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COVER SHEET

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S.E.C. Registration Number

TRANS-ASIA OIL AND ENERGY
DEVELOPMENT CORPORATION

(Company's Full Name)

11F PHINMA Plaza, 39 Plaza Drive,
Rockwell Center, Makati City

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

Alan T. Ascalon

(Contact Person)

870-0100

(Company Telephone Number)

12 31

Month Day

(Fiscal Year)

SEC Form 20-IS

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

AND

INFORMATION STATEMENT
(SEC Form 20-IS)
Pursuant to Section 20 of the Securities Regulation Code

Annual Meeting of Stockholders
2:00 P.M.
April 07, 2015
PENINSULA MANILA HOTEL
Ayala Avenue, Makati City

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

NOTICE OF CHANGE IN DATE OF ANNUAL SHAREHOLDERS' MEETING
(Moved from 27 March 2015 to 7 April 2015)

TO ALL SHAREHOLDERS:

Please be advised that the annual meeting of shareholders of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION scheduled on Friday, 27 March 2015 at 2:00 o'clock in the afternoon HAS BEEN MOVED TO Tuesday, April 7 2015 at 2:00 o'clock in the afternoon at the Manila Peninsula Hotel, Makati City. The Agenda of the Meeting is as follows:

AGENDA

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management and Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders Meeting
5. Election of Directors (including the Independent Directors)
6. Amendment of Articles of Incorporation (statement of precise address)
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is 6 March 2015.

JUAN J. DIAZ
Corporate Secretary

PROXY

The undersigned stockholder of **TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION** (the "Company") hereby appoints ______________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 7, 2015 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting.
   ☐ Yes ☐ No ☐ Abstain
2. Approval of annual report
   ☐ Yes ☐ No ☐ Abstain
3. Ratification of all acts of the Board of Directors and Management since the last annual shareholders meeting
   ☐ Yes ☐ No ☐ Abstain
4. Election of Directors
   ☐ Vote for all nominees listed below:
   Oscar J. Hilado
   Ramon R. Del Rosario, Jr.
   Francisco L. Viray
   Roberto M. Laviña
   Magdaleno B. Albarracin, Jr.
   Victor J. Del Rosario
   Pythagoras L. Brion, Jr.
   Raymundo O. Feliciano (Independent)
   Ricardo V. Camua (Independent)
   David L. Balangue (Independent)
   Guillermo D. Luchangco (Independent)
   ☐ Withhold authority for all nominees listed above

   ☐ Withhold authority to vote for the nominees listed below:
   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____
5. Amendment of Articles of Incorporation to specify complete address of the Company's principal office
   ☐ Yes ☐ No ☐ Abstain
6. Appointment of Sycip Gorres Velayo & Co. as external auditors.
   Yes ☐ No ☐ Abstain
7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   ☐ Yes ☐ No ☐ Abstain

____
PRINTED NAME OF STOCKHOLDERS

______________________________ ______________________________
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE MARCH 20, 2015, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

SECURITIES AND EXCHANGE COMMISSION
MAR 13 2015
MARKET REGULATION DEPT.
BY: Orge

Securities and Exchange Commission

SEC Form 20-IS

Information Statement Pursuant to Section 20 of the Securities Regulation Code

Check the appropriate box

__________ Preliminary Information Statement

____X____ Definitive Information Statement

2. Name of Registrant as specified in its charter:

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

3.	Country of Incorporation:	**PHILIPPINES**
4.	SEC Identification Number:	**39274**
5.	BIR Tax Identification Number	**049-000-506-020**
6.	Address of Principal Office	**Level 11, PHINMA Plaza 39 Plaza Drive, Rockwell Center, Makati City 1200**
7.	Telephone Number	**(632) 870-0100**

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

April 7, 2015
2:00 PM
Peninsula Manila Hotel
Ayala Avenue, Makati City

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

March 13, 2015

10. Securities registered pursuant to Sections 8 & 12 of the Code or Sections 4 & 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Number of shares of Common Stock Outstanding	**4,865,146,089 shares**
Amount of debt	**Php6.7 billion**

11. Are any or all registrant's securities listed on the Philippines Stock Exchange?

Yes ___X____ No _______

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

Philippine Stock Exchange – common shares

11. Are any or all registrant's securities listed on the Philippines Stock Exchange?

Yes ___X____ No ________

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

Philippine Stock Exchange – common shares

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

INFORMATION STATEMENT

This Information Statement is dated as of March 13, 2015 and is being furnished to stockholders of record of Trans-Asia Oil and Energy Development Corporation (“Trans-Asia” or the “Company”) as of March 13, 2015 in connection with its Annual Stockholders’ Meeting.

WE ARE NOT SOLICITING YOUR PROXY.

1) Date, Time and Place of Meeting of Security Holders

Date	:	April 7, 2015
Time	:	2:00 p.m.
Place	:	PENINSULA MANILA HOTEL Ayala Avenue, Makati City
Principal Office	:	Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City, Philippines

This Information Statement will be first sent or given to security holders on March 13, 2015.

2) Dissenter’s Right of Appraisal

There are no matters to be taken up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 81 of the Corporation Code of the Philippines which governs the exercise of Appraisal Rights and which states that:

> Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:
>
> 1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
>
> 2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
>
> 3. In case of merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code and in case the corporation sells or disposes of all or substantially all of its properties and assets as provided for in Section 40 of the Corporation Code.

As provided under Section 82 of the Corporation Code, this appraisal right may be exercised by any ***stockholder who shall have voted against such corporate action*** by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the corporation, terminate his appraisal rights

If the corporate action is implemented, the corporation shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

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

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of Trans-Asia, or any nominee or associate thereof, in any matter to be acted upon, other than elections to office.

The Board of Directors of Trans-Asia is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

4) Voting Securities and Principal Holders Thereof

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.

a) *Security Ownership of Certain Record and Beneficial Owners*

The table below shows the persons or groups known to Trans-Asia to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities as of March 6, 2015:

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 the participants of PCD which holds 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.

b) ***Security Ownership of Management***

The table below shows the securities beneficially owned by all directors' nominees and executive officers of Trans-Asia as of December 31, 2014:

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Held	Nature	% of Class
Common	Oscar J. Hilado	Filipino	4,500,000	Direct	0.09%
Common	Ramon R. del Rosario, Jr.	Filipino	16,633,513	Direct	0.34%
			26,704,008	Indirect	
Common	Francisco L. Viray	Filipino	9,429,730	Direct	0.19%
Common	Roberto M. Laviña	Filipino	3,069,887	Direct	0.06%
Common	Guillermo D. Luchangco	Filipino	1	Direct	0.00%
Common	Magdaleno B. Albarracin, Jr.	Filipino	10,307,926	Direct	0.21%
Common	Raymundo O. Feliciano, Sr.	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	Indirect	
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%
	Total Directors & Officers		**112,403,233**		**1.20%**

c) ***Voting Trust Holders of 5% or more***

None of the directors and officers owns 5% or more of the outstanding capital stock of Trans-Asia. 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.

d) ***Changes in Control***

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

5) Directors and Executive Officers

a) ***Board of Directors***

Trans-Asia'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 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
Magdaleno B. Albarracin, Jr.	78	Filipino	Director
Victor J. del Rosario	66	Filipino	Director
Pythagoras L. Brion, Jr.	62	Filipino	Director, SVP and CFO
Raymundo O. Feliciano, Sr.	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.

b) <u>Executive Officers</u>

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

Listed below 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.

c) Family Relationships

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

d) Independent Directors

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

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

e) Significant Employee

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

f) 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.

g) ***<u>Relationships and Related Transactions</u>***

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, Trans-Asis has not been a party in any transaction in which a Director or Executive Officer of the Company, any nominee 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.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. 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, Trans-Asia 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	-	-	-
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
Dues from Related Parties			**264**		
Receivable from Shareholders			**35**		
Dues to Related Parties			**(294,781)**		

2014					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Dues 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	**–**	–	–
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
Dues from Related Parties			**186**		
Receivable from Shareholders			**19,312**		
Dues to Related Parties			**(37,351)**		
Dues to Shareholders			**(190,448)**		
Accrued Director's and Annual Incentives			**(17,973)**		

2012					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					

		2013			
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
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
Dues from Related Parties			**87,018**		
Dues to Related Parties			**(91,380)**		
Dues to Shareholders			**(9,034)**		
Accrued Director's and Annual Incentives			**(23,288)**		

PHINMA, Inc.

As of December 31, 2014, PHINMA, Inc. owns 1,217,242,503 Trans-Asia shares which represent 25.02% of the total outstanding shares of stock of the Company. The Company has a management contract with PHINMA, Inc. up to August 31, 2018, renewable thereafter upon mutual agreement. Under the contract, PHINMA, Inc. has general management authority with the corresponding responsibility over all operations and personnel of Trans-Asia, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. For and in consideration of PHINMA, Inc.'s services, Trans-Asia pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income.

Trans-Asia Power Generation Corporation (TA Power)

On Dec. 27, 2013, TA Power and Trans-Asia entered into a Power Administration and Management Agreement which gave Trans-Asia the right to administer, sell and dispatch all of the capacity of TA Power for a fixed monthly fee. In addition, Trans-Asia sells electricity to TA Power and leases part of Trans-Asia's office space unto TA Power.

CIP II Power Corporation (CIP II)

CIP II and Trans-Asia executed a Power Administration and Management Agreement effective as of June 26, 2013 which gave Trans-Asia the right to administer and manage the entire capacity and net output of CIP II's power plant in Bacnotan, La Union, for a period of 10 years. In accordance with the Agreement, Trans-Asia pays CIP II a fixed capacity fee based on the nameplate capacity of CIP II's power plant. Fuel is for the account of Trans-Asia.

One Subic Power Generation Corp. (One Subic)

On April 10, 2014, TA Power purchased the shares of One Subic, the lessee and operator of the 116 MW Subic Diesel Generator Power Plant (the "Subic Power Plant"). One Subic has an existing Power Administration and Management Agreement with Trans-Asia which grants Trans-Asia 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 One Subic. 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).

Maibarara Geothermal Inc. (MGI)

Trans-Asia purchases all of the power generated by MGI's 20 MW Geothermal Plant located in Maibarara. The Company owns 25% of the shares of MGI.

South Luzon Thermal Energy Corporation (SLTEC)

SLTEC leases and occupies part of the office space owned by Trans-Asia. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of 5 years commencing on October 10, 2011.

PHINMA Corporation

As of December 31, 2014, PHINMA Corporation owns 1,275,977,198 Trans-Asia shares which represent 26.23% of the total outstanding shares of stock of the Company. Trans-Asia likewise owns shares of stock of PHINMA Corporation and receives cash dividends when such is declared and distributed by PHINMA Corporation.

PHINMA Corporation bills Trans-Asia for its share in internal audit expenses. Like Trans-Asia, PHINMA Corporation is controlled by PHINMA, Inc. through a management contract.

PHINMA Property Holdings Corporation (PPHC)

PPHC, like Trans-Asia, is controlled by PHINMA, Inc. through a management contract. As Trans-Asia owns shares of stock of PPHC, it receives cash dividends when such is declared and distributed by PPHC.

Union Galvasteel Corporation (UGC) [formerly Atlas Holdings Corporation (AHC)]

Like Trans-Asis, UGC is under the control of PHINMA, Inc. The Company owns shares of stock of UGC and receives cash dividends when such is declared and distributed by UGC.

Asian Plaza, Inc.

Asian Plaza, Inc. also has a management contract with PHINMA, Inc. Trans-Asia, being a stockholder of Asia Plaza, Inc., receives cash dividends when such is declared and distributed by Asian Plaza, Inc.

T-O Insurance Brokers, Inc.

T-O Insurance Brokers, Inc. is likewise controlled by PHINMA, Inc. through a management contract. Trans-Asia insures its properties through T-O Insurance Brokers, Inc.

Directors

Trans-Asia recognizes bonuses to Directors computed based on net income before the effect of the application of the equity method of accounting.

In addition to the foregoing, Trans-Asia has provided guarantees for the following related party payables:

Maibarara Geothermal, Inc. (MGI)

Trans-Asia is a Project Sponsor for MGI's Php2.4 billion Term Loan Facility for the Maibarara Geothermal Power Plant. In the event of a default of MGI, the Company, as Project Sponsor, is obliged to:

a) Assign, mortgage or pledge all its right, title and/or interest in and its shares of stock 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 executed by and among the Company, PetroGreen Energy Corporation and PNOC-Renewables Corporation; and

c) Provide Project Sponsor support for the completion of the Project under such terms and conditions that may be agreed upon by the Company and the Lenders

South Luzon Thermal Energy Corporation (SLTEC)

SLTEC signed an Omnibus Loan and Security Agreement with its local third party creditor banks with Trans-Asia and AC Energy as Project Sponsors. Under the terms of the Agreement, the Company shall:

a) Enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for 2 years within 18 months from first drawdown. The consequence of failure is a draw-stop (i.e. SLTEC will not be able to draw on the loan);

b) 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;

c) 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

d) 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.

Php4.3-Billion Term Loan Facility of TAREC

Under the Sponsor Support Agreement of the Omnibus Agreement dated December 18, 2013 which was entered into by and among Trans-Asia Renewable Energy Corporation (TAREC) as Borrower, Security Bank Corporation – Trust Division as Facility Agent for the lenders and Collateral Trustee for the secured parties, and Trans-Asia as Sponsor, the Company undertakes to provide:

a) Base Equity Contribution – an amount equivalent to 30% of the cost of the San Lorenzo Wind Farm Project (the “Project”) in San Lorenzo, Guimaras which the Company as Sponsor must infuse into the Project.

b) Cost Overrun Support – the obligation to deposit and pay or cause to be deposited and paid in cash the amounts needed to cover any cost overruns in respect of the Project at any time from Closing Date until the Takeover Date, including all funding required to enable the Project to achieve the Commercial Operations Date.

c) Technical Support – all necessary support and assistance including by way of the provision of personnel, expertise, know-how, professional managerial services, technology or specialized equipment in order to assist TAREC in completing the Project in accordance with Project requirements.

(i) DSRA Funding Obligation – the amount required to ensure that the Debt Service Reserve Account is equal to the then applicable Required Debt Service Reserve Amount until TAREC obtains a DOE Certificate of Endorsement for FIT Eligibility and a Renewable Energy Payment Agreement for the entire electricity output of the Project.

(i) Sponsor Mandatory Redemption Obligation – right of the Lenders to require the Company to pay the outstanding loan amount, including interest, and all other amounts payable by TAREC in case that, at the time of the issuance of a Declaration of Default, titles to all of the land assets have not been acquired by or issued in the name of TAREC; or

(ii) If, notwithstanding the acquisition or issuance of titles in the name of TAREC, the Collateral Trustee, or the winning bidder in the foreclosure sale fails or is otherwise unable to obtain legal, indefeasible, and incontestable title to the land assets or any portion thereof by reason of TAREC’s failure to register and annotate the mortgage on the relevant titles or a claim registered or filed by a claimant.

h) ***Elections of Directors***

The Directors of Trans-Asia are elected at the Annual Stockholders' Meeting to hold office for 1 year and until their respective successors have been elected and qualified.

All eleven (11) incumbent directors of the Company have been nominated to the Board of Directors after having been pre-screened by the Nomination Committee. The Board of Directors has no reason to believe that any of the incumbent directors will be unwilling or unable to serve if re-elected as a director.

