and 2013, the Company availed of 90-day to 120-day unsecured short-term loans from local banks, with interest rate of 3.2% per annum. These short-term loans were settled in 2014.

Total interest expense on short-term loans recognized under "Other income (loss) - net" account in the parent company statements of income amounted to ₱19.43 million and ₱1.11 million for the years ended December 31, 2014 and 2013, respectively (see Note 27).

19. Long-term Loans

As at December 31, 2014, this account consists of:

Principal	₱3,000,000
Add premium on long-term loans (embedded derivative)	10,996
Less unamortized debt issue costs	27,425
	2,983,571
Less current portion of long-term loans	29,255
Noncurrent portion	₱2,954,316

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

	Embedded Derivative (see Note 34)	Debt Issue Costs
As at January 1, 2014	₱–	₱–
Additions	12,095	29,516
Amortization for the year*	(1,099)	(2,091)
As at December 31, 2014	₱10,996	₱27,425

** Included under "Interest and other financial charges" in the "Other income (loss) - net" account in the 2014 parent company statement of income (see Note 27).*

The relevant terms of the Company's long-term loans follow:

Description	Interest Rate (per annum)	Terms	2014
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	₱1,493,688
₱1.00 billion loan with Security Bank Corporation (SBC)	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to drawdown date plus 1.00%, for 5 years	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum, payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge	995,672
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge	494,211
			₱2,983,571

The Company's long-term loan with CBC has an embedded interest rate floor required to be bifurcated. As at December 31, 2014, the Company recognized a loss on derivatives and derivative liability amounting to ₱12.10 million during the year 2014 and the derivative liability was closed out to the balance of the loan (see Note 34).

The long-term loans of the Company also contain prepayment provisions as follows:

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

(Forward)

Description	Prepayment Provision
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.

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

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

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

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

As at December 31, 2014, the Company is in compliance with the terms as required in the above loan covenants.

Total interest expense on long-term loans amounting to ₱120.30 million, net of accretion of interest expense of ₱1.10 million as an effect of amortization of embedded derivative, is recognized in "Other income (loss) - net" account in the 2014 parent company statement of income (see Note 27).

20. **Equity**

Capital Stock

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

	Number of Shares	
	2014	2013
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**4,863,862,757**	4,857,258,870
Issuance during the year:		
Exercise of stock options (see Note 21)	**1,283,332**	5,908,010
Stock grants (see Note 21)	–	695,877
	1,283,332	6,603,887
Balance at end of year	**4,865,146,089**	4,863,862,757

The issued and outstanding shares as at December 31, 2014 and 2013 are held by 3,254 and 3,274 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 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 Company at the rate of 1 share for every 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 were used to finance its equity investments in the 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 ₱1.73 billion and ₱1.61 billion while paid-up capital is ₱4.87 billion and ₱4.86 billion as at December 31, 2014 and 2013, respectively.

Other Equity Reserve
The Company's other equity reserve amounted to ₱15.32 million and ₱8.77 million as at December 31, 2014 and 2013. This reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration in accordance to the Stock Option Plan (see Note 21).

Dividends Declared
Dividends declared in 2014 and 2013 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
March 21, 2013	Cash	₱0.04 per share	₱194,318	April 8, 2013
July 22, 2013	Cash	₱0.013/₱0.0385 per share	64,057	August 5, 2013
July 22, 2013	Property	2.55 TA Petroleum shares for every 100 shares of the Company	123,161	August 5, 2013
March 24, 2014	**Cash**	**₱0.04 per share**	**194,555**	**April 7, 2014**

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 shares of the Company held by its stockholders and cash in the amount of ₱0.23 per share to the Company's non-resident shareholders.
By virtue of an exemptive relief granted by the SEC, the payment date of the property dividends shall be 10 trading days from the date all of the following are secured: a) SEC approval of property dividends; 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 dividends has been secured. As at December 31, 2013, unpaid cash and property dividends amounted to ₱187.22 million were included under "Due to stockholders" account in the 2013 parent company balance sheet. Property dividends were distributed on August 20, 2014, after all three conditions were met.

As at December 31, 2014 and 2013, unpaid cash dividends amounting to ₱9.14 million and ₱193.61 million, respectively, are included under "Due to stockholders" account in the 2014 and 2013 parent company balance sheet (see Note 30).

21. 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 the Company 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 (see Note 20).

Stock Options
Following are the specific terms of the Company's Stock Option Plan:

Coverage	Directors, permanent officers and employees of the Company 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. No stock grants have been granted and awarded to any of the executives of the Company in 2014.

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:

	2014	2013
Outstanding at January 1	**35,666,684**	–
Granted during the year	–	42,090,303
Forfeited during the year	**(598,001)**	(515,609)
Exercised during the year*	**(1,283,332)**	(5,908,010)
Outstanding at December 31	**33,785,351**	35,666,684
Exercisable at December 31	**19,146,140**	7,606,482

** The weighted average stock price at the date of exercise of these options was ₱2.43 and ₱2.46 in 2014 and 2013, respectively.*

The remaining contractual life for the stock options outstanding as at December 31, 2014 and 2013 is 1.55 years and 2.55 years, respectively.

The fair value of options granted in 2013 was ₱23.03 million.

A summary of the stock option plan for the years ended December 31 follows:

	Vesting date	**July 22, 2013**	**July 22, 2014**	**July 22, 2015**
2014	Vesting shares	**14,030,101**	**13,420,991**	**12,506,044**
	Vesting date	July 22, 2013	July 22, 2014	July 22, 2015
2013	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
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 2014, ₱0.70 million and ₱0.33 million of total equity-based compensation expense recognized under "Other equity reserve - stock option plan" in the 2014 parent company statement of changes in equity pertain to the options exercised and forfeited, respectively, that were transferred to APIC. 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 2013 parent company statement of changes in equity pertain to the options exercised and forfeited, respectively, that were transferred to APIC.

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 sheets amounted to ₱15.32 million and ₱8.77 million as at December 31, 2014 and 2013, respectively.

The total cost of stock option plan charged to "Salaries and directors' fees", under General and administrative expenses" account in the parent company statements of income and "Investments in subsidiaries and associates and interests in joint ventures" as at and for the years ended December 31, 2014 and 2013 are shown below:

	2014	2013
Salaries and directors' fees (see Notes 23 and 24)	**₱7,055**	₱11,419
Investments in subsidiaries and associates and interests in joint ventures (see Note 13)		
TA Power	**441**	683
CIPP	**92**	178
	533	861
Other equity reserve (see Note 20)	**₱7,588**	₱12,280

22. Trading Revenue - Net

This account consists of:

	2014	2013
Trading revenue	**₱11,476,140**	₱9,091,992
Cost of power purchased	**(10,533,776)**	(8,672,518)
	₱942,364	₱419,474

23. Cost of Power Generation

This account consists of:

	2014	2013
Fuel (see Note 10)	**₱51,861**	₱33,025
Depreciation and amortization (see Note 26)	**5,799**	5,898
Salaries (see Note 25)	**5,469**	5,184
Repairs and maintenance	**4,544**	5,968
Station used	**4,346**	2,631
Taxes and licenses	**1,332**	1,512
Pension and employee benefits (see Note 25)	**1,281**	1,257
Insurance	**645**	693
Rental	**565**	590
Others	**738**	1,191
	₱76,580	₱57,949

24. **General and Administrative Expenses**

This account consists of:

	2014	2013
Salaries and directors' fees (see Note 25)	**₱84,070**	₱67,541
Taxes and licenses	**77,331**	34,268
Management and professional fees (see Note 30)	**68,562**	47,098
Depreciation and amortization (see Note 26)	**19,735**	17,219
Pension and employee benefits (see Note 25)	**14,544**	11,483
Building maintenance and repairs	**12,404**	11,135
Donation and contribution	**12,235**	6,818
Insurance, dues and subscriptions	**5,706**	3,977
Transportation and travel	**4,702**	3,477
Rent	**2,807**	346
Office supplies	**2,524**	1,869
Communications	**2,388**	1,627
Meetings and conferences	**2,100**	1,389
Bank charges	**1,939**	235
Corporate social responsibilities	**1,826**	1,265
Entertainment, amusement and recreation	**105**	340
Other taxes and fees	**–**	12,898
Others	**3,059**	2,396
	₱316,037	₱225,381