The members of the Nomination Committee are the following:

1.	Mr. Ramon R. del Rosario, Jr.	Chairman
2.	Mr. Raymundo O. Feliciano, Sr.	Member
3.	Mr. Oscar J. Hilado	Member

i) ***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. Neither are they directors nor officers of its related companies. Mr. Oscar J. Hilado nominated the candidates for independent directors. Mr. Hilado is not related to the independent director-nominees by consanguinity or affinity.

j) ***Parent Company of the Registrant***

The parent company of Trans-Asia is PHINMA, Inc. The Company has a management contract with PHINMA, Inc. up to August 31, 2018, renewable thereafter upon mutual agreement. Under the contract, PHINMA, Inc. has general management authority with corresponding responsibility over all operations and personnel of Trans-Asia, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company.

6) Compensation of Directors and Executive Officers

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 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.

a) <u>Compensation of Directors</u>

The Directors receive allowances, per diem and bonuses based on a percentage of the net income of Trans-Asia 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.

b) <u>Employment Contracts and Termination of Employment and Change-in-Control Arrangements</u>

There is no existing contract between Trans-Asia and the Executive Officers or any significant employee.

Under Article VI, Section 1 of Trans-Asia's By-Laws, the officers of the Company shall hold office for 1 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.

c) <u>Compensatory Plan or Arrangement</u>

The compensation received by officers who are not members of the Board of Directors of Trans-Asia consist of 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.

d) ***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 Trans-Asia's 2 billion authorized shares for (a) stock grants to officers and managers of the Company, and (b) stock options for Directors, officers and employees of the Company 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 the Company's goals and the determination of any variable compensation, 20% of the entitled officers' or managers' variable compensation are granted in Trans-Asia's shares with a 20% discount on weighted average closing price for 20 trading days before the date of the grant but not lower than the par value of P1.00 per share. The first stock grants were subject to a holding period of 1 year for the first 1/3 of the shares, 2 years for the next 1/3 of shares and 3 years for the last 1/3. Succeeding stock grants are subject to a holding period of 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 the par value of P1.00 per share

On May 7, 2008, Trans-Asia'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**

7) Appointment of External Auditors

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

8) Audit and Audit-Related Fees

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.

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

The Audit Committee discusses the nature and scope of the audit with the external auditor before the audit commences. It pre-approves audit fees, plans, scope and frequency 1 month before the conduct of external audit. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the 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 Trans-Asia approved the engagement of SGV as the Company's external auditor.

9) Financial and Other Information

The Management's Discussion and Analysis or Plan of Operations and Trans-Asia's Audited Financial Statements as of December 31, 2013 are attached hereto as Annexes "D" and "E." The

Annual Report for the said period will be distributed to stockholders of record during the Annual Meeting.

The complete record of the attendance of each Director in the meeting of the Board of Directors during the calendar year 2014 is presented in Annex "A" attached hereto.

THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED DECEMBER 31, 2014 WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. THE REQUEST MAY BE SENT DIRECTLY TO THE CORPORATE SECRETARY, ATTY. JUAN J. DIAZ, WITH OFFICE AT LEVEL 11, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY AND A COPY WILL BE SENT, FREE OF CHARGE.

10) 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.

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

Dividends declared and paid in 2010 up to 2014 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	August 20, 2014
July 22, 2013	Cash	0.013 per share	August 5, 2013	August 5, 2013
March 24, 2014	Cash	0.04 per share	April 7, 2014	May 7, 2014

At the regular meeting of the Board of Directors on February 23, 2015, a cash dividend of ₱0.04 per share was declared, payable on March 25, 2015 to all shareholders of record as of March 9, 2015.

No stock dividend was declared for the calendar years 2009 up to 2014.

As of December 31, 2014, Trans-Asia's retained earnings amounted to ₱2.12 billion, of which ₱434 million were equity in net earnings of investee companies that are not available for dividend declaration.

11) Action with Respect to Minutes of Previous Meeting

At the last Annual Stockholders Meeting held on March 24, 2014, the President and CEO reported to the stockholders Trans-Asia's performance in 2013 with a net income of ₱572.8 million. The following matters were presented and approved by the stockholders at such meeting:

a) Minutes of the previous Annual Stockholders Meeting

b) Ratification of all acts of the Board of Directors and Management since the last Annual Stockholders meeting
c) Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2013
d) Election of eleven (11) Directors, including independent Directors for 2014
e) Appointment of an independent external auditor.

For the Annual Stockholders Meeting scheduled on April 7, 2015, the President will report on the performance of the Company in 2014 with a net income of ₱180.39million. The following matters will also be presented for consideration by the stockholders at such meeting:

a) Minutes of the previous Annual Stockholders Meeting (see Annex “B”);
b) Ratification of all acts of the Board of Directors and Management since the last Annual Stockholders Meeting (see Annex “C”);
c) Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2013 (see Annex “E”);
d) Election of eleven (11) Directors, including independent Directors for 2015;
e) Amendment of the Articles of Incorporation to state precise address;
f) Appointment of an independent external auditor.

The approval of the Minutes, Report for the year ended December 31, 2014, and ratification of all acts, proceedings and resolutions of the Board of Directors and the acts of the officers and management from the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Stockholders’ Meeting by the stockholders entitled to vote thereon.

The amendment of the Company’s Articles of Incorporation require the vote or written assent of the stockholders representing at least 2/3 of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders.

12) Compliance with the Company’s Manual on Good Corporate Governance

A discussion of Trans-Asia’s compliance with its Manual on Good Corporate Governance is contained in “Annex A” attached hereto.

13) Amendment of Articles of Incorporation

Trans-Asia shall present for consideration by the stockholders the amendment of its Articles of Incorporation to specify the complete address of the Company’s principal office. The amendment is being undertaken to comply with SEC Memorandum Circular No. 3, series of 2006, SEC Memorandum Circular No. 6, series of 2014 and SEC Memorandum Circular No. 1, series of 2015 which direct all corporations to state principal office address with specificity.

14) Voting Procedures

For the election of Directors, each shareholder is entitled to 1 vote per share multiplied by 11, the number of board seats provided in the Articles of Incorporation. 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 1 candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of Trans-Asia multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

Except for the amendment of the Company's Articles of Incorporation which require the vote or written assent of the stockholders representing at least 2/3 of the outstanding capital stock, all other matters in the Agenda that require corporate action will require the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Meeting. Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether that matter has been approved by the stockholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. Voting shall be by raising of hands or *viva voce*; otherwise, voting shall be done in writing by secret ballot and counted thereafter by the Corporate Secretary in the presence of SGV to be able to validate the counting.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 13, 2015.

TRANS-ASIA OIL & ENERGY DEVELOPMENT CORP.
Issuer
March 13, 2015

ALAN T. ASCALON
Asst. Corporate Secretary

ANNEX A

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-Asis has complied with all guidelines of the Compliance Report.

For the year 2014, the report is due on March 31, 2015.

Board of Directors

Composition

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

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

The Board of Directors held 10 regular, 2 special and 1 organizational meetings in 2014. The details of the matters taken up during the meetings of the Board of Directors are set forth in Annex "C" of this Definitive Information Statement.

The attendance of the Directors in the meetings Board of Directors is as follows:

2014	Regular	Ex Com	Org	Regular	Regular	Special	Regular	Regular	Regular	Regular	Regular	Special	Regular	Regular
Directors	2/7/2014	3/17/2014	3/24/2014	3/24/2014	4/21/2014	5/19/2014	5/27/2014	6/23/2014	7/28/2014	8/18/2014	9/22/2014	10/1/2014	11/24/2014	12/15/2014
Mr. Oscar J. Hilado, Chairman	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Ramon R. del Rosario, Jr.	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Dr. Francisco L. Viray	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Victor J. del Rosario	P		P	P	P	P	P	P	P	P	P	P	P	P
Dr. Magdaleno B. Albarracin, Jr.	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Raymundo O. Feliciano	P		P	P	P	P	P	P	P	P	P	P	P	P
Mr. Roberto M. Laviña	P		P	P	P	P	P	P	P	P	P	P	P	P
Mr. Ricardo V. Camua	P		P	P	P	P	P	P	P	P	P	P	P	P
Mr. David L. Balangue	P		A	A	P	A	A	P	P	P	P	P	P	P
Mr. Guillermo D. Luchangco	A	A	P	P	P	A	P	P	P	P	P	P	P	P
Mr. Pythagoras L. Brion, Jr.			P	P	P	P	P	P	P	A	P	P	P	P

Board Committees

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

For 2014, the board committees and their members are as follows:

Directors	Board Committees			
	Nomination	**Compensation**	**Audit**	**ExCom**
Mr. Oscar J. Hilado, Chairman	M	C		M
Mr. Ramon R. del Rosario, Jr.	C	M		C
Dr. Francisco L. Viray				M
Mr. Victor J. del Rosario			M	
Dr. Magdaleno B. Albarracin, Jr.				M
Mr. Raymundo O. Feliciano	M			
Mr. Roberto M. Laviña			M	
Mr. Ricardo V. Camua			M	
Mr. David L. Balangue		M	C	
Mr. Guillermo D. Luchangco				M
Mr. Pythagoras L. Brion, Jr.				

Nomination Committee

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

All eleven (11) incumbent directors of the Company have been nominated to the Board of Directors after having been pre-screened by the Nomination Committee. The Board of Directors has no reason to believe that any of the incumbent directors will be unwilling or unable to serve if re-elected as a director.

Compensation Committee

The Compensation Committee is composed of 3 Directors, one of whom is an independent director. The duties and responsibilities of the Committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with Trans-Asia's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

There was no Compensation Committee meeting held in 2014 and none was required.

Audit Committee

The Audit Committee is composed of 2 independent directors and 2 executive directors. An independent director chairs the Audit Committee.

The Audit Committee has accounting expertise and adequate understanding of the Company's business and the industry in which it operates. It assists 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. The roles and responsibilities of the Audit Committee are defined in the Audit Committee Charter approved by the Board of Directors.

The Audit Committee had 4 meetings during the calendar year 2014. The meetings were timed to review the quarterly and yearly financial reporting of Trans-Asia. The Committee also reviewed the results of the annual audit of the external auditor, the findings and status of the Group Internal Audit's engagements, the status of Business Resiliency activities and the 2013 Audit Committee Report.

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

Directors	2014 Audit Committee Meetings			
	2/6/2014	4/16/2014	7/24/2014	10/21/2014
Mr. David L. Balangue	P	P	P	P
Mr. Ricardo V. Camua	P	P	P	P
Mr. Victor J. del Rosario	A	P	P	P
Mr. Roberto M. Laviña	P	P	P	P

The Audit Committee endorsed to the Board of Directors the nomination of SyCip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2014. The Committee likewise proposed to the Board of Directors to retain SGV as the external auditor for 2015.

External Auditor

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

On March 24, 2014, the stockholders, upon recommendation of the Audit Committee and the endorsement by the Board of Directors, approved the appointment of SGV as the Company's external auditor.

Trans-Asia has complied with SRC Rule 68, paragraph 3(b)(ix) requiring 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 engagement partner who conducted the audit for the calendar year 2014 is Ms. Marydith C. Miguel, an SEC accredited auditing partner of SGV. This is Ms. Miguel's second year as engagement partner for the Company.

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

Year	Audit Fees (Php)
2014	1,200,000
2013	1,200,000
2012	991,500

Internal Audit

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

In 2014, the Internal Audit group conducted examinations of the following: onsite review of CIP II Power-La Union, Guimaras Power Plant and Trans-Asia Power – Bulacan; Internal Control Review – Human Resources Management and observation of bidding activities for CIP II Power – La Union.

Disclosure and Transparency

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

Code of Conduct

The Code of Conduct of Trans-Asia contains policies on professional decorum, conflict of interest and penalties for violations.

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

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
MINUTES OF THE 44th ANNUAL MEETING OF THE SHAREHOLDERS

Held on 24 March 2014
At the Manila Peninsula Hotel, Makati City

1. CALL TO ORDER

The Chairman called the meeting to order at 2:00 p.m. and presided thereat. The Corporate Secretary recorded the minutes of the proceedings. Before the meeting began, the Chairman introduced the Board of Directors and executive officers.

2. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notices of the meeting were duly sent to all the shareholders of record and that the owners of 2,738,444,343 shares representing 56.3%of the entire issued and outstanding capital stock of the corporation were present in person or by proxy as attested by Stock Transfer Service Inc, an independent 3rd party stock transfer agent appointed by the company to count and validate the attendance of shareholders and represented by Messrs. Antonio M. Lavina (President) and Richard Regala (General Manager).

Auditors present at the meeting were Sycip, Gorres, Velayo & Co. (SGV) represented by Messrs. Ramon D. Dizon (Sr. Partner), Wilson P. Tan and Pilar B. Hernandez.

Except for Director David L. Balangue (Independent Director/Audit Committee Chairman/Compensation Committee Member), all members of the Board were in attendance at the meeting as follows:

Oscar J. Hilado	Chairman/Compensation Committee Chairman and Member of Executive Committee and Nomination Committee
Ramon R. del Rosario, Jr.	Vice Chairman/Chairman of Executive Committee and Nomination Committee/Compensation Committee Member
Magdaleno B. Albarracin, Jr.	Non-executive Director/Member of Executive Committee
Francisco L. Viray	Executive Director/Executive Committee Member/President and CEO
Roberto M. Lavina	Executive Director/Audit Committee Member/Sr. EVP/Treasurer
Victor J. del Rosario	Non-executive Director/Audit Committee Member
Pythagoras L. Brion, Jr.	Executive Director/SVP & CFO
Raymundo O. Feliciano	Independent Director/Nomination Committee Member
Ricardo V. Camua	Independent Director/Audit Committee Vice Chairman
Guillermo D. Luchangco	Independent Director/Executive Committee Member

Also present at the meeting were the following officers:

Juan J. Diaz	Corporate Secretary
Virgilio R. Francisco, Jr.	Sr. Vice President
Raymundo A. Reyes, Jr.	Sr. Vice President-Energy Resources Development
Rizalino G. Santos	Sr. Vice President-Power Business
Cecille B. Arenillo	Vice President and Compliance Officer
Frederick C. Lopez	Vice President
Mariejo P. Bautista	Vice President-Controller
Manuel G. Garcia	Vice President-Strategic Planning
Danilo L. Panes	Asst. Vice President-Renewable Energy
Alan T. Ascalon	Asst. Vice President/Asst. Corp. Secretary
Miguel Romualdo T. Sanidad	Asst. Corp. Secretary

3. MINUTES OF PREVIOUS MEETING

The minutes of the previous Annual Meeting held on 21 March 2013 having been fully disclosed to all shareholders, the reading of said minutes was dispensed with and the same were approved on motion duly seconded and unanimously carried.

4. ANNUAL REPORT OF MANAGEMENT

The President & Chief Executive Officer in an audio-visual presentation reported the operations of the corporation and the financial results in Calendar Year 2013.

Copies of the 2013 Annual Report including the audited consolidated financial statements for the year ended 31 December 2013 had been furnished all shareholders.