25. **Personnel Expenses**

This account consists of:

	2014	2013
Salaries and directors' fees included under:		
Cost of power generation (see Note 23)	**₱5,469**	₱5,184
General and administrative expenses (see Note 24)	**84,070**	67,541
Pension and employee benefits included under:		
Cost of power generation (see Notes 23 and 29)	**1,281**	1,257
General and administrative expenses (see Notes 24 and 29)	**14,544**	11,483
	₱105,364	₱85,465

26. Depreciation and Amortization

This account consists of:

	2014	2013
Property, plant and equipment included under:		
Cost of power generation (see Notes 12 and 23)	**₱5,799**	₱5,898
General and administrative expenses (see Notes 12 and 24)	**17,774**	15,258
Investment property included under -		
General and administrative expenses (see Notes 15 and 24)	**1,961**	1,961
	₱25,534	₱23,117

27. Other Income (Loss) - Net

This account consists of:

	2014	2013
Interest and other financial charges	**(₱144,770)**	(₱9,993)
Gain (loss) on derivatives - net (see Note 34)	**(21,119)**	14,676
Interest and other financial income	**1,988**	27,396
Gain on sale of:		
Property, plant and equipment	**276**	201
AFS investments	**131**	622
Foreign exchange loss - net	**(107)**	(3,884)
Reversal of (provision for):		
Doubtful accounts (see Note 9)	**(39,366)**	(13,242)
Impairment loss on AFS investments (see Note 7)	**–**	(49,697)
Impairment loss on deferred exploration costs (see Note 16)	**–**	12,874
Gain on assignment of MPSA (see Note 16)	**–**	37,935
Others	**1,333**	7,341
	(₱201,634)	₱24,229

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

	2014	2013
Interest income on:		
Cash in banks	**₱93**	₱53
Short-term deposits and investments	**1,469**	25,585
Investments in bonds	**–**	2,314
Investments in FXTNs	**–**	3,169
Others	**385**	2,615
Net gains (losses) on investments held for trading:		
Unrealized fair value gains (losses) on investments held for trading - net (Note 8)	**376**	(56,275)
Realized fair value gains (losses) on investments held for trading – net	**(335)**	46,630
Gain on redemption/sale of investments held for trading	**–**	4,987
Amortization of bond premium/discount - net	**–**	(1,682)
	₱1,988	₱27,396

Interest and Other Financial Charges
The details of interest and other financial charges are as follows:

	2014	2013
Interest expense on:		
Short-term loans (see Note 18)	**₱19,426**	₱1,108
Long-term loans (see Note 19)	**120,297**	–
Tax assessments	**712**	3,797
Asset retirement obligation	**371**	371
Others	**195**	2,480
Amortization of debt issue cost* (see Note 19)	**992**	–
Other finance charges	**2,777**	2,237
	₱144,770	₱9,993

**Net of accretion of interest expense of ₱1.10 million as an effect of amortization of embedded derivative on long-term loans.*

28. **Income Taxes**

a. The provision for current income tax pertains to regular corporate income tax in 2014 and 2013.

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

	2014	2013
Deferred income tax assets on:		
Allowance for doubtful accounts	**₱16,410**	₱4,600
Pension and other employee benefits	**7,187**	6,340
Derivative liability	**3,324**	–
Asset retirement obligation	**1,945**	1,834
Accrued expenses	**1,538**	3,026
Unamortized past service cost	**558**	273
Unrealized foreign exchange losses	**184**	296
Deferred rent income	**43**	66
Allowance for impairment losses	**–**	2,014
	31,189	18,449
Deferred income tax liabilities on:		
Unrealized gains on change in fair value of investments held for trading	**(₱4,125)**	₱–
Unrealized fair value gains on AFS investments	**(3,930)**	(3,208)
Other noncurrent liabilities	**(446)**	(490)
Derivative asset	**–**	(1,610)
	(8,501)	(5,308)
Deferred income tax assets - net	**₱22,688**	₱13,141

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

	2014	2013
Applicable statutory income tax rate	**30.00%**	30.00%
Decrease in tax rate resulting from:		
Dividend income exempt from tax	**(1.99)**	(2.50)
Nondeductible expenses	**3.28**	51.48
Interest income subjected to final tax	**(0.63)**	(11.54)
Nontaxable income	**(0.20)**	(20.92)
Others	**0.23**	(12.88)
Effective income tax rate	**30.69%**	33.64%

29. **Pension and Other Employee Benefits**

The Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees. Pension and other employee benefits consist of:

	2014	2013
Pension liability	**₱12,021**	₱8,301
Vacation and sick leave accrual	**11,935**	12,832
	23,956	21,133
Less current portion of vacation and sick leave accrual*	**4,598**	–
	₱19,358	₱21,133

**Included in "Accrued expenses" under "Accounts payable and other current liabilities" account in the parent company balance sheets (see Note 17).*

Other employee benefits pertaining to the following are included under "Cost of power generation" and "General and administrative expenses" accounts in the parent company statements of income:

	2014	2013
Pension expense	**₱4,617**	₱5,752
Adjustment for cross-assigned employees	**4,009**	628
Vacation and sick leave accrual	**(897)**	(457)
	₱7,729	₱5,923

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 ₱39.98 million and ₱36.69 million as at December 31, 2014 and 2013, respectively.

Changes in net defined benefit liability of funded plan in 2014 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2014	**₱44,986**	**₱36,685**	**₱8,301**
Pension expense in parent company statement of income:			
Current service cost	**5,618**	**–**	**5,618**
Net interest	**1,067**	**2,068**	**(1,001)**
	6,685	**2,068**	**4,617**
Benefits paid	**(3,207)**	**(3,207)**	**–**
Transfers	**4,010**	–	**4,010**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**–**	**(1,724)**	**1,724**
Actuarial changes arising from changes in financial assumptions	**(472)**	**–**	**(472)**
	(472)	**(1,724)**	**1,252**
Contributions	**–**	**6,159**	**(6,159)**
At December 31, 2014	**₱52,002**	**₱39,981**	**₱12,021**

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	₱43,759	₱29,875	₱13,884
Pension expense in the parent company statement of income:			
Current service cost	5,170	–	5,170
Net interest	2,367	1,785	582
	7,537	1,785	5,752
Benefits paid	(1,456)	(1,456)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(119)	119
Actuarial changes arising from changes in financial assumptions	(4,854)	–	(4,854)
	(4,854)	(119)	(4,735)
Contributions	–	6,600	(6,600)
At December 31, 2013	₱44,986	₱36,685	₱8,301

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 December 31 follows:

	2014	2013
Investments in:		
Equity instruments	**₱26,906**	₱26,472
Government securities	**12,371**	4,105
UITFs	**702**	945
Deposit instruments	**–**	2,132
Corporate bonds	**–**	488
Mutual funds	**–**	5
Cash and cash equivalents	**2**	3,139
Liabilities	**–**	(601)
	₱39,981	₱36,685

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the PSE, 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 as at December 31, 2014 and 2013. 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, 2014 and 2013. The voting rights over the shares are exercised through the trustee by the Compensation 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:

	2014	2013
Discount rate	**4.54%**	5.50%
Salary increase rate	**5.00%**	6.00%

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 December 31, 2014, assuming all other assumptions are held constant:

	Increase (decrease)	Amount
Discount rate	1.00%	(₱2,693)
	(1.00%)	3,295
Salary increase rate	1.00%	3,134
	(1.00%)	(2,611)

Management performs an Asset-Liability Matching Study 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 risks of the plans. The Company's current strategic investment strategy consists of 67% of equity instruments, 31% fixed income instruments and 2% of debt instruments.

The Company expects to contribute ₱6.16 million to the defined benefit pension plan in 2015.

The average duration of the defined benefit obligation as at December 31, 2014 is 22.12 years.

30. **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, 2014 and 2013, 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 2014 and 2013 with related parties are as follows:

		2014			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
PHINMA					
Revenues	**₱718**	Rent and share in expenses	**₱40**	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	**33,638**	Management fees and share in expenses	**(12,417)**	30-day, non-interest bearing	Unsecured
Receivable	**1,988**	Accommodation	–	30-day, non-interest bearing	
Payable	–	Rental deposit	**(186)**	Refundable at the end of lease term	Unsecured
Subsidiaries					
TA Power					
Revenues	**900,652**	Electricity sold, rent and share in expenses	**869,340**	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	**479,715**	Electricity purchases and share in expenses	**(89,196)**	30-day, non-interest bearing	Unsecured
Cash dividends	**993**	Cash dividends	–		
Payable	**124**	Advances	–		
CIPP					
Revenues	**28,899**	Share in expenses	**9,367**	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	**183,903**	Electricity purchases and share in expenses	**(7,953)**	30-day, non-interest bearing	Unsecured
TAREC					
Receivable	**48,961**	Accommodation	**48,961**	30-day, non-interest bearing	Unsecured, no impairment
One Subic					
Cost and expenses	**206,288**	Electricity purchases	**(83,631)**	30-day, non-interest bearing	Unsecured
Receivable	–	Accommodation	**289**	30-day, non-interest bearing	Unsecured, no impairment
TAWPC					
Payable	**110,000**	Accommodation	**(110,000)**	30-day, non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	**28,210**	Rent and share in expenses	**209**	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	**174,895**	Electricity purchases	**(192,354)**	30-day, non-interest bearing	Unsecured
Payable	–	Rental deposit	**(590)**	Refundable at the end of lease term	Unsecured
Associate					
Asia Coal					
Advances	–	Advances	**(254)**	Non-interest bearing	Unsecured
MGI					
Cost and expenses	**699,933**	Trading cost	**(80,683)**	30-day, non-interest bearing	Unsecured
Other Related Parties					
PHINMA Corporation (PHINMA Corp.)					
Revenues	**3,530**	Cash dividends	–		
Costs and expenses	**2,179**	Rent and share in expenses	**(154)**	30-day, non-interest bearing	Unsecured
Payable	**141,400**	Advances	–		

(Forward)

2014

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
PHINMA Property Holdings Corporation (PPHC)					
Advances	**₱–**	Advances	**(₱171)**	On demand	Unsecured
Union Galvasteel Corporation (UGC)					
Revenues	**760**	Cash dividends	–		
Asian Plaza, Inc.					
Revenues	**942**	Cash dividends	–		
Payable	**94,300**	Advances	–		
Emar Corporation					
Revenue	**64**	Share in expenses	–		
T-O Insurance, Inc. (T-O Insurance)					
Costs and expenses	**2,804**	Insurance expense	**(917)**	30-day, non-interest bearing	Unsecured
Receivable	**149**	Refund of overpayment	–		
Directors					
Expenses	**22,613**	Annual incentives	**(12,249)**	On demand	Unsecured
Stockholders					
Payable	**194,555**	Cash dividend	**(9,135)**	On demand	
Receivable	–	Withholding tax on property dividends	**35**	On demand	Unsecured, no impairment
Due from related parties (see Note 9)			**₱928,206**		
Receivable from stockholders (see Note 9)			**35**		
Due to related parties (see Note 17)			**(578,506)**		
Accrued directors' and incentives (see Note 17)			**(12,249)**		
Due to stockholders			**(9,135)**		

2013

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
PHINMA					
Revenues	₱812	Rent and share in expenses	₱54	30-day, non-interest bearing	Unsecured, no impairment
Costs and expenses	22,185	Management fees and share in expenses	(5,821)	30-day, non-interest bearing	Unsecured
Subsidiaries					
TA Power					
Revenues	836,004	Electricity sold, rent and share in expenses	48,101	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	3,593,456	Electricity purchases and share in expenses	(819,555)	30-day, non-interest bearing	Unsecured
Cash and property dividends	4,159	Cash and property dividends	(3,166)	Upon issuance of CAR	Unsecured
Payable	50,000	Advances	–	On demand, non-interest bearing	
CIPP					
Revenues	5,075	Share in expenses	38,867	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	580,448	Electricity purchases and share in expenses	(55,649)	30-day, non-interest bearing	Unsecured
Advances	–	Advances	50,845	30-day, non-interest bearing	Unsecured, no impairment
TAREC					
Revenues	1,007	Share in expenses	65	30-day, non-interest bearing	Unsecured, no impairment
Advances	355,884	Advances	355,884	30-day, non-interest bearing	Unsecured, no impairment
	–	Advances	(4)	30-day, non-interest bearing	Unsecured

(Forward)

2013					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
TA Petroleum					
Revenues	140	Share in expenses	–		
Joint Ventures					
SLTEC					
Revenues	₱2,516	Rent and share in expenses	₱130	30-day, non-interest bearing	Unsecured, no impairment
Payable	–	Rental deposit	(590)	Refundable at the end of lease term	Unsecured
Associate					
Asia Coal					
Advances	–	Advances	(254)	On demand	Unsecured
MGI					
Cost and expenses	731	Trading cost	(731)	30-day, non-interest bearing	Unsecured
Other Related Parties					
PHINMA Corp.					
Revenues	3,296	Cash dividends	–		
Costs and expenses	911	Rent and share in expenses	–		
Payable	120,000	Advances	–		
PPHC					
Advances	–	Advances	(171)	On demand	Unsecured
UGC					
Revenues	1,520	Cash dividends	–		
Asian Plaza, Inc.					
Revenues	1,319	Cash dividends	–		
Payable	60,000	Advances	–		
Araullo University					
Payable	3,700	Advances	–		
T-O Insurance					
Costs and expenses	2,950	Insurance expense	(360)	30-day, non-interest bearing	Unsecured
Directors					
Expenses	8,287	Annual incentives	(6,637)	On demand	Unsecured
Stockholders					
Payable	193,325	Cash dividends	(9,018)	On demand	
Payable	184,052	Cash and property dividends	(181,430)	Upon issuance of CAR	Unsecured
Receivable		Withholding tax on property dividends	19,312	On demand	Unsecured, no impairment
Due from related parties (see Note 9)			₱493,946		
Receivable from stockholders (see Note 9)			19,312		
Due to related parties (see Note 17)			(883,135)		
Accrued directors' and incentives (see Note 17)			(6,637)		
Due to stockholders			(193,614)		

PHINMA

The Company has a management contract with PHINMA up to August 31, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Company pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income.

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 2014 and 2013. 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 (10) 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, a PAMA valid for ten (10) 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.

TAREC
The Company granted advances to TAREC for its operating and working capital requirements.

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 (5) years commencing on October 10, 2011.

PPHC/UGC [formerly Atlas Holding Corporation]/Asian Plaza, Inc.
PPHC, UGC and Asian Plaza, Inc. are entities under common control. The Company receives cash dividends from these corporations.

PHINMA Corp.
PHINMA Corp. is likewise controlled by PHINMA, through a management agreement. PHINMA Corp. bills the Company for its share in expenses. The Company also receives cash dividends from PHINMA Corp. PHINMA Corp. granted advances to the Company for its working capital requirements.

T-O Insurance
T-O Insurance is likewise controlled by PHINMA 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 ₱39.98 million and ₱36.69 million as at December 31, 2014 and 2013, respectively (see Note 29).

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the PSE, 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 2014 and 2013.

The plan assets include shares of stock of the Company with fair value of ₱0.06 million as at December 31, 2014 and 2013 (see Note 29). The shares were acquired at a cost of ₱0.30 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, 2014 and 2013. The voting rights over the shares are exercised through the trustee by the Compensation 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:

	2014	2013
Short-term employee benefits	**₱46,200**	₱42,996
Post-employment benefits	**2,155**	1,768
	₱48,355	₱44,764

Stockholders
Amounts due to stockholders for unclaimed dividends totaled ₱9.14 million and ₱193.61 million as at December 31, 2014 and 2013, respectively.

31. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2014	2013
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income	**₱310,767**	₱165,731
Common shares outstanding at beginning of year (Note 20)	**4,863,862,757**	4,857,258,870
Weighted average number of shares issued during the year	**527,990**	2,976,053
(b) Weighted average common shares outstanding	**4,864,390,747**	4,860,234,923
Basic/Diluted EPS (a/b)	**₱0.06**	₱0.03

The Company's stock options have no dilutive effect in 2014 and 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.