Following the report of Management, the Chairman opened the floor for questions or issues from the shareholders. Representatives of SGV were also ready to respond to appropriate questions from the shareholders. Questions and issues raised were:

a. Question: When do we expect to get a fairly good increase in profits as a result of the increased capacity that is expected to occur this year? Answer: The first unit of the 2 x 135 MW clean coal power plant of the Southern Luzon Thermal Energy Corporation (SLTEC) in Calaca, Batangas is expected to commence commercial operations by year end 2014, to be followed by the second unit one year later. Also, construction of the 54 MW wind energy project in San Lorenzo, Guimaras is already underway, with commercial operations expected to commence within the year. We expect the company's profits to increase in 2015 after commercial operations of the SLTEC coal power plant and San Lorenzo Wind Farm have commenced.

b. Question: Do we expect to see any return in the oil and gas projects? Answer: Near-term cash inflow is expected from the Company's 10% participation in the SC 50 Calauit Field Development Project. Drilling of 2 wells is anticipated from December 2014 until March 2015. Oil production is expected to start in January 2015 and commercial operations may last between 2 to 3 years.

c. Question: What is our expected capacity from the wind farm? Is the Company protected in case it does not become eligible for the Feed-In-Tariff? Answer: The capacity of the San Lorenzo Wind Farm is 54 MW. The possibility of not being able to obtain from the Department of Energy a Certificate of Endorsement for FIT Eligibility has been factored in by the Company in preparing its financial model and steps have been taken to ensure that the San Lorenzo Wind Farm Project will be able to finance its operations and debt obligations even if it is constrained to sell in the WESM without the benefit of the FIT rate.

d. Question: When will the property dividends declared by TA Oil be distributed to the stockholders? Answer: The property dividend declared by the Company consisting of shares of stock of Trans-Asia Petroleum Corporation ("TAP") will be distributed after obtaining the approval of the Securities and Exchange Commission (SEC) and other regulatory agencies. The SEC has approved the property component of the dividend. At present, the approval of the Registration Statement for the TAP shares is in process. The Company is also working on issues raised by the BIR on the property dividend declaration with the hope that the required CAR will be issued soon.

e. Question: Does the company have plans of setting up a geothermal power plant in Bulusan? Answer: No, at present, the Company has no plans of setting up a geothermal power plant in Bulusan.

f. Question: What is the effect of the regulator's ruling regarding the spikes in WESM prices in November 2013? Answer: Management said that the ruling resulted in a squeeze on the electricity supply margins of the company.

g. Question: What is the status of the farm-out efforts of the company in respect of SC55? Answer: Management said that the operator was still looking for a partner.

After the questions/issues of the shareholders were addressed, it was on motion duly seconded and unanimously carried:

> "RESOLVED, that the Annual Report including the audited consolidated financial statements for the year ended 31 December 2013 be and hereby are approved and field as part of the minutes of this meeting, and that all acts of the Board of Directors and of Management since last Annual Meeting of shareholders be and hereby are approved and confirmed."

5. **ELECTION OF DIRECTORS**

The Chairman then declared the meeting open for the nomination of directors for the ensuing year.

The Corporate Secretary reported that the following had been duly qualified by the Nomination Committee for election to the Board:

Oscar J. Hilado
Antonio V. del Rosario
Magdaleno B. Albarracin, Jr.
Ramon R. del Rosario, Jr.
Francisco L. Viray
Victor J. del Rosario
Roberto M. Laviña
Raymundo O. Feliciano- Independent
Ricardo V. Camua- Independent
David L. Balangue- Independent
Pythagoras L. Brion, Jr.

There being no other nominations, a motion for the election of the above-named individuals was duly seconded and unanimously carried. Whereupon, the Chairman declared all the above-named individuals as duly elected directors of the company for the ensuing year and until the election and qualification of their successors.

6. **APPOINTMENT OF EXTERNAL AUDITORS**

Acting on the recommendation of the Audit Committee as endorsed by the Board of Directors, it was on motion duly seconded and unanimously carried:

> "RESOLVED, that the firm of SyCip, Gorres, Velayo and Co., CPAs, be and hereby is appointed external auditors of the company for the calendar year 2014."

7. **ADJOURNMENT**

With no other business to come before the Board, the meeting was adjourned on motion duly seconded and unanimously carried.

JUAN J. DIAZ
Corporate Secretary

ATTEST:

OSCAR J. HILADO
Chairman of the Meeting

ANNEX C

RELEVANT RESOLUTIONS APPROVED
BY THE BOARD OF DIRECTORS
(February 7, 2014 to March 6, 2015)

FOR RATIFICATION BY THE STOCKHOLDERS

Meeting of the Board of Directors
February 7, 2014

1. Approval of Audited Financial Statements for calendar year 2013

- Resolution to approve the audited financial statements for the calendar year 2013, and to authorize the issuance and release of the said financial statements in compliance with the disclosure requirements under Philippine Accounting Standard (PAS) 10.

2. Approval of Nominations for Directors

- Approval by the Board of Directors of the following list of nominees who were determined by the Nomination Committee as qualified for election to the Board of Directors at the annual meeting of shareholders on 24 March 2014:

  a. Oscar J. Hilado
  b. Magdaleno B. Albarracin, Jr.
  c. Ramon R. del Rosario, Jr.
  d. Victor J. del Rosario
  e. Roberto M. Laviña
  f. Francisco L. Viray
  g. Raymundo O. Feliciano (Independent)
  h. Ricardo V. Camua (Independent)
  i. David L. Balangue (Independent)
  j. Guillermo D. Luchangco (Independent)
  k. Pythagoras L. Brion, Jr.

3. Renewal of Credit Facilities with BDO

- Resolution authorizing the Corporation to renew the following credit facilities with Banco de Oro Unibank, Inc., under such terms and conditions as may have been agreed upon:

  a. Omnibus Line of up to Php100.0 Million
  b. Domestic Bills Purchase Line of up to Php150.0 Million

4. Credit Line Agreement with Petron

- Resolution authorizing the Corporation to enter into a Credit Line Agreement with Petron Corporation, under such terms and conditions as the President and CEO, Mr. Francisco L. Viray, may deem to be in the best interest of the Corporation.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, to negotiate, sign, execute and deliver the Credit Line Agreement with Petron Corporation and such other documents contemplated thereunder.

5. Approval of Transactions contemplated by Part G of SLTEC's Omnibus Loan and Security Agreement

- Resolution approving, ratifying and confirming the transactions contemplated by Part G of the Omnibus Loan and Security Agreement entered into on 28 October 2011, as amended by the Amendment to Omnibus Agreement dated as of July 1, 2013, among South Luzon Thermal Energy Corporation as Borrower; Banco de Oro Unibank, Inc., Security Bank Corporation and Rizal Commercial Banking Corporation as Lenders; Trans-Asia Oil and Energy Development Corporation and AC Energy Holdings Inc., as Sponsors; BDO Capital & Investment Corporation as Lead Arranger; and Banco De Oro Unibank, Inc.-Trust and Investments Group as Facility Agent, Security Trustee and Paying Agent.

- Resolution authorizing, ratifying and confirming the authority of the President and CEO, Mr. Francisco L. Viray, the Senior Vice President for Power Business, Mr. Rizalino G. Santos, and each of them, to execute on behalf of the Corporation, the aforementioned Amendment to Omnibus Agreement dated as of July 1, 2013 and any other document or agreement contemplated thereunder to which the Corporation is a party; and to sign and/or dispatch all documents and notices to be signed and/or dispatched by the Corporation under or in connection with the Amendment, and any other document or agreement contemplated thereunder.

6. Bidding for the Privatization of the 153.1 MW Naga Power Plant

- Resolution that the President and CEO, Mr. Francisco L. Viray, the Senior Vice-President for Power Business, Mr. Rizalino G. Santos, and each of them, be designated as the authorized representatives of the Corporation in connection with the third (3rd) round of bidding for the privatization of the 153.1 MW Naga Power Plant located in Brgy. Colon, City of Naga, Cebu conducted by the Power Sector Assets & Liabilities Management Corporation (PSALM) with the following powers and authority:

  (i) to issue an Expression/Letter of Interest, sign the Confidentiality Agreement and Undertaking, and receive the Bidding Package;

  (ii) to receive all Supplemental Bid Bulletins, Final Transaction Documents, communications, correspondences, notices and legal processes for the Corporation as bidder;

  (iii) to represent the Corporation in the Bidding Process, including the execution and signing of the Final Transaction Documents;

  (iv) to act for and in behalf of the Corporation during the opening and evaluation of Bids, on all matters to be taken, including the authority to represent, make corrections and amendments to documents, bid for and bind the Corporation in the event that an auction is called to settle a tie.

Meeting of the Board of Directors
March 24, 2014

1. Contract to Purchase Generated Energy with 1590 Energy Corp.

- Resolution authorizing the Corporation to enter into a Contract to Purchase Generated Energy with 1590 Energy Corp., under such terms and conditions as the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos may deem to be in the best interest of the Corporation.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, and either of them to negotiate, sign, execute and deliver the Contract to Purchase Generated Energy with 1590 Energy Corp. and such other documents contemplated thereunder.

2. Special Payment Agreement

- Resolution ratifying and affirming each and every action undertaken by Atty. Alan T. Ascalon, AVP-Legal, on behalf of the Corporation, in relation to the execution on February 27, 2014 of the Special Payment Agreement by and among Manila Electric Company ("MERALCO"), Philippine Electricity Market Corporation ("PEMC") and other generators/power producers, including the Corporation.

- Resolution confirming the authority of Atty. Alan T. Ascalon, AVP-Legal, to negotiate, sign, execute and deliver the aforementioned Special Payment Agreement, and such other documents contemplated thereunder.

3. Cash Dividend

- Resolution declaring a cash dividend of ₱ 0.04 per share, payable on May 7, 2014 to all shareholders of record as of April 7, 2014.

4. Permits and Licenses for Office Renovation

- Resolution authorizing Alona Balista or any of the authorized representatives of John Vincent Construction Company, with office address at #8 Carnation St., DRJ Village, Old Sauyo, Brgy. Sauyo, D2, Quezon City, to file, sign, execute and deliver on behalf of the Corporation, all requests and applications and all other documents in connection with any approval, permit, license and/or clearance with the City of Makati, and its divisions and units, necessary for the office renovation of the Corporation, and to do all acts in relation to and in furtherance of the said authority.

5. Corporate Notes and Term Loan Agreement

- Resolution authorizing the Corporation to raise the amount of Php1.5B in corporate notes from China Banking Corporation and Php500M in corporate notes from Banco De Oro Unibank, Inc. to fund the Corporation's projects and working capital.

- Resolution authorizing the Corporation to raise the amount of Php1B by entering into a Term Loan Agreement with Security Bank Corporation to fund the Corporation's projects and working capital.

- Resolution authorizing any two (2) of the President and CEO, Mr. Francisco L. Viray, Senior Executive Vice President and Treasurer, Mr. Roberto M. Laviña, and Senior Vice President and CFO, Mr. Pythagoras L. Brion, Jr., to negotiate, sign, execute and deliver for and in behalf of the Corporation the aforementioned corporate notes from China Banking Corporation and Banco De Oro Unibank, Inc., Term Loan Agreement with Security Bank Corporation, and other documents contemplated thereunder, and to do and cause to be done all acts and things necessary, proper and convenient to give effect to the said foregoing authority.

Organizational Meeting of the Board of Directors
March 24, 2014

1. Nomination of Officers

- The following officers were nominated to the positions set forth after their respective names:

Oscar J. Hilado	-	Chairman
Ramon R. del Rosario, Jr.	-	Vice Chairman
Francisco L. Viray	-	President & Chief Executive Officer
Roberto M. Lavina	-	Senior Executive Vice President/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, Jr.	-	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
Manuel Karim G. Garcia	-	Vice President-Strategic Planning
Danilo L. Panes	-	Assistant Vice President-Renewable Energy
Alan T. Ascalon	-	Asst. Vice President/Assistant Corporate Secretary
Miguel Romualdo T. Sanidad	-	Assistant Corporate Secretary

2. Committees of the Board of Directors

- Resolution that the compositions of the various Committees of this Board of Directors for the ensuing year be 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

Meeting of the Board of Directors
April 21, 2014

1. <u>ERC Resolution No. 22, Series of 2013</u>

- Resolution authorizing, approving, and ratifying the filing/institution of any appropriate actions in such court, tribunal, board and administrative bodies to assail the constitutionality and validity of Resolution No. 22, Series of 2013 issued by the Energy Regulatory Commission ("ERC") on 25 November 2013, with the subject heading "Resolution Adopting Amendments to Articles I, II, and III of the Revised Rules for the Issuance of Licenses to Retail Electricity Suppliers", including any appeals thereof.

- Resolution authorizing the Retail Electricity Suppliers Association of the Philippines, Inc. ("RESA"), of which the Corporation is a member, and its counsel, Puno & Puno Law Offices, and/or any of its lawyers, to represent the Corporation in any action, petition, or other proceeding that the Corporation and/or RESA may file in relation to the annulment, reversal or revocation of ERC Resolution No. 22, Series of 2013, including representing the Corporation in any trial or pre-trial of the said actions, with full power and authority to do all such things and perform all such acts as may be necessary or desirable to protect or promote the Corporation's interests, and to do and perform any and all of the following acts, namely:

    (i) Discuss the possibility of an amicable settlement or of a submission to alternative modes of dispute resolution;

    (ii) Submit and/or enter into stipulations or admissions of facts and documents for the purpose of simplifying the issues;

    (iii) Submit to limitation of the number of witnesses;

    (iv) Determine the advisability or necessity of suspending the proceedings;

    (v) Determine the advisability of a preliminary reference of issues to a commissioner;

    (vi) Discuss the propriety of amendments to pleadings, or rendering a judgment on the pleadings or summary judgment or dismissing the action should a valid ground therefor be found to exist;

    (vii) Decide on such other matters as may aid the prompt disposition of the case;

    (viii) Sign under oath or otherwise all necessary and appropriate pleadings, motions, verifications, certifications, papers, and documents

- Resolution authorizing Mr. Rizalino G. Santos to execute and sign, in the name of the Corporation, such necessary and needful documents including the special power of attorney, in relation to appropriate actions, petitions or proceedings to be filed in such court, tribunal, board and administrative bodies for the annulment, reversal, or revocation of the aforementioned ERC Resolution and to carry out or implement the foregoing authorities.

2. <u>Distribution Wheeling Services Agreement with BATELEC II</u>

- Resolution authorizing the Corporation to enter into a Distribution Wheeling Services Agreement (DWSA) with Batangas II Electric Power Cooperative (BATELEC II), under such terms and conditions as the President and CEO, Mr. Francisco L. Viray, and the Senior Vice

President for Power Business, Mr. Rizalino G. Santos, may deem to be in the best interest of the Corporation.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, and either of them to negotiate, sign, execute and deliver the aforementioned Distribution Wheeling Services Agreement, and such other documents that may be necessary to give effect to the foregoing authority.

3. Subscription Agreement with Nebras Power Company

- Resolution empowering the Executive Committee to approve a Subscription Agreement with Nebras Power Company of Qatar regarding an investment proposal by said company under such terms and conditions as may be agreed upon.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, to sign and execute a Special Payment Agreement with certain electric cooperatives as claimant together with other members of the WESM under such terms as may be agreed upon.

Special Meeting of the Board of Directors
May 19, 2014

1. Bidding for the Selection and Appointment of Independent Power Producer Administrator for the Output of Mindanao I and II (Mt. Apo I and 2) Geothermal Power Plants

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice-President for Power Business, Mr. Rizalino G. Santos**,** to represent the Corporation in connection with the bidding for the Selection and Appointment of Independent Power Producer Administrator (IPPA) for the Output of Mindanao I and II (Mt. Apo I and 2) Geothermal Power Plants being conducted by the Power Sector Assets & Liabilities Management Corporation (PSALM) with the following powers and authority:

    (i) to issue a Letter of Interest, sign the Confidentiality Agreement and Undertaking, and receive the Bidding Package;

    (ii) to receive all Supplemental Bid Bulletins, the Final IPPA Administration Agreement for the Output of Mt. Apo 1 and 2, communications, correspondences, notices, legal processes for the Corporation as bidder;

    (iii) to represent the Corporation in the Bidding, including the execution and signing of the Final IPPA Administration Agreement;

    (iv) to act for and in behalf of the Corporation during the opening and evaluation of Bids, on all matters to be taken, including the authority to represent, make corrections and amendments to documents, bid for and bind the Corporation in the event that an auction is called to settle a tie.