32. Significant Laws, Contracts and Commitments

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.

ESA 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 3.4MW 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 (10) 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 1.8MW, over any other power source.

The power plant commenced commercial operations on June 26, 2005.

Retail Competition and Open Access (RCOA)
Upon meeting all conditions set forth in R. A. 9136 Section 31, namely, a) Establishment of WESM; b) Approval of the unbundling of transmission and distribution wheeling charges; c) Initial implementation of the cross subsidy scheme; d) Privatization of at least (70%) of the total capacity of generating assets of National Power Corporation (NPC) in Luzon and Visayas, and; e) Transfer of the management of at least 70% of the total energy output of power plants under contract with NPC to the Independent Power Producer Administrators (IPPAs), the ERC promulgated last December 17, 2012 the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed electricity suppliers, such as the Company, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of 1MW). This major development in the Power Industry enabled the Company to grow.

Secondary Price Cap

Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap, under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM.

The Secondary Price Cap imposes a Cumulative Price Threshold (CPT) amounting to ₱1,512,028 equivalent to the Generator Weighted Average Prices (GWAP) over a rolling seven-day period, or 168-hour trading interval, equivalent to an average spot price of ₱9,000/MW [₱9 per kilowatt (kWh) per hour] over the period. A breach of the CPT for the period triggers the imposition of a price cap amounting to ₱6,245/MW per hour (₱6.245 per kWh). The market clearing price for the immediate trading interval following the breach will be pegged at the price cap and shall be maintained until after a determination that the succeeding GWAP rolling average is already below the CPT.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. The Company and its subsidiaries that sell to WESM are subject to this cap.

Memorandum of Agreement (MOA) with Power Sector Assets and Liabilities Management Corporation (PSALM)

On October 30, 2013, PSALM conducted the third round of bidding for the Sale of Power Barges ("PB") 101, 102 and 103 (the "Power Barges"). SPC Island Power Corporation (SIPC) was declared the Highest Bidder, while the Company was declared as the Second Highest Bidder. On November 8, 2013, PB 103 was de-moored and ran aground during the onslaught of Typhoon Yolanda resulting in damage to its hull and other equipment, which prompted SIPC to terminate its Asset Purchase Agreement with PSALM. At present, PB 101 and 102 are located at Bo. Obrero, Iloilo City while PB 103 is currently located at Keppel Subic Shipyard Inc., at Subic, Zambales for purposes of cleaning and repairs.

Subsequently, PSALM and the Company entered into negotiations for the sale of the Power Barges and on December 23, 2014, the parties entered into a MOA to provide for the terms and conditions for the sale of the Power Barges at the contract price of ₱420.00 million. The parties agreed to several conditions precedent to be observed prior to the transfer to the Company of the Power Barges, which was to occur on February 21, 2015. However, the Closing Date of February 21, 2015 did not push through due to insufficiency of the documents submitted by PSALM and ongoing unresolved issues of PSALM with Keppel relative to PB 103. The Company notified PSALM that it is giving PSALM 45 days or until April 10, 2015 within which to submit the required documents to comply with the conditions under the MOA.

ESAs with Holcim

The Company, TA Power and Holcim entered into a MOA (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 an RES, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. The Company 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 fifteen (15) years commencing on December 26, 2013.

PAMA with One Subic
On November 18, 2010, the Company and One Subic entered into a PAMA. Under the terms of the PAMA, the Company will administer and manage the entire generation output of the 116MW diesel power plant in Subic Bay Freeport Zone, Olongapo City. The Company will be selling or trading the entire capacity of the power plant, while operations will be under One Subic for a period of five (5) 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 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 of Sale of Electricity with Quezon I Electric Cooperative, Inc. (QUEZELCO)
On December 8, 2011, the Company entered into a Contract of Sale of Electricity with QUEZELCO, for a period of five (5) years from December 26, 2011. The contract with QUEZELCO provides an option to renew the contract for a period mutually agreed by both parties. In accordance with the contract, the Company shall supply 90% of QUEZELCO's electricity requirements on an hourly basis using the market trading node of the Company's designated generator.

Contract of Sale of Electricity with Lafarge Republic, Inc. (Lafarge)
On July 9, 2012, the Company entered into Contract for the Sale of Electricity with Lafarge for a period of five (5) years from December 26, 2012 to December 25, 2017. Under the said agreement, the Company 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 Lafarge Republic, Inc. (Teresa Cement Plant)
On November 4, 2013, the Company entered into Electricity Sale Contract with Lafarge, for its Teresa Cement Plant. The contract was possible under the RCOA Regime. The Company agreed to supply the peaking electricity requirements of the Lafarge Teresa facility from January 2014 to December 2017.

Contract of Sale of Electricity with Lafarge Republic Aggregates Inc. (Lafarge BAAC)
On February 3, 2014, the Company entered into Electricity Sale Contract with Lafarge BAAC. The Company agreed to supply all the electricity requirements of Lafarge BAAC.

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

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 five (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 five (5) years. Under this agreement, the Company shall supply all of the electricity requirements 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 RCOA. The agreement is effective from January 24, 2013 to June 25, 2013. The contract was renewed from June 25, 2013 to March 25, 2015.

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 three (3) years. Under the Contract, the Company agrees to purchase the 15 MW output of Sem-Calaca Power Plant.

On February 27, 2013, the Company amended the existing Contract to Purchase Generated Electricity. Under the new contract, the Company can purchase up to 45MW of electricity from Sem-Calaca's power plant. Moreover, the Company renewed the contract for another three (3) years from February 1, 2013 to March 25, 2016.

MGI
As Project Sponsor of the 20MW Maibarara Power Plant Project, the Company has provided a pledge on its shares in MGI, a guarantee to provide additional equity or advances to the Project in case of cost overruns and an assignment to the lenders of the ESA with MGI.

PAMA 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, a PAMA valid for ten (10) 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.

Electricity Sales Contract with BATELEC I Electric Cooperative, Inc. (BATELEC I)
On June 7, 2013, the Company entered into Electricity Sales Contract with BATELEC I for a period of five (5) years upon ERC approval. The Company will supply the load following the requirements of BATELEC I.

Electricity Sale Contract with Direct Power Services, Inc. (Direct Power)
On April 17, 2013, the Company entered into Electricity Sale Contract with Direct Power. The Company agreed to supply all the electricity requirements of facilities supplied by Direct Power. The contract has duration of eleven (11) years from July 2013 to June 2024.

Power Service Contract with KEPCO SPC Power Corporation (KEPCO)
On April 23, 2013, the Company entered into Power Sales Contract with KEPCO for a period of five (5) years from May 2013 to April 2018. KEPCO agreed to supply the Company the Contracted Quantity upon the terms and subject to the condition set out in the Power Service Contract.

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

Electricity Sale Contract with Holcim (Mabini Grinding Plant)
On June 17, 2014, the Company entered into Electricity Sale Contract with Holcim for its Mabini Grinding Plant for a period of ten (10) years. The Company agreed to supply the electricity requirements of Holcim Mabini.

Power Supply Agreement with the Region 8 Electric Cooperatives
On December 20, 2014, the Company also executed a separate Power Supply Agreement with each of the following cooperatives for a period of two (2) years (December 26, 2014 to December 25, 2016): a) Leyte II Electric Co., Inc. (LEYECO II); b) Leyte V Electric Co., Inc. (LEYECO V); c) Southern Leyte Electric Co., Inc. (SOLECO); d) Samar I Electric Co., Inc. (SAMELCO I); e) Samar II Electric Co., Inc. (SAMELCO II); f) Eastern Samar Electric Co., Inc. (ESAMELCO); and g) Northern Samar Electric Co., Inc. (NORSAMELCO); and for a period of one (1) year (December 24, 2014 to December 25, 2015): a) Don Orestes Romualdez Electric Co., Inc. (DORELCO); b) Leyte III Electric Co., Inc. (LEYECO III); c) Leyte IV Electric Co., Inc. (LEYECO IV); d) Biliran Electric Co., Inc. (BILECO).