2. Appeal of the Final Decision on Disputed Assessment

- Resolution approving the filing by the Corporation of a Petition for Review and/or such other pleadings with the Court of Tax Appeals in order to appeal the Final Decision on Disputed Assessment issued by the Commissioner of Internal Revenue and received by the Corporation on April 25, 2014.

- Resolution authorizing the Vice-President-Controller, Ms. Mariejo P. Bautista, or any of the Corporation's true and lawful attorneys-in-fact to cause the preparation and filing of the Petition for Review, and to sign, execute, subscribe, and/or swear to, for and on behalf of the Corporation, any and all documents, papers, pleadings, motions, verifications, certification against forum shopping, affidavits, and such other statements or papers as may be necessary or appropriate, and to do all acts in relation to the foregoing, from the filing of the Petition until final resolution and/or termination of the same.

- Resolution authorizing the engagement of the services of Mata-Perez & Francisco to represent and assist the Corporation in the institution of the case with the Court of Tax Appeals and the designation of Mata-Perez & Francisco, including any of its lawyers, associates or any of its true and lawful attorneys-in-fact, as the true and lawful attorney-in-fact of the Corporation and in its name, place and stead, be authorized to represent the Corporation, sign and execute such pleadings, attend or appear in all hearings, conferences and proceedings and perform such other acts in furtherance of the foregoing authority until final resolution of the case, including the performance of following acts relative to the Petition, to wit:

    (i) The possibility of amicable settlement/compromise or a submission to alternative modes of dispute resolution;

    (ii) Simplification of issues;

    (iii) The necessity or desirability of amendment to the pleadings;

    (iv) The possibility of obtaining stipulations or admissions of facts and of documents;

    (v) The limitation of the number of witnesses;

    (vi) The availment of discovery procedures and the advisability of the referral to commissioners;

    (vii) The propriety of rendering judgment on the pleadings, or of summary judgment, or of dismissing the action should a valid ground therefor be found to exist;

    (viii) The advisability or necessity of suspending the proceedings; and

    (ix) Such other matters as may aid in the fair and prompt disposition of the case.

- Resolution to make the foregoing Resolution valid, subsisting and kept in full force and effect unless otherwise revoked or amended in writing by the Corporation.

Meeting of the Board of Directors
May 27, 2014

1. <u>Registration as Qualified Institutional Buyer</u>

- Resolution authorizing the Corporation to register as a Qualified Institutional Buyer (QIB) and to appoint either First Metro Investment Corporation FMIC, ChinaBank or JP Morgan as its registrar.

- Resolution authorizing any two (2) of the following to enter into the above-specified arrangements with the bank in behalf of the Corporation under such terms and conditions as the said individuals may deem necessary and to accordingly execute, sign, deliver and/or perform any and all contracts, instruments, documents or writings with or to the bank that may be necessary for the implementation of the foregoing transactions:

Francisco L. Viray	President and CEO
Roberto M. Laviña	SEVP/Treasurer
Pythagoras L. Brion, Jr.	Sr. Vice President & CFO
Raymundo A. Reyes, Jr.	Sr. Vice President-Energy Resources Development
Rizalino G. Santos	Sr. Vice President-Power Business
Virgilio R. Francisco Jr.	Sr. Vice President
Mariejo P. Bautista	Vice President-Comptroller

2. Application and Renewal of Accreditation as Importer

- Resolution authorizing the Vice President-Controller, Ms. Mariejo P. Bautista, to represent the Corporation, to participate, as well as to sign, execute and deliver any and all documents required in relation to the application and renewal of the Corporation's accreditation as importer with the Bureau of Internal Revenue and the Bureau of Customs.

Meeting of the Board of Directors
June 23, 2014

1. Approving of the Consolidated Changes in the Annual Corporate Governance Report for the Year 2013

- Resolution approving the Consolidated Changes in the Annual Corporate Governance Report for the Year 2013, in compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 12, Series of 2014, specifically on the following items of the said report:

  a. Shareholdings in the Company under Board of Directors, BOARD MATTERS
  b. Changes in the Board of Directors under Board of Directors, BOARD MATTERS
  c. Details of Attendance of Directors under BOARD MEETINGS & ATTENDANCE
  d. Aggregate Remuneration under REMUNERATION MATTERS
  e. Remuneration of Management under REMUNERATION MATTERS
  f. Committee Members under BOARD COMMITTEES
  g. Changes in Committee Members under BOARD COMMITTEES
  h. Resignation, Re-assignment and Reasons under INTERNAL AUDIT AND CONTROL
  i. ROLE OF STAKEHOLDERS
  j. DISCLOSURE AND TRANSPARENCY
  k. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

2. Sale and Transfer of Motor Vehicle to Mr. Arthur R. Villacorte

- Resolution authorizing the Corporation to sell, transfer and convey the following described motor vehicle to Mr. Arthur R. Villacorte:

Make and Type:	Honda City
Model:	2009
Serial (Chassis) No.:	PADGM26509V001188
Engine No.:	L15A7-1401175

Plate No.:	ZSD-616

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, to sign, execute and deliver for and on behalf of the Corporation the corresponding Deeds, Contracts, Agreements and any and all other documents as may be required to put into effect the foregoing authority.

3. <u>Sale and Transfer of Motor Vehicle to Mr. Manuel G. Ibañez, Jr.</u>

- Resolution authorizing the Corporation to sell, transfer and convey the following described motor vehicle to Mr. Manuel G. Ibañez, Jr., represented by his wife Mrs. Razely D. Ibañez

Make and Type:	Mitsubishi Lancer GLX 1.6
Model:	2010
Serial (Chassis) No.:	MMBSNCS309F002579
Engine No.:	4G1BAB2891
Plate No.:	PJI-263

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, or Vice President - Controller, Ms. Mariejo P. Bautista, to sign, execute and deliver for and on behalf of the Corporation the corresponding Deeds, Contracts, Agreements and any and all other documents as may be required to put into effect the foregoing authority.

4. <u>Lock-Up Agreement in Connection with the Listing of the Shares of Trans-Asia Petroleum Corporation</u>

- Resolution approving the terms and conditions of the Lock-Up Agreement executed pursuant to the Lock-Up requirement of the Philippine Stock Exchange for the listing of the shares of Trans-Asia Petroleum Corporation and appointing:

  a. The Philippine Depository & Trust Corporation as Depository to implement the Lock-Up of the shares specified in the Lock-Up Agreement;

  b. AB Capital Securities, Inc. as lodgement broker and trading participant/escrow agent to perform the functions specified in the Lock-Up Agreement; and

  c. Any two of the following as the authorized signatories of the Corporation in the Lock-Up Agreement and related documents:

Oscar J. Hilado	-	Chairman
Ramon R. del Rosario, Jr.	-	Vice Chairman
Francisco L. Viray	-	President & Chief Executive Officer
Roberto M. Lavina	-	Senior Executive Vice President/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, Jr.	-	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

5. <u>Amendment of Manual on Good Corporate Governance</u>

- Resolution approving amendments in the Corporation's Manual on Good Corporate Governance to include other stakeholders in all the appropriate provisions of the manual.

6. Settlement of Adjusted WESM Billings for the Period November to December 2013

- Resolution authorizing the Corporation to enter into agreements with the Philippine Electricity Market Corporation ("PEMC") and Trading Participants of the Wholesale Electricity Spot Market ("WESM") in relation to the settlement of the adjusted WESM billings for the period November to December 2013, pursuant to ERC Case No. 2014-021 MC, under the terms and conditions as presented to the Board of Directors.

- Resolution authorizing the Vice President-Controller, Ms. Mariejo P. Bautista, the AVP-Legal, Atty. Alan T. Ascalon, and either of them to negotiate, sign, execute and deliver for and in behalf of the Corporation such agreements and/or documents and to do or cause to be done all acts and things necessary, proper and convenient to give effect to the foregoing authority.

7. Transactions with PNB and ING Bank

- Resolution approving transactions with Philippine National Bank (PNB), ING Bank, and/or any of their branches, relative to all instruments and facilities stated below:

  a. Investment in the following instruments, both in local and foreign currency:

     (i) Unit Investment Trust Funds
     (ii) Bonds
     (iii) Stocks
     (iv) Short-duration and/or long-duration funds
     (v) Government Securities such as treasury bills, treasury notes, treasury bonds, retail treasury bonds and other securities that carry the full faith and credit of the Republic of the Philippines;
     (vi) Special Deposit Accounts of the BSP via Directional Investment Management Account (DIMA) of the Trust Department of the abovementioned banks and other liquidity outlets that the BSP may offer or issue from time to time;
     (vii) Reverse Repurchase Agreement via DIMA of the Trust Department of the abovementioned banks or through participation in the Inter-Professional Market Repurchase Program of the Philippine Dealing System Group;
     (viii) Promissory notes, corporate notes, bonds, commercial papers and preferred shares;
     (ix) Time deposits, certificate of deposits, special savings and other deposit products.

  b. Opening and operating deposit accounts, both in local and foreign currency;

  c. Opening and utilizing electronic or internet banking services;

  d. Entering into any contract or agreement for the purchase or sale of any currency and to engage in financial derivatives transactions, including but not limited to forward contracts, swaps, options, and the like, both in local or foreign currency, to cover currency, interest rate and credit risks;

- Resolution designating any two (2) of the following as authorized signatories of the Corporation in its transactions with Philippine National Bank (PNB), ING Bank, and/or any of their branches in accordance with the foregoing authority:

Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resource Development
Rizalino G. Santos	SVP - Electricity Supply
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP – Controller

8. Compliance with the Business Separation Guidelines, as amended, promulgated by the ERC

- Resolution (a) approving the preparation and filing of the following documents at the end of every financial year: (i) Accounting Separation Statements, (ii) Management Responsibility Statement, (iii) Auditor's Report on the Accounting Separation Statements, (iv) General Information Sheet, (v) Compliance Report, and (vi) consolidated copy of the relevant Electric Power Industry Participant's ACAM, where such ACAM has been amended so that it does not correspond with the consolidated copy of the ACAM that has previously been provided to the ERC for purposes of the Business Separation Guidelines; (b) authorizing the President and CEO, Mr. Francisco L. Viray, and/or its Vice President - Controller, Ms. Mariejo P. Bautista, to effect the submission of the said documents to the Energy Regulatory Commission in compliance with the requirements of the Business Separation Guidelines and to sign and execute any document in relation thereto; and (c) appointing Diccion Law Firm to represent the Corporation for these purposes.

9. Application for Importer Clearance Certificate and Accreditation as Importer

- Resolution authorizing the Corporation to file the necessary applications with the Bureau of Internal Revenue for the issuance to the Corporation of an Importer Clearance Certificate and with the Bureau of Customs for accreditation of the Corporation as an Importer.

- Resolution authorizing the Vice President-Controller, Ms. Mariejo P. Bautista, to file the aforementioned applications in behalf of the Corporation, to sign the Import Entry for BOC purposes and any and all documents and papers in relation to the foregoing, and to do all acts in relation to the foregoing, from the filing thereof until final resolution and termination of the same.

Meeting of the Board of Directors
July 28, 2014

1. Bidding for Barges 101, 102 and 103

- Resolution authorizing Management to bid for barges 101 and 102 up to a maximum of Php300 million and for all three barges 101, 102 and 103 up to a maximum of Php420 million.

2. Charters of Committees of the Board of Directors

- Resolution approving the Charters of the Executive Committee, the Nomination Committee, and the Compensation Committee of the Board of Directors.

Meeting of the Board of Directors
August 18, 2014

1. Performance Bonds for Hydropower Service Contracts

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and/or the Senior Vice President - Energy Resources Development, Mr. Raymundo A. Reyes, Jr., and either of them to sign on behalf of the Corporation the required Performance Bonds for the Hydropower Service Contracts covering certain areas in Pililla, Rizal; Ilagan, Isabela; and Buguias, Benguet.

Meeting of the Board of Directors
September 22, 2014

1. Expenses for Participation in Trans-Asia Petroleum Corporation's Service Contracts

- Resolution authorizing the Corporation to obtain from Trans-Asia Petroleum Corporation the expenses related to Trans-Asia Oil & Energy Development Corporation's participation in Service Contacts.

- Resolution designating any two (2) of the following officers as authorized signatories in connection with the foregoing and other related documents:

Name	Position
Francisco L. Viray	President and CEO
Roberto M. Laviña	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP-Energy Resources Development
Rizalino G. Santos	SVP-Electricity Supply
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP-Controller

2. Enrollment in Landbank's weAccess Facility

- Resolution authorizing the Corporation to enroll in Landbank's weAccess facility (internet banking) and designating the following officers as authorizers and makers:

Authorizers:

Raymundo A. Reyes, Jr.	- Senior Vice President – Energy Resources Development
Rizalino G. Santos	- Senior Vice President – Electricity Supply
Mariejo P. Bautista	- Vice President - Controller

Makers:

Mariejo P. Bautista	- Account Information, Fund Transfer, Fund Management and Current Account Services
Jacqueline A. Ycoy	- Account Information, Fund Transfer, Fund Management and Current Account Services
Mary Jane B. Cruz	- Account Information, Fund Transfer, Fund Management and Current Account Services
Tawny R. Escomes	- Account Information, Fund Transfer, Fund Management and Current Account Services

3. Supply Agreement with Pilipinas Shell Corporation

- Resolution authorizing the Corporation to enter into and execute a Supply Agreement with Pilipinas Shell Corporation for the fuel requirements of the Corporation and its subsidiaries.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, to represent the Corporation in negotiations and transactions pertaining to the Supply Agreement with Pilipinas Shell Corporation and to sign any and all agreements, documents and papers and to do all acts in relation thereto under such terms and conditions as he may deem necessary and beneficial to the Corporation.

4. Guarantee for Trans-Asia Petroleum Corporation's Obligations under Service Contract No. 50

- Resolution authorizing the Corporation to issue a guarantee in favor of the Department of Energy ("DOE") to provide the financial support to its subsidiary, Trans-Asia Petroleum Corporation ("TAPET"), necessary for TAPET to meet its financial obligations under Service Contract No. 50 ('SC 50") dated March 11, 2005, upon DOE approval of the assignment to TAPET of participating interest in SC 50.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President – Energy Resources Development, Mr. Raymundo A. Reyes, Jr., and either of them, to sign, execute, and deliver the aforementioned guarantee or undertaking.

5. Solar Energy Service Contract

- Resolution authorizing the Corporation to file an application with the Department of Energy for a solar energy service contract covering a certain area in Guimaras province.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President - Energy Resources Development, Mr. Raymundo A. Reyes, Jr., or either one of them, to negotiate, sign, execute, and deliver the aforementioned solar energy service contract on behalf of the Corporation.

Special Meeting of the Board of Directors
October 1, 2014

1. Bidding for the Short-Term Power Supply of Region 8 Electric Cooperatives

- Resolution authorizing Trans-Asia Oil and Energy Development Corporation to participate in the bidding for the Short-Term Power Supply (2015-2018) of Region 8 Electric Cooperatives through the Region 8 Joint Competitive Power Supply Procurement (R8JCPSP) and designating Mr. Francisco L. Viray and/or Rizalino G. Santos to represent the Corporation in said transaction, with authority to do the following acts:

    1. Receive the Bidding Documents, including but not limited to the Instructions to Bidders, the Supplemental Bid Bulletins and other documents and materials issued by the BAC;

    2. Sign the agreements, documents, forms and all other attachments required to be submitted with the Bid;

    3. Submit and sign the Bid;

    4. Sign the Power Supply Agreement (PSA); and

    5. Generally, represent Trans-Asia Oil and Energy Development Corporation in the Transaction.

Meeting of the Board of Directors
November 24, 2014

1. Contract for the Sale of Electricity with Region 8 Electric Cooperatives

- Resolution authorizing the Corporation to individually enter into a Contract for the Sale of Electricity with the following Region 8 Electric Cooperatives composed of: Don Orestes Romualdez 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), under such terms and conditions as the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, may deem to be in the best interest of the Corporation**.**

- Resolution authorizing the President and CEO, Francisco L. Viray, and the Senior Vice-President for Power Business, Mr. Rizalino G. Santos, and either of them to negotiate, sign, execute and deliver the aforementioned contract, and such other documents that may be necessary to give effect to the foregoing authority.

- Resolution authorizing the Corporation to file the necessary Application with the Energy Regulatory Commission for the approval of the Contract for the Sale of Electricity entered into by the Corporation and each of the Region 8 Electric Cooperatives

- Resolution authorizing the Senior Vice-President for Power Business, Mr. Rizalino G. Santos, to file the aforementioned Application with the Energy Regulatory Commission in behalf of the Corporation, to sign any and all documents and papers in relation thereto, and to do all acts in relation to the Application, from the filing thereof until final resolution and termination of the same.

- Resolution authorizing the engagement of the services of DICCION LAW FIRM to represent and assist the Corporation in the institution of the aforementioned Application with the ERC, and in all stages of the proceeding relative thereto, until the final resolution and termination of the same.

2. <u>Power Supply Agreement with TeaM (Philippines) Energy Corporation</u>

- Resolution authorizing the Corporation to enter into a Power Supply Agreement with TeaM (Philippines) Energy Corporation (TPEC), under such terms and conditions as the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, may deem to be in the best interest of the Corporation.

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, to negotiate, sign, execute and deliver the aforementioned TeaM (Philippines) Energy Corporation (TPEC), and such other documents that may be necessary to give effect to the foregoing authority.

3. <u>Contract for the Sale of Electricity with Universal Robina Corporation</u>

- Resolution ratifying and affirming each and every action undertaken by the President and CEO, Mr. Francisco L. Viray, and the Senior Vice President for Power Business, Mr. Rizalino G. Santos, on behalf of the Corporation, in relation to the execution on September 30, 2014 of the Contract for the Sale of Electricity with Universal Robina Corporation.

- Resolution confirming the authority of Mr. Francisco L. Viray and Mr. Rizalino G. Santos, to negotiate, sign, execute and deliver the aforementioned Contract for the Sale of Electricity, and such other documents that may be necessary to give effect to the foregoing authority.

4. <u>Transactions with RCBC</u>

- Resolution authorizing the Corporation (a) to transact with Rizal Commercial Banking Corporation (RCBC) and /or any of its branches for the obtainment of loan facilities and availment of banking products and services, and (b) to apply for, negotiate and obtain loans or other credit accommodations or facilities, including, but not limited to, letters of credit, trust receipts, bills purchases, foreign exchange settlement lines from time to time in amounts which may be required by the Corporation, which authority shall include renewals, extensions, re-availments, restructurings, amendments or conversions into other credit form or type, and in this regard, to:

1. Execute, sign and deliver from time to time the relevant loan agreements, promissory note/s, trust receipts and all other documents pertinent to the accommodations / facilities referred to above; and

2. Avail of products and services offered by RCBC's Transactional Banking Group, such as collection and disbursement services, liquidity management, account services, retail products, and to be bound in accordance with and subject to RCBC's rules and regulations and the terms and conditions governing the same.

- Resolution authorizing the Corporation to avail of credit facilities with RCBC up to Php 4.7 Billion, under such terms and conditions as may have been agreed upon.

- Resolution authorizing the Corporation to give its consent and permission to the use by Trans-Asia Power Generation Corporation and CIP II Power Corporation of the existing Omnibus Line with RCBC under such terms and conditions as may have been agreed upon.

- Resolution authorizing any two (2) of the following to enter into the above-specified arrangements with RCBC in behalf of the Corporation under such terms and conditions as the said individuals may deem necessary and to accordingly execute, sign, deliver and/or perform any and all contracts, instruments, documents or writings with or to the Bank that may be necessary for the implementation of the foregoing transactions:

Name	Position
Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development
Rizalino G. Santos	SVP – Power Business
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP - Controller

- Resolution confirming, affirming and ratifying (a) all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities, and (b) all things/acts done and documents executed and entered into prior to this Resolution.

5. Transactions with BDO

- Resolution authorizing the Company (a) to transact with BDO Unibank, Inc. (also doing business under the name and style of BDO, BDO Unibank, Banco De Oro, Banco De Oro Unibank, and BDO Banco De Oro) or any of its branches, its subsidiaries and affiliates for the obtainment of loan facilities and availment of banking products and services, and (b) to apply for, negotiate and obtain loans or other credit accommodations or facilities, including but not limited to letters of credit, trust receipts, bills purchases, foreign exchange settlement lines from time to time in amounts which may be required by the Corporation, which authority shall include renewals, extensions, re-availments, restructurings, amendments or conversions into other credit form or type, and in this regard, to:

1. Execute, sign and deliver from time to time the relevant loan agreements, promissory note/s, trust receipts and all other documents pertinent to the accommodations / facilities referred to above; and

2. Avail of products and services offered by the Bank's Transactional Banking Group, such as collection and disbursement services, liquidity management, account services, retail products, and to be bound in accordance with and subject to the Bank's rules and regulations, terms and conditions governing the same.

- Resolution authorizing the Corporation to increase its credit facilities with BDO up to Php 4.1 Billion, under such terms and conditions as may have been agreed upon.

- Resolution authorizing any two (2) of the following to enter into the above-specified arrangements with BDO Unibank, Inc. in behalf of the Corporation under such terms and conditions as the said individuals may deem necessary and to accordingly execute, sign, deliver and/or perform any and all contracts, instruments, documents or writings with or to the Bank that may be necessary for the implementation of the foregoing transactions:

Name	**Position**
Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development
Rizalino G. Santos	SVP – Power Business
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP - Controller

- Resolution affirming, confirming and ratifying all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities and all things/acts done and documents executed and entered into prior to this Resolution.

6. <u>Direct Debit Facility of Pilipinas Shell</u>

- Resolution authorizing the Corporation to open and utilize the Direct Debit Facility of Pilipinas Shell, through its partner bank, BDO Unibank, Inc.

- Resolution authorizing any two (2) of the following to enter into the above-specified arrangements in behalf of the Corporation under such terms and conditions as the said individuals may deem necessary and to accordingly execute, sign, deliver and/or perform for and in behalf of the Corporation any and all contracts, documents or writings that may be necessary for the implementation of the foregoing transactions:

Name	**Position**
Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development
Rizalino G. Santos	SVP – Power Business
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP - Controller

- Resolution confirming, affirming and ratifying all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities and all things/acts done and documents executed and entered into prior to this Resolution by the aforementioned signatories pursuant to and in accordance with the foregoing authorities.

7. Renewal of Credit Facilities with Security Bank Corporation

- Resolution authorizing the Corporation to renew the following credit facilities with Security Bank Corporation, under such terms and conditions as may have been agreed upon:

  1. Omnibus Line of P2,000 Million
  2. Domestic Bills Purchase Line of P50.0 Million
  3. Settlement Risk Line of USD5.0 Million
  4. Pre-Settlement Risk Line of USD1.0 Million

- Resolution authorizing any two (2) of the following to negotiate, sign, execute and deliver all documents that may be necessary to give effect to the foregoing authority:

Name	**Position**
Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development
Rizalino G. Santos	SVP – Power Business
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP – Controller

- Resolution confirming, affirming and ratifying all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities and all things/acts done and documents executed and entered into prior to this Resolution.

8. Transactions with HSBC

- Resolution authorizing the Corporation to negotiate, enter into, secure, obtain, incur and/or contract for any and all types of loans, credit accommodations or facilities, or any treasury facilities/accommodations such as but not limited to foreign exchange facilities, or any import and export transactions such as but not limited to general export / import transactions like presentation and negotiation of export documents, opening of letters of credit, credit card facilities, bills purchase line, currency and interest rate swaps, derivative products, structured products, term deposits, money market/trust placements, purchase/sale of securities and negotiable instruments (including any and all renewals, extensions, roll-overs, restructuring, discounting, or amendments thereof) with The Hongkong And Shanghai Banking Corporation Limited and/or its Trust Department and its branches, affiliates, subsidiaries and other related companies including HSBC Savings Bank (Philippines) Inc. (hereafter referred to as HSBC) at such amount as HSBC may grant, with or without security, and under such terms and conditions as may be mutually agreed upon between the Corporation and HSBC.

- Resolution approving the designation of HSBC as depository of the Corporation, to which funds of the Corporation may be deposited, and authorizing HSBC to pay, encash, or otherwise honor and charge to the Corporation any and all checks, notes, drafts, bills of exchange, acceptances, orders or funds, and to effect any instructions relating to the operation, administration and management of the accounts, when signed, made, assigned, drawn, accepted, or endorsed on behalf of or in the name of the Corporation.

- Resolution that, in the event of default, the Corporation be authorized to settle, compromise, discharge and pay in whatever form (including but not limited to, assignment, transfer, dacion en pago of corporate properties) the foregoing obligations with HSBC.

- Resolution authorizing the Corporation to avail of credit facilities with HSBC for the Peso equivalent of up to USD 15 million, under such terms and conditions as may have been agreed upon.

- Resolution authorizing any two (2) of the authorized signatories hereunder designated to negotiate, conclude, obtain and/or contract for any or all of the foregoing transactions, under such terms and conditions and stipulations as the said authorized signatories may deem advisable and desirable in the best interest of the Corporation:

Name	**Position**
Francisco L. Viray	President and CEO
Roberto M. Lavina	SEVP & Treasurer
Pythagoras L. Brion, Jr.	SVP & CFO
Raymundo A. Reyes, Jr.	SVP – Energy Resources Development
Rizalino G. Santos	SVP – Power Business
Virgilio R. Francisco, Jr.	SVP
Mariejo P. Bautista	VP – Controller

- Resolution authorizing the foregoing authorized signatories to sign, execute and deliver such loan documents, mortgages, pledges, assignments, conveyances, and such other instruments and papers as may be required, necessary, desirable or incidental to the foregoing transactions.

- Resolution that HSBC shall be informed, by a resolution of the Board of Directors of the Corporation, duly certified by the Corporate Secretary, of any changes which may take place with the list of names and specimen signatures of Directors and Officers and any other person or persons authorized to sign on behalf of the Corporation.

- Resolution authorizing, ratifying and/or confirming the drawings, withdrawals and availments by the duly designated signatories and/or officers of the Corporation of the credit accommodations, loans and transactions herein authorized.

- Resolution that the Corporation be authorized to provide a letter of disclaimer/indemnity to HSBC, in the form furnished and required by HSBC, a copy of which has been presented to the Board (the "Indemnity Letter"), for the purpose of authorizing HSBC to act on facsimile instructions or other forms of telecommunications received by HSBC in connection with the operation, maintenance and closure of the Corporation's account/s with HSBC. In order to implement this resolution relating to Indemnity Letter, the Board authorizes, empowers and appoints any two (2) of the above authorized signatories designated to execute/sign the Indemnity Letter and such other documents that may be required to fully implement the foregoing resolution.

- Resolution repealing and revoking any authorizations previously granted which are inconsistent with the above authorities.

- Resolution that these resolutions be communicated to HSBC and remain in full force and effect and that any and all transactions made by the said officers pursuant to the foregoing resolutions are valid and binding against the Corporation until an amending resolution shall have been passed by the Board of Directors and a certified true copy thereof shall have been delivered to HSBC.

9. <u>Approval of Consolidated Changes in the Annual Corporate Governance Report for 2014</u>

- Resolution approving the Consolidated Changes in the Annual Corporate Governance Report for the Year 2014, in compliance with the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014 specifically on the following items of the said report:

    1. Composition of the Board of Directors under BOARD MATTERS
    2. Review and Approval of Vision, Mission and Values under BOARD MATTERS

3. Directorship in Other Companies under BOARD MATTERS
4. Relationship within the Company and its Group under BOARD MATTERS
5. Shareholding in the Company under BOARD MATTERS
6. Updates on data under OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS
7. Updates on data under ORIENTATION AND EDUCATION PROGRAM
8. Inclusion of the Phinma Integrity Assurance Program and updates on data under CODE OF BUSINESS CONDUCT AND ETHICS
9. Details of Attendance of Directors, Schedule of Meetings, Quorum Requirement and Information Access under BOARD MEETINGS AND ATTENDANCE
10. Stock Option Plan updates, Aggregate Remuneration and Remuneration of Management under REMUNERATION MATTERS
11. Committee Members, Work Done and Issues Addressed under BOARD COMMITTEES
12. Statement on Effectiveness of Risk Management System under RISK MANAGEMENT SYSTEM
13. Statement on Effectiveness of Internal Control System under INTERNAL AUDIT AND CONTROL
14. Policies and Activities under ROLE OF STAKEHOLDERS
15. Ownership Structure and RPT's under DISCLOSURE AND TRANSPARENCY
16. RIGHTS OF STOCKHOLDERS

10. Equity infusion in South Luzon Thermal Energy Corporation

- Resolution approving and confirming the authority given to management by the Executive Committee to make an equity infusion of P 100 million in South Luzon Thermal Energy Corporation.

Meeting of the Board of Directors
December 15, 2014

1. Sale and Transfer of Motor Vehicle to Mr. Roberto M. Laviña

- Resolution authorizing the Corporation to sell, transfer and convey the following described motor vehicle to Mr. Roberto M. Laviña:

Make and Type:	Toyota Lexus IS300 3.0 Sedan
Model:	2009
Serial (Chassis) No.:	JTHBG262102020625
Engine No.:	3GR-0259945
Plate No.:	NZO900

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, or VP Controller, Ms. Mariejo P. Bautista, to sign, execute and deliver for and on behalf of the Corporation the corresponding Deeds, Contracts, Agreements and any and all other documents as may be required to put into effect the foregoing authority.

2. Sale and Transfer of Motor Vehicle to Mr. Karim G. Garcia

- Resolution authorizing the Corporation to sell, transfer and convey the following described motor vehicle to Mr. Karim G. Garcia:

Make and Type:	Subaru Forester 2.5 XT A/T
Model:	2012
Serial (Chassis) No.:	E534894
Engine No.:	JF1SH9LT5CG304376
Plate No.:	UQQ717

- Resolution authorizing the President and CEO, Mr. Francisco L. Viray, or VP Controller, Ms. Mariejo P. Bautista, to sign, execute and deliver for and on behalf of the Corporation the corresponding Deeds, Contracts, Agreements and any and all other documents as may be required to put into effect the foregoing authority.

3. Bidding for the Joint Competitive Power Supply Procurement Long-Term Power Supply of R1 + CAR Electric Cooperatives

- Resolution authorizing the Corporation to participate in the Bidding for the Joint Competitive Power Supply Procurement Long-Term Power Supply (2019-2038) of R1 + CAR Electric Cooperatives.

- Resolution designating Mr. Francisco L. Viray, Mr. Rizalino G. Santos, Mr. Cheyenne Francis B. Batnag and/or Atty. John Henry C. Liquete as the Corporation's duly authorized representative to the aforementioned Bidding, specifically to do any or all of the following acts:

  a. Receive the Bidding Documents, including but not limited to the Instructions to Bidders, the Supplemental Bid Bulletins and other documents and materials issued by the Bids and Awards Committee;

  b. Sign the agreements, documents, forms and all other attachments required to be submitted with the Bid and/or such other documents that may be required by the Bids and Awards Committee;

  c. Submit and sign the Bid;

  d. Sign the Power Supply Agreement (PSA); and

  e. Generally, represent and/or appear on behalf of the Corporation in the Bidding.