ESA with Universal Robina Corporation - Continental Milling Corporation (URC-CMC)
On September 3, 2014, the Company entered into Electricity Sales Contract with URC-CMC, the Company agreed to supply the electricity requirements of URC-CMC plant for a period of three (3) years.

Administration Agreement for the 40MW Strips of the Unified Leyte Geothermal Power Plant (ULGPP)
On February 6, 2014, the Company was officially declared a winning bidder of a 40MW Strip of the ULGPP.

Consequently, PSALM and the Company, with conformity of the NPC entered into an Administration Agreement for the Selection and Appointment of the IPPAs for the Strips of Energy of the UL GPP. The term of the agreement is until July 25, 2021.

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

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 ten (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 lease payments under this operating lease agreement follows:

	2014	2013
Within one year	**₱160**	₱480
After one year but not more than five years	–	160
	₱160	₱640

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.

	2014	2013
Within one year	**₱1,728**	₱6,158
After one year but not more than five years	**5,502**	3,910
	₱7,230	₱10,068

33. 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, United States dollar (US 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
- Interest rate 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 Philippine peso investments: minimal corporate exposure except for registered bonds for non-affiliates
    - Limits on third currencies outside US 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 US dollar and other foreign currencies. Any depreciation of the US 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, 2014 and 2013 are as follows:

	2014				2013	
	US Dollar (US$)	**SG Dollar* (SG$)**	**Euro (€)**	**GBP** ** **(£)**	US Dollar (US$)	Euro (€)
Financial Assets						
Cash and cash equivalents	**$4**	**$–**	**€–**	**£–**	$463	€–
Other receivables		**–**	**–**	**–**	1,024	–
	$4	**$–**	**€–**	**£–**	$1,487	€–
Financial Liabilities						
Accounts payable and other current liabilities	**$251**	**$1**	**€2**	**£36**	$250	€21
Net foreign currency-denominated assets (liabilities)	**($247)**	**($1)**	**(€2)**	**(£36)**	$1,237	(€21)
Philippine peso equivalent	**(₱11,046)**	**(₱34)**	**(₱109)**	**(₱2,499)**	₱54,917	(₱1,277)

* *Singapore dollar*
** *British pound*

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rates used were ₱44.720 to US$1.00, ₱33.696 to SG$1.00, ₱54.339 to €1.00 and ₱69.406 to £1.00 as at December 31, 2014 and ₱44.395 to US$1.00, and ₱60.816 to €1.00 as at December 31, 2013.

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 income before tax (due to the changes in the fair value of monetary assets and liabilities) for the years ended December 31, 2014 and 2013. There is no impact on the Company's equity other than those already affecting the profit or loss. The effect on income before tax already includes the impact of derivatives (see Note 34).

	Increase (Decrease) in Foreign	**Effect on Income Before Tax**			
Year	**Exchange Rate**	**US$**	**SG$**	**Euro (€)**	**GBP (£)**
2014	**(0.25)**	**₱62**	**₱–**	**₱1**	**₱9**
	(0.50)	**124**	**1**	**1**	**18**
	0.25	**(62)**	**–**	**(1)**	**(9)**
	0.50	**(124)**	**(1)**	**(1)**	**(18)**
2013	(0.25)	(309)	–	5	–
	(0.50)	(619)	–	10	–
	0.25	309	–	(5)	–
	0.50	619	–	(10)	–

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 [i.e., Standard & Poor's Financial Services LLC (S&P) and Moody's Investors Service (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 PHINMA Group 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, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2014					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	
	Class A	**Class B**	**Class C**			**Total**
Trade and other receivables:						
Trade	**₱1,641,571**	**₱–**	**₱–**	**₱746,971**	**₱15,334**	**₱2,403,876**
Due from related parties	**58,883**	**–**	**–**	**869,323**	**–**	**928,206**
Others	**897**	**–**	**–**	**720**	**42,636**	**44,253**
	₱1,701,351	**₱–**	**₱–**	**₱1,617,014**	**₱57,970**	**₱3,376,335**

	2013					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	
	Class A	Class B	Class C			Total
Trade and other receivables:						
Trade	₱2,329,311	₱–	₱–	₱135,261	₱15,334	₱2,479,906
Due from related parties	404,338	–	–	89,608	–	493,946
Others	66,103	–	–	841	3,270	70,214
	₱2,799,752	₱–	₱–	₱225,710	₱18,604	₱3,044,066

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 asset, 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 asset 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:

	2014					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 years**	**Total**
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	**₱1,627**	**₱761,085**	**₱–**	**₱–**	**₱–**	**₱762,712**
Due to related parties	**425**	**467,895**	**110,186**	**–**	**–**	**578,506**
Accrued interest	**–**	**38,442**	**–**	**–**	**–**	**38,442**
Accrued expenses [a]	**5,512**	**856**	**–**	**–**	**–**	**6,368**
Accrued directors' and incentives	**–**	**12,249**	**–**	**–**	**–**	**12,249**
Derivative liability [b]	**83**	**–**	**–**	**–**	**–**	**83**
Others	**2,150**	**975**	**–**	**–**	**–**	**3,125**
Due to stockholders	**9,135**	**–**	**–**	**–**	**–**	**9,135**
Long-term loans [c]		**7,345**	**152,113**	**1,892,392**	**2,187,731**	**4,239,581**
Deposits payable	**–**	**–**	**–**	**–**	**20,512**	**20,512**
	₱18,932	**₱1,288,847**	**₱262,299**	**₱1,892,392**	**₱2,208,243**	**₱5,670,713**

[a] *Excluding current portion of vacation and sick leave accruals amounting to ₱4.6 million as at December 31, 2014.*
[b] *Presented as part of "Accounts payable and other current liabilities" account in the 2014 parent company balance sheet.*
[c] *Including future interest payments*

	2013					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱3,670	₱1,335,421	₱–	₱–	₱–	₱1,339,091
Due to related parties	882,359	–	776	–	–	883,135
Accrued expenses	10,814	972	–	–	–	11,786
Accrued directors' and incentives	6,637	–	–	–	–	6,637
Accrued interest	3,140	959	–	–	–	4,099
Others	2,810	–	–	–	–	2,810
Short-term loans [a]	–	918,716	–	–	–	918,716
Due to stockholders [b]	70,453	–	–	–	–	70,453
Deposits payable	–	–	–	–	13,747	13,747
	₱979,883	₱2,256,068	₱776	₱–	₱13,747	₱3,250,474

[a] *Including future interest payments.*
[b] *Excludes nonfinancial items amounting to ₱123.16 million as at December 31, 2013.*

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

	2014				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱122,387**	**₱–**	**₱–**	**₱–**	**₱122,387**
Receivables:					
Trade	**762,306**	**1,641,570**		**–**	**2,403,876**
Due from related parties	**869,323**	**58,883**	**–**	**–**	**928,206**
Others	**43,356**	**897**	**–**	**–**	**44,253**
Other noncurrent assets*	**–**	**–**	**–**	**22,375**	**22,375**
Financial assets at FVPL -					
Investments held for trading	**112,460**	**–**	**–**	**–**	**112,460**
AFS investments:					
Quoted	**–**	**–**	**–**	**125,552**	**125,552**
Unquoted	**–**	**–**	**–**	**76,167**	**76,167**
	₱1,909,832	**₱1,701,350**	**₱–**	**₱224,094**	**₱3,835,276**

	2013				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Cash and cash equivalents	₱236,252	₱–	₱–	₱–	₱236,252
Short-term investments	51,354	–	–	–	51,354
Receivables:					
Trade	150,595	2,329,311	–	–	2,479,906
Due from related parties	493,946	–	–	–	493,946
Others	4,111	66,103	–	–	70,214
Other noncurrent assets*	–	–	–	13,747	13,747
Financial assets at FVPL:					
Investments held for trading	108,356	–	–	–	108,356
Derivative asset**	–	5,369	–	–	5,369
AFS investments:					
Quoted	–	–	–	134,547	134,547
Unquoted	–	–	–	76,167	76,167
Government securities	–	292,136	–	–	292,136
	₱1,044,614	₱2,692,919	₱–	₱224,461	₱3,961,994

** Excludes nonfinancial assets amounting to ₱2.08 million as at December 31, 2014 and 2013.*
*** Presented as part of "Other current assets" in the 2013 parent company balance sheet.*

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 PHINMA 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.