Meeting of the Board of Directors
March 6, 2015

1. Cash dividend declaration

- Resolution approving the declaration of cash dividends equivalent to P 0.04 per share to all shareholders of record as of March 9, 2015, payable on March 25, 2015.

2. Representatives to the Retail Electricity Suppliers Association

- Resolution designating Rizalino G. Santos, Pablo B. Anido, Herman B. Timoteo, Cheyenne Francis B. Batnag, Coleen V. Navarro, Elisah R. Jacob, Maychelle A. Dioquino-Soriano, Louie Mark R. Quizon, John Henry C. Liquete and/or any of the authorized representatives of the Corporation as the official representatives of the Corporation to the Retail Electricity Suppliers Association (RESA).

3. Transactions with PLDT

- Resolution authorizing the Corporation to transact and contract with PLDT, and its and/or affiliates to avail of wire-line telephone, wireline data, wireline internet, wireless telephone, wireless data service, SMS, GPRS, wireless value added services, wireless broadband internet, and other present or future product, facilities and services and designating Mr. Rizalino G. Santos and Ms. Mariejo P. Bautista as the Corporation's representatives in said transactions and contracts.

4. <u>Farm-in Agreement and Deed of Assignment with Basic Energy Corporation</u>

- Resolution authorizing the Corporation to enter into a Farm-in Agreement and a Deed of Assignment with Basic Energy Corporation, in connection with this Corporation's acquisition of twenty five percent (25%) participating interest in and under Geothermal Service Contract No.8.

ANNEX D

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Business Development

Trans-Asia Oil and Energy Development Corporation ("TA", "Trans-Asia" or "the Company") was established by Philippine Investment Management (PHINMA), Inc. on September 8, 1969, in line with PHINMA's vision to contribute to the country's economic development through self-reliance in energy. TA is primarily engaged in power generation and electricity supply and trading, with secondary investments in petroleum and mineral exploration. The Company was originally known as Trans-Asia Oil and Mineral Development Corporation, reflecting its original business engaged in petroleum and mineral exploration, and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and electricity 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

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

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 or 88% lower than 2013 ₱ 4.011 billion due to Power Administration and Management Agreement (PAMA).

CIP II Power Corporation

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 a Power Administration and Management Agreement, where TA pays CIPP a fixed fee for its entire capacity.

In 2014, CIPP registered a net income of ₱40 Million.

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 (93%) and WESM (7%) resulting in total revenues of ₱90.66 Million.

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 its 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 inTariff (FIT). Full electromechanical completion of the wind farm was attained in November 30, 2014.

In 2014, the San Lorenzo Wind Farm sold 11,450,990 kWh in WESM, yielding PhP 53million in revenues for two billing periods. The maximum capacity generation attained in 2014 was recorded last December 27 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

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 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.

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, resulting to an estimated revenue of Php652 Million.

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 is sold at the prevailing ERC approved rates. However, the WESM is becoming a bigger market where electricity purchases are settled based on market or spot rates. Delivery of the product is coursed through transmission lines currently owned by (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.

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					

2014					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
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
Stockholders					
Payable	**193,562**	Cash dividend	**(9,135)**	On demand	Unsecured
Receivable	**-**	Withholding tax on property dividend	**35**	On demand	Unsecured
Dues from Related Parties			**264**		
Receivable from Shareholders			**35**		
Dues to Related Parties			**(294,781)**		
Dues 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.					

2013					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
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
Dues from Related Parties			**186**		
Receivable from Shareholders			**19,312**		
Dues to Related Parties			**(37,351)**		
Dues 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					

			2012		
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
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
Dues from Related Parties			**87,018**		
Dues to Related Parties			**(91,380)**		
Dues to Shareholders			**(9,034)**		
Accrued Director's and Annual Incentives			**(23,288)**		

Research and Development

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

Dependence on Environmental Factors

TAREC's 54MW Wind Farm depends significantly on the available wind resources in order to generate power. Wind resources will vary from year to year, season to season. The Wind Farm utilizes computer models to predict wind resource availability although weather factors will affect its accuracy.

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 nonpayment of it's 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 there is 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 (DOE) awards petroleum contracts to technically and financially capable companies through competitive bidding. 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. As a result, foreign firms invite local exploration companies in joint ventures 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 farmout 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 debts. Its foreign partners and the DOE recognize its technical expertise in the field of energy exploration. Given these strengths, TA remains a strong competitor in the local exploration and production industry.

Suppliers and Customers

TA petroleum's exploration business is not dependent on a single supplier nor on a single customer.

Related Party Transactions

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

Research and Development

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

Regulatory Framework

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 antipollution 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 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

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

P.D. 87, as amended, or The Oil Exploration and Development Act of 1972

P.D. 87, as amended, declares that the State should fast track the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, under arrangements 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, service and technology are furnished by a contractor for which it would be entitled to a service fee of up to 40% of net production proceeds. Where the Government is unable to finance petroleum exploration or in order to induce the contractor to exert maximum efforts to discover and produce petroleum, the service contract would stipulate that, if the contractor furnishes service, technology and financing, the proceeds of the sale of the petroleum produced under the service contract would be the source of payment of the service fee and the operating expenses due the contractor. Operating expenses are deductible up to 70% of gross production proceeds. If, in any year, the operating expenses exceed 70% of gross proceeds from production, the unrecovered expenses may be recovered from the operations of succeeding years. Intangible exploration costs may be reimbursed in full, while tangible exploration costs (such as capital expenditures and other recoverable capital assets) are to be depreciated for a period of five (5) or ten (10) years. Any interest or other consideration paid for any financing approved by the Government for petroleum development and production would be reimbursed to the extent of 2/3 of the amount, except interest on loans or indebtedness incurred to finance petroleum exploration.

Aside from reimbursing its operating expenses, a contractor with at least 15% Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of 7.5 % of the gross proceeds from the crude oil produced in the contract area. Incentives to service contractors include (i) exemption from all taxes except income tax which is paid out of Government's share, (ii) exemption from all taxes and duties on importation of machinery, equipment, spare parts, and materials for petroleum operations, (iii) repatriation of investments and profits, and (iv) free market determination of crude oil prices. Finally, a subcontractor is subject to special income tax rate of eight percent (8%) of gross Philippine income while foreign employees of the service contractor and the subcontractor are subject to a special tax rate of 15 % on their Philippine income.

A service contract has a maximum exploration period of 10 years and a maximum development and production period of 40 years. Signature bonus, discovery bonus, production bonus, development allowance and training allowance are payable to the Government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to deepwater oil exploration; DOE Circular No. 2009040004, a circular that establishes the procedures for the Philippine Contracting Rounds; DOE Circular No. 200305006, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; Executive Order No. 66 issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and DOE Circular 200208005, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

Under P.D. 87, as amended, every service contractor that produces petroleum is authorized to dispose of same either domestically or internationally, subject to supplying the domestic requirements of the country on a prorata basis. There is a ready market for oil produced locally in as much as imported oil comprised about 34**%** of the Philippines' primary energy mix as of 2010. Heavy dependence on foreign oil supply is not expected to change significantly over the next 10 years. On a case by 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 seven percent (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.

R.A. 8371 OR THE INDIGENOUS PEOPLES' RIGHTS ACT OF 1997

R.A. 8371 or "The Indigenous Peoples' Rights Act of 1997" requires the free and prior informed consent of IPs who will be affected by any mining exploration. Under the IPRA, IPs is 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 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 People. 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 IPs. The FPIC is manifested through a memorandum of agreement with 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 IPs' ancestral domains. No mining is allowed in such areas without first negotiating an agreement with IPs who will be affected by mining operations.

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

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

The Mining Act introduced a new system of mineral resources exploration, development, utilization and conservation, with due regard to other laws (e.g., P.D. 1586 on environmental impact statement and other issues related to environmental management; R.A. 7586 or the National

Integrated Protected Areas System Act of 1992; R.A. 7160 or the Local Government Code of 1991; and R.A. 7916 or the Special Economic Zone Act of 1995).

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

R. A. 8749 or The Philippine Clean Air Act of 1999

R.A. 8749 or 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 this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market based instruments, and setup 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 implement this law, the Government is promoting energy security through policies on energy independence, sustainability, and efficiency. These involve:

(1) increasing oil and gas exploration;

(2) strengthening of the 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) expansion in the use of natural gas; and

(5) adoption of energy efficiency promotion strategies.

In support of this legislation, 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.

The Philippine Environmental Impact Statement System

Projects relating to petroleum and mineral exploration and production are required to comply with the Philippine Environmental Impact Statement (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 Environmental Impact Assessment (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, the Office of the President of the Philippines issued Administrative Order No. ("AO") 42 in 2002. It provided for the streamlining of the ECC application processing and approval procedures. Pursuant to AO 42, the DENR promulgated DENR AO 200330, also known as the Implementing Rules and Regulations for the Philippine EIS System ("IRR"), in 2003.

Under the IRR, 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 to determine projects 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 compared to 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 of 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. likelihood, 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 reapply for a new ECC if it intends to still pursue the project. The reckoning date of project implementation is the date of groundbreaking, as stated on the proponent's work plan submitted to the Environmental Management Bureau (EMB).

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. ECCs or certificates of non-coverage, if applicable, are obtained from the EMB of the DENR, in coordination with the DOE.

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

R.A. 9136 OR THE ELECTRIC POWER INDUSTRY REFORM ACT OF 2001 (EPIRA)

The power generation business of TA is governed by R.A. 9136 or the Electric Power Industry Reform Act of 2001 EPIRA. The enactment of the EPIRA has been a significant event in the Philippine energy industry. The EPIRA has three (3) main objectives, namely: (i) to promote the utilization of indigenous, new and renewable energy resources in power generation, (ii) to cut the high cost of electric power in the Philippines, bring down electricity rates and improve delivery of power supply and (iii) to encourage private and foreign investment in the energy industry. The EPIRA triggered the implementation of a series of reforms in the Philippine power Industry. The two (2) 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 (2) reforms are aimed at encouraging greater competition and 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.

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 Certificate of Compliance (COC) from the ERC to operate the generation facilities. A COC is valid for a period of five (5) 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 also ensure that all of its facilities connected to the Grid meet the technical design and operational criteria of the Philippine Grid Code and the Philippine Distribution Code promulgated by the ERC.

The ERC 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 of, among other things, comparative audited financial statements, a schedule of liabilities, and a five (5) year financial plan to the ERC. For the duration of the COC, the guidelines also require a generation company to submit audited financial statements and forecast financial statements for the next two (2) fiscal years, among other documents, to the ERC. 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, TA Power, One Subic, TAREC, 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.

Restructuring of the Electricity Industry

One of the major reforms under the EPIRA involves the restructuring of the electricity supply industry, which calls for the separation of the different components of the electric power industry namely, generation, transmission, distribution, and supply.

Under the EPIRA, power generation and supply (which are not considered public utility operations) are deregulated but power distribution and transmission continue to be regulated by the ERC which replaced the Energy Regulatory Board.

To promote true competition and prevent monopolistic practices, the EPIRA provides for explicit caps or limits on the volume of electricity that a distribution utility can buy from an affiliated company that is engaged in power generation. Likewise, the law also provides that "no company or related group can own, operate or control more than 30% of the installed capacity of a grid and/or 25% of the national installed generating capacity".

Energy Regulatory Commission (ERC)

The ERC is an independent, quasi-judicial regulatory body tasked to promote competition in the power industry, encourage market development and ensure customer choice. Compared to its predecessor, the ERC has broader powers to prevent and penalize anti-competitive practices.

The ERC is the government agency in charge of the regulation of the electric power industry in the Philippines. The ERC was created by virtue of Section 38 of the Electric Power Industry Reform Act (EPIRA) of 2001 to replace the Energy Regulatory Board. Its mission is to promote and protect long-term consumer interests in terms of quality, reliability, and reasonable pricing of a sustainable electricity supply.

The relevant powers and functions of the ERC are as follows:

1. Promote competition, encourage market development, ensure customer choice, and penalize abuse of market power in the electricity industry. To carry out this undertaking, ERC shall promulgate necessary rules and regulations, including Competition Rules, and impose fines or penalties for any non-compliance with or breach of the EPIRA, the Implementing Rules and Regulations of the EPIRA, and other rules and regulation which it promulgates or administers, as well as other laws it is tasked to implement/enforce.

2. Determine, fix and approve, after due notice and hearing, Transmission and Distribution Wheeling Charges, and Retail Rates through an ERC established and enforced rate setting methodology that will promote efficiency and nondiscrimination.

3. Approve applications for, issue, grant, revoke, review and modify Certificates of Public Convenience and Necessity (CPCN), Certificates of Compliance (COC), as well as licenses and/or permits of electric industry participants.

4. Promulgate and enforce a national Grid Code and a Distribution Code that shall include performance standards and the minimum financial capability standards and other terms and conditions for access to and use of the transmission and distribution facilities.

5. Enforce the rules and regulations governing the operations of (WESM) and the activities of the WESM operator and other WESM participants, for the purpose of ensuring greater supply and rational pricing of electricity.

6. Ensure that NPC and distribution utilities functionally and structurally unbundle their respective business activities and rates; determine the level of cross subsidies in the existing retail rates until the same is removed and thereafter, ensure that the charges of National Transmission Corporation (TransCo) or any distribution utility bear no cross subsidies between grids, within grids, or between classes of customers, except as provided by law.

7. Set a Lifeline Rate for the Marginalized End-users.

8. Promulgate rules and regulations prescribing the qualifications of Suppliers which shall include, among other things, their technical and financial capability and credit worthiness.

9. Determine the electricity End-Users comprising the Contestable and Captive Markets.

10. Verify the reasonable amounts and determine the manner and duration for the full recovery of stranded debts and stranded contract costs of NPC and the distribution utilities.

11. Handle consumer complaints and ensure promotion of consumer interests.

12. Act on applications for cost recovery and return on Demand Side Management (DSM) projects.

13. Fix user fees to be charged by TransCo for ancillary services to all electric power industry participants or self-generating entities connected to the Grid.

14. Review power purchase contracts between IPPs and NPC, including the distribution utilities.

15. Monitor and take measures to discourage/penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

16. Review and approve the terms and conditions of service of the Transco or any distribution utility and any changes therein.

17. Determine, fix and approve a universal charge to be imposed on all electricity end-users.

18. Test, calibrate and seal electric watt-hour meters.

19. Implement pertinent provisions of R.A. No. 7832 or the Anti-electricity and Electric Transmission Lines/Materials Pilferage Act of 1994.

20. Fix and regulate the rate schedule or prices of piped gas to be charged by the ERC.

Privatization of NAPOCOR and creation of PSALM

Another major reform under the EPIRA is the privatization of the NPC which involves the sale of the state owned power firm's generation and transmission assets (*e.g.*, power plants and transmission facilities) to private investors. Government-owned NPC had been solely responsible for the total electrification of the country since 1936.

Under the EPIRA, the NPC generation and transmission facilities, real estate properties and other disposable assets, as well as its power supply contracts with IPPs were privatized. Two weeks after the EPIRA was signed into law, the Power Sector Assets and Liabilities Management Corporation (PSALM), a government-owned and controlled corporation was formed to help NPC sell its assets to private companies. The exact manner and mode by which these assets would be sold would be determined by the PSALM. The PSALM was tasked to manage the orderly sale, disposition and privatization of the NPC, with the objective of liquidating all of the NPC's financial obligations and stranded contract costs in an optimal manner.

Birth of the National Grid Corporation of the Philippines

Another entity created by the EPIRA was the TransCo, which assume all of the electricity transmission functions of the NPC. In December 2007, TransCo was privatized through a management concession agreement. The management and operation of TransCo nationwide power transmission system was turned over to a NGCP, a consortium composed of Monte Oro Grid Resources Corporation, Calaca High Power Corporation and the State Grid Corporation of China. The approved franchise of NGCP is effective for fifty (50) years.

Thus, with the creation of the PSALM and NGCP to which the assets and debts of the NPC were transferred, the NPC was left with only the operation of Small Power Utilities Group or SPUG – a functional unit of the NPC created to pursue missionary electrification function.

Open Access to Transmission and Distribution Network

The EPIRA mandates the implementation of open access to transmission and distribution network/facilities so that the benefits of competition in the generation/supply sector would trickle down to the consumers. The implementation of the retail open access opens the supply chain. Retail open access is a condition wherein consumers (*i.e.*, industries, commercial establishments and residential users) exercise freedom to choose their respective supplier of electricity which could offer the most reasonable cost and provide the most efficient service. The supplier of electricity could be a power generator, distribution utility or an independent aggregator (*i.e.*, an electric industry participant that adds together individual power requirements into a size large enough to enable them to shop for a best deal in the power market) that can directly transact business with any customer or consumer. In other words, the ultimate objective of the open access reform is to provide consumer satisfaction through customer choice and empowerment.

The EPIRA prescribes certain conditions prior to the implementation of open access reforms, namely: (i) establishment of the WESM, (ii) approval of unbundled transmission and distribution wheeling charges, (iii) initial implementation of the cross subsidy removal scheme, (iv) privatization of at least 70% of the total generating assets of the NPC in Luzon and Visayas, and (v) transfer of the management and control of at least 70% of the total energy output of power plants under contract with the NPC to the IPP administrators.

Following is the status of the conditions to open access systems:

	EPIRA Requirement	Status
1	Establishment of the WESM	Completed
2	Approval of unbundled transmission & distribution wheeling charges	Completed
3	Initial implementation of the cross subsidy removal scheme	Completed
4	Privatization of at least 70% of the total generating asset capacity of NPC in Luzon	Completed
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

With the passage of the EPIRA, there would be (i) higher levels of environmental, health and safety standards where noncomplying companies would be subject to corresponding fines and penalties, (ii) there would be competition between and among generating companies where prices would be market driven and competitive, and (iii) there would be unbundling of electricity tariff which includes the itemization and segregation of various components of electricity tariffs to make the rates more transparent.

Wholesale Electricity Spot Market (WESM)

The EPIRA provided for the creation of the WESM, a trading platform where electricity generated by power producers are centrally coordinated and traded like any other commodity in a market of goods. The objective is to provide a venue for free and fair trade of, and investment in, the electricity market for and by generators, distributors and suppliers. The WESM is implemented by a market operator, an autonomous group constituted by the DOE with equitable representation from electric power industry participants.

The DOE formulated the WESM rules, which provide for the procedures for (i) establishing the merit order dispatch instruction for each time period, (ii) determining the market clearing price for each time period, (iii) administering the market, and (iv) prescribing guidelines for market operation in case of system emergencies.

Distribution utilities may enter into bilateral power supply contracts. However, for the first five (5) years from the establishment of the WESM, no distribution utility may source more than 90% of its total demand from bilateral power supply contracts. This is in keeping with the objective of promoting true market competition, and to prevent harmful monopoly and market power abuse.

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 (2).

On November 18, 2003, the DOE established the (PEMC) as a non-stock, nonprofit corporation. PEMC's membership is comprised of an equitable representation of electricity industry participants and chaired by the DOE 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 Luzon operations on June 26, 2006 of which TA has been actively participating as a wholesale aggregator since November 2006, and TA Power as a wholesale generator since October 2006. The commercial operations of the WESM in the Visayas commenced last December 26, 2010 wherein TA also participates, through its Guimaras power plant, as a wholesale generator since April 2011.

DOE Philippine Energy Plan 2009-2030

The thrusts and objectives of the country's national energy policy are clearly articulated in the 2009-2030 Philippine Energy Plan (PEP) prepared by the DOE. The threefold policy thrusts of the PEP are (i) ensure energy security, (ii) pursue effective implementation of energy sector reforms, and (iii) implement social mobilization and cross-sector monitoring mechanism. For the Philippines to achieve these objectives, the following policy reform measures have to be implemented effectively:

1. Ensure energy security

    a. Accelerate the exploration and development of oil, gas, and coal resources

    b. Intensify development and utilization of renewable and environment-friendly alternative energy resources / technologies

    c. Enhance energy efficiency and conservation

    d. Attain nationwide electrification

    e. Put in place long-term reliable power supply

    f. Improve transmission and distribution systems

    g. Secure vital energy infrastructure and facilities

    h. Maintain a competitive energy investment climate

2. Pursue effective implementation of energy sector reforms

    a. Monitor the implementation of, and if, necessary, recommend amendments to existing energy laws

    b. Promote an efficient, competitive, transparent, and reliable energy sector

    c. Advocate the passage of new and necessary laws

3. Implement social mobilization and cross sector monitoring mechanism

    a. Expand reach through information, education, and communication

    b. Establish cross-sector monitoring mechanism in cooperation with other national government agencies, local government units (LGUs), non-government organizations (NGOs), and other local and international organizations

    c. Promote good governance

Considering the challenges posed by climate change on the global economy, the development of renewable energy has gained prominence in recent years. The PEP targets to increase installed capacity of renewable energy from 5,390MW in 2009 to 12,381MW by 2030 or an average increase of 4.0% per annum. Wind energy is projected to post the largest increase in installed capacity at 17.7% per annum to reach 1,018MW by 2030. Solar and biomass are likewise projected to register double-digit growth rates of 12.6% and 11.5%, respectively. Despite the robust growth projections for these three (3) emerging energy resources, hydropower, and geothermal will still account for a combined 88% of total installed capacity of the renewable energy sector by 2030.

Measurable Targets for the Renewable Energy Sector, Philippine Energy Plan, 2009-2030

Cumulative Installed Capacity (MW)	2015	2020	2025	2030
Hydropower	4,434	6,432	6,615	7,534
Geothermal	2,382	3,037	3,177	3,447
Wind	199	903	953	1,018
Solar	12	36	61	85
Biomass[1]	94			297
TOTAL	7,121	10,408	10,806	12,381

[1] There is an additional indicative capacity of 240.8MW for biomass. However, no data was provided as to what year the indicative capacities would come in.

The Renewable Energy Act of 2008

On December 16, 2008, then President Gloria Macapagal-Arroyo signed into law Republic Act No. 9513, also known as the Renewable Energy Act of 2008 (the RE Law"). The RE Law, which took effect on January 31, 2009, aims to accelerate the development and exploration of renewable energy resources in the country such as wind, hydro and geothermal energy sources to achieve energy self-reliance and independence. It also aims 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.

With the RE Law, the country is envisioned to aggressively develop resources such as solar, biomass, geothermal, hydropower, wind, and ocean energy technologies. The said law is also expected to mitigate the negative effects of climate change. The target is to make the Philippines 60% energy self-sufficient by 2010.

Specifically, the law provides prospective proponents in renewable energy with the following benefits and advantages:

1. Market

  a. Renewable portfolio market – all registered suppliers of electricity will have to source a certain percentage of their supply from eligible renewable energy sources
  b. Renewable energy market – refers to the market (to be incorporated in the (WESM)) where the trading of renewable energy certificates to an amount generated from renewable energy resources is made;
  c. Green option – provides end-users with the option to choose renewable energy resources as their sources of energy; also allows end-users to directly contract from renewable energy facilities their energy requirements distributed through their utilities; and
  d. Net metering for renewable energy – allows a user of renewable energy technology (e.g., solar) to sell back to a utility at the latter's retail price any excess in generation from the house electricity consumption.

2. Pricing mechanism through a Feed-In-Tariff (FIT) system
  a. Allows a fixed price of electricity from renewable energy sources for twelve (12) years, to be determined by the Energy Regulatory Commission (ERC),in consultation with the

National Renewable Energy Board (NREB) within one (1) year upon the effectivity of the law, and priority purchase, transmission, and payment from the national grid; and

b. Mandated for electricity produced from wind, solar, ocean, run-of-river hydropower, and biomass.

3. Access to the grid through transmission and distribution system development

a) Requires the Transmission Corporation and distribution utilities (DUs) to include required connection facilities for renewable energy-based projects in the Transmission and Distribution Plans, subject to the approval of the DOE; and

b) Connection facilities of renewable energy plants, including the extension of transmission and distribution lines, shall be subject only to ancillary services covering such connections.

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, 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 ten (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

On July 27, 2012, the (ERC) approved the initial FITs that shall apply to generation from Run-of-River Hydro, Biomass, Wind, and Solar. The said FIT rates are as follows: ₱5.90/kwh for Run-of-River Hydro, ₱6.63/kwh for Biomass, ₱8.53/kwh for Wind and ₱9.68/kwh for Solar. The ERC, however, deferred finalizing the FIT for Ocean Thermal Energy Conversion (OTEC) Resource for further study and data gathering. The decision came after a series of public hearings which ended in March 2012, on the petition of the (NREB) for the setting of the FITs.

Under the RE 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, but only upon successful completion and commissioning of the Project. The Project will compete with at least three (3) other wind power projects for the 200 MW allocated by the DOE to wind projects.

c. 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 at the start of their commercial operations, but with proper approval from the DOE. The ERC shall provide the mechanism for the recovery of the cost of these connection facilities.

d. 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 of the renewable energy developer during the first three (3) years from start of commercial operation shall be carried over for the next seven (7) consecutive taxable years immediately following the year of such loss;
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.

National Renewable Energy Board (NREB) and the Renewable Energy Management Bureau (REMB)

For the purpose of promoting the development of renewable energy resources, two new government entities were created under the R.A 9513 or the Renewable Energy Law – (NREB) and the Renewable Energy Management Bureau (REMB).

NREB will serve as the recommending body on renewable energy policies and action plans for implementation by the DOE. As provided under Section 27 of the RE Law, the powers and functions of the NREB are as follows:

1. Evaluate and recommend to the DOE the mandated RPS and minimum RE generation capacities in off-grid areas, as it deems appropriate;
2. Recommend specific actions to facilitate the implementation of the National Renewable Energy Program (NREP) to be executed by the DOE and other appropriate agencies of government, and to ensure that there will be no overlapping and redundant functions within the national government department and agencies concerned;
3. Monitor and review the implementation of the NREP, including compliance with the RPS and minimum RE generation capacities in off grid areas;
4. Oversee and monitor the utilization of the Renewable Energy Trust Fund created pursuant to Section 28 of the RE Law and administered by the DOE; and
5. Perform such other functions, as may be necessary, to attain the objectives of the RE Law.

The NREB shall be composed of a Chairman and one representative from the DOE, Department of Trade and Industry (DTI), (DENR, (NPC), and NGCP. Philippine National Oil Company (PNOC) and Philippine Electricity Market Corporation (PEMC) shall be designated by their respective secretaries to the NREB on a permanent basis. The Board shall also have one representative from the following sectors: (1) renewable energy developers, (2) government financial institutions, (3) private distribution utilities, (4) electric cooperatives, (5) electricity suppliers, and (6) nongovernment organizations (NGOs), duly endorsed by their respective industry associations and all to be appointed by the President of the Republic of the Philippines.

On the other hand, REMB was created for the purpose of implementing the provisions of the Renewable Energy Law. The REMB shall replace the Energy Utilization Management Bureau under the DOE.

The power and functions of the REMB are as follows:

1. Implement policies, plans and programs related to the accelerated development, transformation, utilization and commercialization of renewable energy resources and technologies;
2. Develop and maintain a centralized, comprehensive and unified data and information base on renewable energy resources to ensure the efficient evaluation, analysis, and dissemination of

data and information on renewable energy resources, development, utilization, demand and technology application;

3. Promote the commercialization / application of renewable energy resources including new and emerging technologies for efficient and economical transformation, conversion, processing, marketing and distribution to end users;
4. Conduct technical research, socioeconomic and environment impact studies of renewable energy projects for the development of sustainable renewable energy systems;
5. Supervise and monitor activities of government and private companies and entities on renewable energy resources development and utilization to ensure compliance with existing rules, regulations, guidelines and standards;
6. Provide information, consultation and technical training and advisory services to developers, practitioners and entities involved in renewable energy technology and develop renewable energy technology development strategies; and
7. Perform other functions that may be necessary for the effective implementation of the RE Law and the accelerated development and utilization of renewable energy resources in the country.

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 R.A. 8749 or the Clean Air Act and Republic Act 9275 or the Philippine Clean Water Act, address, among other things, air emissions, wastewater discharges, 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 expect to continue to incur, operating costs to comply with such laws and regulations. In addition, TA and its subsidiaries have made and expect to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations.

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.

Risk Factors

Risks Related to the 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 in a highly technical and complex system. Daily operations require regular maintenance and will inevitably need replacement of parts. Though the Company strictly follows the recommended maintenance schedules for the machinery, there may be unforeseen or emergency breakdowns that may cause full or partial plant shutdowns that may, consequently, 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. In case of breakdown of one engine, the other units may not necessarily affected, thereby sustaining the plant’s operation and power delivery.

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 parts of the machineries. Any delay in the delivery or availability of these parts may also cause delays in the operations of the machinery under repair, thereby extending down time and increasing opportunity losses.

The Company has diverse sources of spare parts within and outside the country. It also continuously monitors market prices from various sources other than its own regular suppliers to identify alternate sources of spare parts and materials. The plant also maintains certain level of inventory of critical parts to make it readily available in times of emergency replacements.

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

Power must be transported from the generation source through transmission lines to reach the distribution utilities and consumers. The Company supplies power to Holcim's cement plant, exposing the Company to natural or manmade 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 cement 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 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 CIPP II 21 MW plant to provide peaking and backup power in that region.

Disruptions to the supply of fuel and coal 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.

Any delay in fuel deliveries or disruptions in fuel supply may result in unplanned plant shutdowns. To avoid such disruptions in fuel supply, the Company executes long-term contracts with fuel suppliers. In 2014, the Company purchased bunkerC fuel from Petron Corporation, one of the biggest oil supplier in the country, for its power generation business.

The Company ensures that its fuel suppliers will priority to 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 held liable for 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 has room for flexibility to purchase oil from others suppliers and to arrange the timely delivery of fuel.

SLTEC 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.

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

The Company faces risks due to foreign exchange rate fluctuations, especially as it affects fuel and coal 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 of the constant 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 holding cash and securities in Philippine pesos and limiting cash and securities in foreign currencies according to an approved currency exposure allocation scheme.

Foreign exchange risks are also managed by constantly monitoring 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 upfront cash payment for delivered products or rendered services. The Company must collect payments promptly from its customers to pay its obligations and finance its operations.

The Company's customers include cement firms Holcim and Lafarge, electric cooperatives QUEZELCO II and GUIMELCO, with which the Company has Electricity Supply Agreements, PEZA, 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 has the option to reduce power supply, cut off credit, or demand payment in advance to reduce exposure to collection risk and subsequent payment defaults.

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. In November and December of 2013, when prices of electricity in the WESM soared due to lack of supply, the Supreme Court issued a 60day Temporary Restraining Order (TRO) enjoining the MERALCO and 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 lack of supply or transmission grid failure.

Electricity trading with customers is executed through a bilateral contract with a predefined price. The volatility of the market spot price increases the risk of buying electricity with higher price than that of the price stipulated in the bilateral contract.