The Company's exposure to market risk is minimal. The underlying financial instruments in the Company's investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.

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
2014 Fixed Rate							
Long-term loans							
BDO	**5.81% - 6.55%**	**₱4,730**	**₱9,179**	**₱9,426**	**₱9,407**	**₱461,469**	**₱494,211**
CBC	**5.68% - 7.13%**	**15,008**	**30,014**	**29,993**	**29,980**	**1,388,693**	**1,493,688**
SBC	**4.84% - 4.95%**	**9,517**	**18,523**	**18,979**	**18,951**	**929,702**	**995,672**
Special savings account (SSA)	**1.25%**	**46,950**	**–**	**–**	**–**	**–**	**46,950**
Special deposit account (SDA)	**0.45% - 1.25%**	**13,988**	**–**	**–**	**–**	**–**	**13,988**
2013 Fixed Rate							
SSA	0.375% - 1.40%	60,516	–	–	–	–	60,516
Investments in bonds and FXTNs	11.875%	81	–	–	–	–	81

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 income before tax as at December 31. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2014	
	Increase (Decrease) in Basis Points	**Effect on Income Before Tax**
SDA	**25**	**₱28**
SSA	**25**	**94**
Long-term loan	**25**	**(53,030)**
SDA	**(25)**	**(28)**
SSA	**(25)**	**(94)**
Long-term loan	**(25)**	**53,030**

	2013	
	Increase (Decrease) in Basis Points	Effect on Income Before Tax
SDA	25	₱1
SSA	25	1,188
Short-term loan	25	(2,275)
SDA	(25)	(1)
SSA	(25)	(1,188)
Short-term loan	(25)	2,275

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 15.36% and 6.5% in 2014 and 2013, respectively, resulting to a possible effect in the equity of ₱30.59 million and ₱4.82 million as at December 31, 2014 and 2013, respectively.

<u>Monitoring of Risk Management Process</u>
Risk management is regarded as a core competency, thus, review of processes and approval processes including periodic audit are practiced and observed as follows:

- Weekly meetings are scheduled by PHINMA Treasury Group 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, that include an updated summary of global and domestic events of the past month and the balance of the year, are submitted to the CFO.
- 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, 2014 and 2013.

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.

	2014	2013
Total liabilities	**₱4,663,302**	₱3,433,337
Total equity	**6,713,038**	6,595,572
Debt-to-equity ratio	**0.69:1**	0.52:1

34. 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	
	2014	2013	**2014**	2013
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱122,387**	₱236,252	**₱122,387**	₱236,252
Short-term investments	–	51,354	–	51,354
Receivables:	–		–	
Trade	**2,388,542**	2,464,572	**2,388,542**	2,464,572
Due from related parties	**928,206**	493,946	**928,206**	493,946
Others	**1,617**	66,944	**1,617**	66,944
Other noncurrent assets [(a)]	**22,376**	13,747	**15,606**	9,589
	3,463,128	3,326,815	**3,456,358**	3,322,657
Financial assets at FVPL:				
Investments held for trading	**112,460**	108,356	**112,460**	108,356
Derivative asset [(b)]	–	5,369	–	5,369
	112,460	113,725	**112,460**	113,725
AFS investments:				
Quoted	**125,552**	134,547	**125,552**	134,547
Unquoted	**76,167**	76,167	**76,167**	76,167
Government securities and FXTNs	–	292,136	–	292,136
	201,719	502,850	**201,719**	502,850
Total financial assets	**₱3,777,307**	₱3,943,390	**₱3,770,537**	₱ 3,939,232
Financial Liabilities				
Financial liability at FVPL -				
Derivative liability [(c)]	**₱83**	₱–	**₱83**	₱–
Other financial liabilities:				
Accounts payable and other current liabilities [(d)]	**1,401,402**	2,247,558	**1,401,402**	2,247,558
Due to stockholders	**9,135**	193,614	**9,135**	193,614
Short-term loans	–	910,000	–	918,716
Long-term loans	**2,983,571**	–	**3,073,816**	–
Deposits payable [(e)]	**20,512**	13,747	**14,253**	9,637
	4,414,620	3,364,919	**4,498,606**	3,369,525
Total financial liabilities	**₱4,414,703**	₱3,364,919	**₱4,498,689**	₱3,369,525

[(a)] *Excludes nonfinancial assets amounting to ₱2.08 million as at December 31, 2014 and 2013.*
[(b)] *Presented as part of "Other current assets" account in the 2013 parent company balance sheet.*
[(c)] *Presented as part of "Accounts payable and other current liabilities" account in the 2014 parent company balance sheet.*
[(d)] *Excludes nonfinancial items amounting to ₱202.34 million and ₱0.22 million as at December 31, 2014 and 2013, respectively.*
[(e)] *Current portion is presented as part of "Accounts payable and other current liabilities" account in the parent company balance sheets.*

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

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

Derivative Asset and Liability
The fair value of embedded foreign currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Long-term Loans
The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread of 1.625% in 2014.

Other Noncurrent Assets and Deposits Payable
The fair value of the Company's long-term receivable and payable to a third party are based on the discounted value of the expected future cash flows 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:

	2014		
	Level 1	**Level 2**	**Total**
Assets:			
Investments held for trading	**₱112,460**	**₱–**	**₱112,460**
AFS investments	**125,552**	–	**125,552**
Other noncurrent assets*	–	**15,606**	**15,606**
Liabilities:			
Derivative liability**	–	**(83)**	**(83)**
Long-term loans***	–	**(3,073,816)**	**(3,073,816)**
Deposits payable	–	**(14,253)**	**(14,253)**
	₱238,012	**(₱3,072,546)**	**(₱2,834,534)**

** Excludes nonfinancial assets amounting to ₱2.08 million as at December 31, 2014.*
*** Presented as part of "Accounts payable and other current liabilities" account in the 2014 parent company balance sheet.*
**** Includes future interest payments.*

	2013		
	Level 1	Level 2	Total
Assets:			
Investments held for trading	₱108,275	₱81	₱108,356
AFS investments	134,547	–	134,547
Derivative asset*	–	5,369	5,369
Other noncurrent assets**	–	9,589	9,589
Liabilities:			
Short-term loans***	–	(918,716)	(918,716)
Deposits payable	–	(9,637)	(9,637)
	₱242,822	(₱913,314)	(₱670,492)

** Presented as part of "Other current assets" account in the 2013 parent company balance sheet.*
*** Excludes nonfinancial assets amounting to ₱2.08 million as at December 31, 2013.*
**** Includes future interest payments.*

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 2014 and 2013.

Offsetting of Financial Instruments
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, 2014 and 2013.

Derivative Instruments

Currency Forwards
The Company enters into sell US dollar, buy Philippine peso foreign currency forward contracts to manage the foreign currency risk arising from its US dollar denominated assets. These currency forwards are not accounted for as accounting hedges.

The Company has no outstanding currency forward contacts as at December 31, 2014 and 2013.

Embedded Derivatives
The Company has bifurcated embedded derivatives from its fuel purchase contracts and long-term loan contract with CBC.

- *Fuel Purchases*

  The fuel purchases are denominated in US 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.

The Company's outstanding embedded forwards on fuel purchases have an aggregate notional amount of US$0.10 million and US$3.25 million as at December 31, 2014 and 2013, respectively. The weighted average fixing rate amounted to ₱44.08 to US$1.00 and ₱45.23 to US$1.00 as at December 31, 2014 and 2013, respectively.

- *Long-term Loan with CBC*

The Company, on April 14, 2014 (date of inception), availed of a long-term loan with CBC amounting to ₱1.50 billion. This loan contract with CBC contains a cap below the market interest rate and a floor above the market interest rate at inception, thus contains an embedded derivative which requires bifurcation since the interest rate floor provision in the loan contract is not clearly and closely related with the host contract.

For the year ended at December 31, 2014, the Company recognized a loss on derivatives and derivative liability amounting to ₱12.10 million during the year 2014 and the derivative liability was closed out to the balance of the loan.

The net movements in the fair values of the Company's embedded derivatives are as follows:

	2014	2013
Balance at beginning of year	**₱5,369**	₱375
Net changes in fair value during the year (see Note 27):		
Long-term loan with CBC* (see Note 19)	**(10,996)**	–
Fuel purchases	**(9,023)**	14,676
Fair value of settled contracts	**3,571**	(9,682)
Balance at end of year	**(₱11,079)**	₱5,369

** Net of accretion of interest expense of ₱1.10 million as an effect of amortization.*

	2014	2013
Long-term loan with CBC	**(₱10,996)**	₱–
Fuel purchases*	**(83)**	5,369
Derivative asset (liability)	**(₱11,079)**	₱5,369

** The fair value of derivative asset on fuel purchases is presented under "Other current assets" account in the 2013 parent company balance sheet. The fair value of derivative liability on fuel purchases is presented under "Accounts payable and other current liabilities" account in the 2014 parent company balance sheet.*

35. 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 parent company financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	2014			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱1,033,030**	**₱–**	**₱9,589**	**₱1,042,619**
Results:				
Depreciation and amortization	**₱7,304**	**₱496**	**₱17,734**	**₱25,534**
Provision for doubtful accounts	**–**	**39,366**	**–**	**39,366**
Segment Profit	**₱828,825**	**(₱47,328)**	**(₱333,129)**	**₱448,368**
Operating Assets	**₱10,541,852**	**₱170,654**	**₱663,834**	**₱11,376,340**
Operating Liabilities	**₱1,535,352**	**₱5,489**	**₱3,122,461**	**₱4,663,302**
Other Disclosures:				
Capital expenditure	**₱7,711**	**₱–**	**₱16,001**	**₱23,712**
Capital disposal	**213**	**–**	**4,711**	**4,924**

1) Profit for operating segment does not include dividend and rental income amounting to ₱4.98 million and ₱4.61 million, respectively. General and administrative expenses, foreign exchange loss and marked-to-market loss on derivatives amounting to ₱202.90 million are not included in the profit for operating segment. Other loss - net not included in the profit for operating segment includes interest income, gain on sale of AFS and property, plant and equipment and others amounted to ₱139.82 million.
2) Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱234.85 million, receivables and other current assets totaling ₱98.05 million and other noncurrent assets amounting to ₱330.93 million as these are managed on a group basis.
3) Segment liabilities do not include accounts payable and other current liabilities of ₱94.52 million and income and withholding taxes payable of ₱20.41 million. Long-term loans and other noncurrent liabilities amounting to ₱2.98 billion and ₱23.97 million are not included in segment liabilities of operating segments.
4) Capital expenditure consists of additions to property, plant and equipment.

	2013			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱495,376	₱–	₱13,459	₱508,835
Results:				
Depreciation and amortization	₱7,201	₱473	₱15,443	₱23,117
Provision for (reversal of):				
Doubtful accounts	13,242	–	–	13,242
Impairment loss on deferred exploration cost	–	(12,874)	–	(12,874)
Segment Profit	₱361,393	₱42,047	(₱153,706)	₱249,734
Operating Assets	₱8,877,341	₱330,747	₱820,821	₱10,028,909
Operating Liabilities	₱2,224,688	₱18,628	₱1,190,021	₱3,433,337
Other Disclosure -				
Capital expenditure	₱4,146	₱79	₱3,007	₱7,232

1) Revenue for each operating segment does not include dividend and rental income amounting to ₱6.24 million and ₱7.22 million, respectively.
2) Profit for operating segment does not include general and administrative expenses, foreign exchange loss, and marked-to-market gain on derivatives amounting to ₱142.78 million. Other loss not included in the profit for operating segment includes interest income, gain on sale of AFS and property, plant and equipment and others amounted to ₱24.38 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 ₱332.16 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 employee benefits totaling ₱15.38 million.
5) Capital expenditure consists of additions to property, plant and equipment.

36. Supplemental Cash Flow Information

The following table shows the Company's non-cash investing and financing activities and corresponding transactions' amounts for the years ended December 31, 2014 and 2013:

	2014	2013
Distribution of property dividends (see Notes 13 and 20)	**₱120,318**	₱–
Cost of share-based payment allocated to subsidiaries (see Notes 13 and 21)	**533**	861

37. Other Matters

As discussed in Note 20, on August 20, 2014, the Company distributed the cash and property dividends in the form of its investment in TA Petroleum to its shareholders after securing SEC's approval of the registration and receipt of CAR from the BIR.

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

On November 21, 2014, the Company and its independent legal counsel filed an administrative protest in response to the FLD, basically requesting for reconsideration and reinvestigation of the assessment citing the following arguments:

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

The Company is also a party to other cases and claims arising from the ordinary course of business filed by third parties, which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's parent company financial statements.

38. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with this Bureau of Internal Revenue (BIR) RR No. 15-2010, following are the information on the taxes that the Company reported and/or paid for the year:

a. Value-added Taxes (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	₱7,671,526,621	₱920,583,195
Sale of goods	2,463,202	295,584
Rental income	2,960,821	355,299
	7,676,950,644	921,234,078
Zero-rated sales	2,338,324,461	–
Exempt sales	71,318,477	–
	₱10,086,593,582	₱921,234,078

Zero-rated sales consist of sale of power to PEZA, sale of power generated from renewable sources of energy under Republic Act (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, 2014 per VAT return	
Carried over from previous period	₱124,601,642
Deferred on capital goods exceeding ₱1 million from previous period	730,488
Current year's domestic purchases/payments for:	
Services lodged under trading cost	618,599,020
Goods lodged under trading cost	213,519,073
Goods other than for resale or manufacture	7,204,684
Services lodged under others	3,737,983
Goods lodged under cost of power generation	481,318
Capital goods not subject to amortization	387,819
Capital goods subject to amortization	129,164
Current year importations other than capital goods	526,508
Total available input tax	969,917,699
Less:	
Deferred on capital goods exceeding ₱1 million for the succeeding period	(326,041)
Claims during the year	(921,234,077)
VAT withheld on sales to government	(347,841)
Allocable to exempt sales	(56,010)
	47,953,730
Add:	
VAT withheld on sales to government	1,249,205
Balance at December 31, 2014	₱49,202,935

b. Landed Costs of Importation

Total landed costs of importation amounted to ₱3,360,308 in 2014, ₱233,104 of which pertain to customs duties, tariff and other fees. These are all paid as at December 31, 2014.

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 "General and administrative expenses" section.

Details of other taxes and license fees are as follows:

Business permits	₱69,803,689
Real property taxes	3,293,773
Gross receipts taxes on loans	2,685,827
Documentary stamp taxes (DST)	1,881,107
Fringe benefit taxes	920,535
Community tax certificates	10,500
Registration fees	500
Other fees	67,540
	₱78,663,471

d. DST

The Company's DST for the year ended December 31, 2014 is as follows:

DST from:	
Long-term loans	₱15,000,000
Others	1,881,107
	₱16,881,107

e. Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Balance as at December 31, 2014
Withholding taxes on compensation and benefits	₱22,650,066	₱3,393,008
Expanded withholding taxes	74,681,165	16,685,096
Final withholding taxes	8,737,432	86,169
Fringe benefits	960,831	215,250
Withholding VAT	34,468	34,468
	₱107,063,962	₱20,413,991

f. Tax Assessments and Cases

i. 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. The Makati City Regional Trial Court (RTC) issued a decision dismissing the Company's complaint, to which the Company timely filed a Motion for Reconsideration on December 12, 2013. In an Order dated May 2, 2014, the Makati City RTC reconsidered its decision and cancelled the assessment. Local government of Makati City filed a Motion for Reconsideration of the said Order, which was denied by the Makati City RTC. The Company is waiting for the finality of the Makati City RTC's decision.

ii. In connection with the Company's distribution of cash and property dividends in the form of its investment in TA Petroleum to its shareholders, the Company received from the BIR a Formal Letter of Demand (FLD) and Final Assessment Notice (FAN), assessing the Company for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014. On November 21, 2014, the Company and its independent legal counsel filed an administrative protest in response to the FLD, basically requesting for reconsideration and reinvestigation of the assessment. As at February 23, 2015, the Company is waiting for the response for the filed administrative protest.

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 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 parent company financial statements of Trans-Asia Oil and Energy Development Corporation (the Company) as at December 31, 2014 and 2013 and for the years then ended included in this Form 17-A and have issued our report thereon dated February 23, 2015. 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 Parent Company 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
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. 4751303, January 5, 2015, Makati City

February 23, 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
INDEX TO THE PARENT COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014
(Amounts in Thousands)

Retained earnings, beginning	₱1,610,343
Adjustments for:	
Deferred income tax assets as at December 31, 2013	(18,449)
Derivative assets as at December 31, 2013	(5,369)
Unrealized fair value gains on investments held for trading as at December 31, 2013	56,276
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	1,642,801
Net income actually realized during the year	
Net income during the year closed to retained earnings	310,768
Deduct:	
Unrealized fair value gains on investments held for trading and derivative asset in 2014	(51,282)
Movement of recognized deferred income tax assets in 2014	(12,740)
	246,746
Dividends declared during the year	(194,555)
Retained earnings available for dividend declaration, end	₱1,694,992

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

List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'	X		X
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		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		X
	Amendments to PFRS 5: Changes in Methods of Disposal*	Not Early Adopted		
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		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		X
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	X		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early adopted		
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	X		X
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early adopted		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	X		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early adopted		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Investment Entities	X		X
PFRS 13	Fair Value Measurement	X		
	Amendment to PFRS 13: Short-term Receivables and Payables	X		
	Amendment to PFRS 13: Fair Value Measurement – Portfolio Exception*	Not Early adopted		
PFRS 14	Regulatory Deferral Accounts*	Not Early adopted		
PFRS 15	Revenue from Contracts with Customers*	Not Early adopted		
Philippine Accounting Standards (PAS)				
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		X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	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		X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		
	Amendment to PAS 16: Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
	Amendment to PAS 16: Agriculture - Bearer Plants*	Not Early Adopted		
PAS 17	Leases	X		
PAS 18	Revenue	X		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions*	Not Early Adopted		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	X		X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation	X		X
PAS 23 (Revised)	Borrowing Costs	X		X
PAS 24 (Revised)	Related Party Disclosures	X		
	Amendments to PAS 24: 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	X		X
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures	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		X
	Amendment to PAS 32: Classification of Rights Issues	X		X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		X
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report*	Not Early Adopted		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
	Amendments to PAS 38: 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		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	X		X
	Amendments to PAS 39: The Fair Value Option	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		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		X
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	X		X
PAS 40	Investment Property	X		
	Amendment to PAS 40*	Not Early Adopted		
PAS 41	Agriculture			X
	Amendment to PAS 41: Agriculture - Bearer Plants*	Not Early Adopted		
Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		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		X

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	X		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		X
IFRIC 13	Customer Loyalty Programmes	X		X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		X
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	X		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		X
IFRIC 17	Distributions of Non-cash Assets to Owners	X		
IFRIC 18	Transfers of Assets from Customers	X		X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	X		X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro	X		X
SIC-10	Government Assistance - No Specific Relation to Operating Activities	X		X
SIC-12	Consolidation - Special Purpose Entities	X		X
	Amendment to SIC - 12: Scope of SIC 12	X		X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	X		X
SIC-15	Operating Leases - Incentives	X		X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures	X		X

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		X
SIC-32	Intangible Assets - Web Site Costs	X		X

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

101132015001198

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

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Company Name	TRANS-ASIA OIL & ENERGY DEV. CORP
Industry Classification	
Company Type	Stock Corporation

Document Information

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No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

January 5, 2014

SECURITIES AND EXCHANGE COMMISSION
SEC Building
Epifanio de los Santos Avenue
Mandaluyong City

Attention: **Atty. Justina Callangan**
Director, Corporate Finance Department

Gentlemen:

In compliance with the disclosure requirements of the Philippine Stock Exchange (PSE) on the use of proceeds from Stock Rights Offerings (SROs), please be advised that as of December 31, 2014, 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 P1.627 Billion from the P1.627 Billion gross proceeds of the 2012 SRO.

Attached is the schedule of disbursements of proceeds from SROs for the 4th Quarter and Calendar Year 2014.

Very truly yours,

Mariejo P. Bautista
VP – Controller

HELP EARTH

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

January 5, 2015

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, 2014, 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 P1.627 Billion from the P1.627 Billion gross proceeds of the 2012 SRO.

Attached is the schedule of disbursements of proceeds from SROs for the Calendar Year 2014.

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, 2014
(Amounts in Millions)

	Estimate			Actual disbursement for the period Nov. 28, 2007 to Dec. 31, 2013			Actual disbursement for the period Jan. - Dec. 2014			Balance of Gross Proceeds As of Dec. 31, 2014		
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			41.6						41.6		
Previously earmarked for Mineral Projects	34.6	413.1		-	41.6			-		-	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	237.8		-	-	0.4	8.8	237.8
Balance			-			370.0			-			**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
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Tel: (632) 891 0307
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We are pleased to submit our report on the agreed-upon procedures performed with respect to the disbursements from the gross proceeds of the 2011 stock rights offering of Trans-Asia Oil and Energy Development Corporation (the Company) as at and for the year ended December 31, 2014. 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 as at and for the year ended December 31, 2014 (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, 2013
   d. Actual disbursements for the year ended December 31, 2014
   e. Balance of the gross proceeds as at December 31, 2014.

2. Using the information 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 as at and for the year ended December 31, 2013 submitted to SEC and noted no exceptions.
   b. Traced the actual disbursements for the period May 30, 2011 to December 31, 2013 to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering as at and for the year ended December 31, 2013 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 year ended December 31, 2014.

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 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 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. 4751303, January 5, 2015, Makati City

January 7, 2015

Trans-Asia Oil and Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering
As at and For the Year Ended December 31, 2014
(Amounts in Million Pesos)

	Estimate			Actual Disbursement For the Period May 30, 2011 to December 31, 2013			Actual Disbursement For the Year Ended December 31, 2014			Balance of the Gross Proceeds As at December 31, 2014		
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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INDEPENDENT AUDITORS' 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) as at and for the year ended December 31, 2014. 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 as at and for the year ended December 31, 2014 (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, 2013
    d. Actual disbursements for the year ended December 31, 2014
    e. Balance of the gross proceeds as at December 31, 2014.

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 as at and for the year ended December 31, 2013 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 as at and for the year ended December 31, 2013 submitted to SEC. We noted no exceptions.

c. Traced the actual disbursements for the period November 14, 2012 to December 31, 2013 to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering as at and for the year ended December 31, 2013 submitted to the SEC. We noted no exceptions.
d. Vouched the actual disbursements for the year ended December 31, 2014 to supporting documents such as check vouchers, invoices, billing statements and official receipts. We did not note any exceptions.

The sufficiency of the procedures is solely the responsibility of the Company's management. Consequently, we make no 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 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 a whole.

SYCIP GORRES VELAYO & CO.

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January 7, 2015

Trans-Asia Oil and Energy Development Corporation (TA)
Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering
As at and For the Year Ended December 31, 2014
(Amounts in Million Pesos)

	Estimate			Actual Disbursement For the Period November 14, 2012 to December 31, 2013			Actual Disbursement For the Year Ended December 31, 2014			Balance of the Gross Proceeds As at December 31, 2014		
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			350.2			1,000.0	
Equity Investment in second 135MW unit of the clean coal-fired power plant in Calaca, Batangas, and/or other Power project Opportunities and Possible investments in privatization of NPC and PSALM		612.0			589.00			–			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			1.7			–			1.7		
Documentary Stamp Tax	8.1			8.1			–			8.1		
Professional Fees	1.2			–			–			–		
Other Expenses	1.7	15.0		0.7	12.1		–	–		0.7	12.1	
Interest Income Earned							(27.9)			(27.9)		
Realized Fair Value Loss							53.5	25.6		53.5	25.6	
			1,627.0			1,250.9			375.8			1,626.7
Balance			–			**(1,250.9)**			**(375.8)**			**0.3**

Prepared by:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
VP - Controller

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

SEC Electronic Records Management Division
APR 15 2015
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
5

1.	For the fiscal year ended	December 31, 2014
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	**4,865,146,089** shares
Amount of debt outstanding	**₱6.7 billion**

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