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 MGI's 20MW geothermal plant and up to 45MW from SemCalaca 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 as there is no certainty of finding commercial petroleum. Commercial deposits of petroleum lie deep under the surface 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 mere interpretation. This risk 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 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 modeling 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 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 exploration program is a function of risk capital at its disposal, the expenses required to finance the exploration and its chance of success. Given a program with high probability of success but requires large expenditure commitment, the Company's participation will depend on its 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.* If a project is assessed to have a high risk 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 a level where the risk is easily discernible and the potential rewards are 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 that those involved in the entry may not 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 to 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 negative 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 nonrated 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 and 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 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 adverse impact on the environment and may adversely affect its financial condition and results of operations.

The Company and its subsidiaries and affiliates are exposed to environmental risks that can affect the health, viability, and the condition of the environment. The risks may be caused by the release of pollutants to air, land or water, including wastes, emissions (e.g. fumes, smoke, etc.) and noise. Environmental damage can also be caused by irresponsible use of energy and natural resources which 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 that may constrain its access to petroleum and mineral reserves, and its production of electricity

The Company complies with all environmental regulations prescribed by the DENR. The Company also 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 secures insurance coverage 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 impact on, and role within, the society and the communities where it operates. It also faces complex issues as the communities 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 nonfinancial and nonoperational issues which improve the health, safety and environmental performance and risk management of the Company, and has positive effects on staff recruitment, retention and motivation, and in reputation enhancement. The Company works hand in hand with the host community, in providing medical outreach, jobs and education support.

The Company also recognizes that the prospects of gaining new commercial opportunities are enhanced by improving its reputation through Corporate Social Responsibility. This is 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 while generating attractive stakeholder values.

Intense competition in the industries the Company is involved in.

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 competitors with competitive advantage due to greater financial resources and more extensive operational experience, thus becoming 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 maintains very attractive liquidity and healthy credit ratios which put it in a unique position to execute its growth strategies. With an unleveraged balance sheet, a calibrated growth strategy necessary to compete should 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 less competitive than the coal, geothermal and natural gas facilities of its competitors. To reduce costs and improve 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 also developed 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.

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, opportunities to partner with competing firms were considered to spread the 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 Basic Energy, as well as local outfits such as Petro-Energy 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 antipollution 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 are credible, reliable and have proven track records. The Company also ensures 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, which may all lead 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 and could adversely affect its business and financial conditions. Finally, power generation facilities 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 of these strategies is dependent on the Company's ability to assess and acquire potential partners, and to close financing and acquisition transactions.

The Company is planning to further grow its power portfolio through (i) a second 135MW unit of the clean coal-fired power plant of SLTEC, and (ii) possible investments in other power project opportunities, including privatizations of NAPOCOR and PSALM.

This growth strategy will require greater allocation of management resources separate 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 is no assurance that, in connection with its expansion, the Company will not experience capital constraints, construction delays and operational difficulties in new locations. It should also train new personnel to manage the expanded business. A failure to effectively adapt to the rapid growth could result in losses or development costs that will not be recovered immediately. 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 due diligence investigation of the new project it pursues. Programs that are deemed 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 the capital requirements to carry out its growth strategies in 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 constructing the second 135MW unit of the clean Coal-fired power plant in Calaca, Batangas which is expected to be completed in the second half of 2015

There is a possibility that actual construction and operating costs of the project will not exact to the amount indicated in the feasibility study. 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 engages 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 RE 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 assured of payment for electricity generated via the Feed-in-Tariff Scheme for a period of twenty (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, it will not be paid the Feed-InTariff. It will be able to sell power, however, at WESM rates. Returns will decrease 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. 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 characteristic.

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. In the past, the Philippines experienced periods of slow or negative growth, high inflation, and 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 likely cause economic conditions in the Philippines to deteriorate. There can be no assurance that current or future Governments will adopt economic policies conducive to sustain 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 may result in inconsistent or sudden changes in the economy, regulations and policies that affect the Company's 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 activities. The occurrence of terrorist attacks at one of the Company's generation assets could have a significant negative impact on the Company's business. There is no assurance that the Philippines will not be subject to 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 currently has a BBB Stable credit rating from major international credit rating agency Moody's S&P and Fitch. While these rating agencies have assigned positive or stable outlooks to the Philippines' sovereign rating, there is no assurance that the Philippine government will sustain the ratings in the future. Any 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.

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.

Properties

Trans-Asia owns the following fixed assets:

In Thounsand

Properties	Location	Amount
Land and Land Improvements	Bacnotan, La Union and Norzagaray, Bulacan	₱229,851
Building and improvements	Makati City, Guimaras and Norzagaray, Bulacan	191,101
Machinery and equipment	Guimaras, Norzagaray, Bulacan and Bacnotan La Union	6,945,829
Transportation equipment	Makati City, Guimaras Norzagaray Bulacan and Bacnotan La Union	23,045
Mining and other equipment	Makati City, Guimaras and Bacnotan La Union	28,157
Office furniture, equipment and others	Makati City, Guimaras, Bacnotan La Union and Norzagaray, Bulacan	42,132
Total		**₱7,460,075**
Less: Accumulated depletion, depreciation and amortization		**597,016**
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.

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

CIPP operates a 21 MW Bunker C-fired power plant in Bacnotan, La Union.

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

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.

Market for Registrant's Common Equity and Related Stockholders' 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	09.24%
3	Philippine Investment Management Consultants, Inc.	Filipino	201,850,613	04.15%
4	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – NonFilipino	Foreign	170,843,065	03.51%
5	Emar Corporation	Filipino	37,283,937	00.77%
6	Francisco Genaro Ozamiz Lon	Filipino	16,600,000	00.34%
7	Francisco L. Viray*	Filipino	5,478,188	00.11%
8	Phil. Remnants Co., Inc.	Filipino	2,801,218	00.06%
9	Peter Mar or Annabelle C. Mar	Filipino	2,040,000	00.04%
10	Ramon R. Del Rosario, Jr.	Filipino	1,783,038	00.04%
11	Victor Juan Del Rosario	Filipino	1,625,639	00.03%
12	Renato O. Labasan	Filipino	1,520,000	00.03%
13	Teresita A. Dela Cruz	Filipino	1,502,221	00.03%
14	Belek, Inc.	Filipino	1,484,002	00.03%
15	Rizalino G. Santos	Filipino	1,437,001	00.03%
16	Joseph D. Ong	Filipino	1,397,663	00.03%
17	William How &/OR Benito How	Chinese	1,333,457	00.03%
18	Alexander J. Tanchan &/OR Dolores U. Tanchan	Filipino	1,072,867	00.02%
19	Benjamin S. Austria	Filipino	1,022,982	00.02%
20	Victor J. Del Rosario or ma. Rita S. Del Rosario	Filipino	954,603	00.02%

*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.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors' nominees and executive officers of Trans-Asia Oil and Energy Development Corporation as of December 31, 2014

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Held	Nature	% of Class
Common	Oscar J. Hilado	Filipino	4,500,000	Direct	0.09%
Common	Ramon R. del Rosario, Jr.	Filipino	16,633,513	Direct	0.34%
			26,704,008	Indirect	
Common	Francisco L. Viray	Filipino	9,429,730	Direct	0.19%
Common	Roberto M. Laviña	Filipino	3,069,887	Direct	0.06%

Common	Guillermo D. Luchangco	Filipino	1	Direct	0.00%
Common	Magdaleno B. Albarracin,	Filipino	10,307,926	Direct	0.21%
Common	Raymundo O. Feliciano, Sr.	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	Indirect	
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%
	Total Directors & Officers		**112,403,233**		**1.20%**

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**
16Mar09	Cash	0.04 per share	30Mar09	27Apr09
24Mar10	Cash	0.04 per share	3May10	28May10
21Mar11	Cash	0.04 per share	11Apr11	4May11
16Feb12	Cash	0.04 per share	1Mar12	27Mar12
21Mar13	Cash	0.04 per share	8Apr13	6May13
22Jul13	Property	2.55 per 100 shares	5Aug13	Subject to SEC Approval
22Jul13	Cash	0.013/.0385 per share	5Aug13	Subject to SEC Approval
24Mar14	Cash	0.04 per share	7Apr14	7May14

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 subjects 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.

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 21, 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 1,627,253,238 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 December 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.

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

PLAN OF OPERATION

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:

	Years Ended December 31		Increase (Decrease)	
In thousands	**2014**	**2013**	**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 billion 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.

	Years Ended December 31		Increase (Decrease)	
In thousands	**2014**	**2013**	**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.

	Years Ended December 31		Increase (Decrease)	
In thousands	**2014**	**2013**	**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		622	(218)	(35%)

	404			
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.

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- 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.

as compared to a 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 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

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.

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

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

Current Ratio and Acid Test Ratio

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

Debt to equity ratio

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

Asset to equity ratio

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

Interest coverage ratio

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

Net debt to equity ratio

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

Return on equity

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

Return on assets

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

Asset turnover

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

During the Calendar Year 2013:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining exploration and power generation activities arising from management of the Company's funds. The exploration costs are shown as "deferred exploration costs" in the consolidated balance sheets.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements other than those already disclosed in the Consolidated Financial Statements.
- The Company became the 100% owner of TA Power on January 1, 2013.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date except those already disclosed in the Consolidated Financial Statements.
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current year except for the Supreme Court's issuance of a 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

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

Block A

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

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

Under the Farm-In Agreement dated July 11, 2011, Pitkin shall carry your Company and the other 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.

<u>SC 14 Block B1 (Offshore Northwest Palawan)</u>

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.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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.

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

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

ORIGINAL COPY

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, December 31, 2013 and January 1, 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

(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

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Book No. 1
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

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

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

1 1 t h F l o o r , P H I N M A P l a z a , 3 9 P
l a z a D r i v e , R o c k w e l l C e n t e r , M
a k a t i C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A C F S		

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.

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

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**

	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
	Attributable to the Equity Holders of the Parent Company											
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.

<u>Interest in Joint Arrangements</u>
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.

<u>Investments in Associates and Interests in Joint Ventures</u>
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.

<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 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.

<u>Leases</u>
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.

Earnings Per Share (EPS)
Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

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.

Estimates
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

	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	**₱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

	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	₱2,629,331	₱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.

MPSA 252-2007-V (Camarines Norte)
The Office of the President denied the Company's Appeal for reversal of the decision of the Department of Environment and Natural Resources (DENR) excising portions of the MPSA covered by alleged mineral patents of a third party. Subsequently, the Company elevated the case to the Court of Appeals.

The Company signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 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:

<u>Stock Grants</u>
The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

<u>Stock Options</u>
Following are the specific terms of the Company's 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

- o 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
- o For total foreign currencies: maximum 50% of total portfolio
- o 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).

	Increase (Decrease) in	**Effect on Profit Before Tax**			
Year	**Foreign Exchange Rate**	**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 Impaired	Past Due Individually Impaired	Total
	Class A	**Class B**	**Class C**			
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 Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
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:

TAREC
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.

TA Oil
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							
TAREC							
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**
TA Oil							
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.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Trans-Asia Oil and Energy Development Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the 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

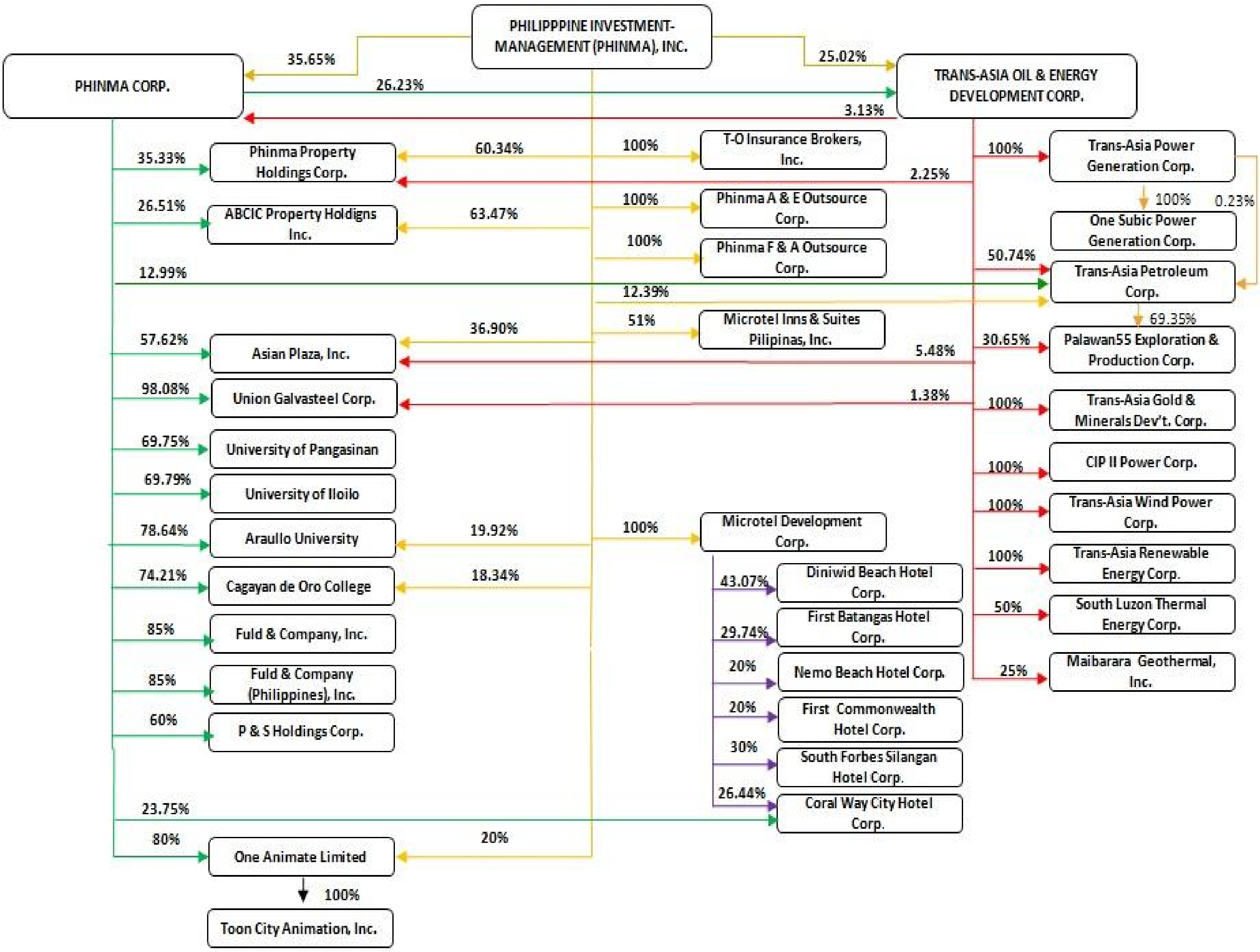
**Standards and interpretations which will become effective subsequent to December 31, 2014.*

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

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

SEC Registration No.	0000039274
Company Name	TRANS-ASIA OIL & ENERGY DEV. CORP
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	101132015001198
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	January 05, 2015
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
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 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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Building a better working world

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1226 Makati City
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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 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.

Marydith C. Miguel

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January 18, 2013, valid until January 17, 2016
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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 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

Receiving Copy

COVER SHEET

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S.E.C. Registration Number

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

(Company's Full Name)

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

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

CECILLE ARENILLO

Contact Person

8700388

Company Telephone Number

12 31

Month Day

Calendar Year

2014 CERT OF IND DIRECTORS

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

I.C.T.D. S
APR 10 2014
12

April 8, 2014

SECURITIES AND EXCHANGE COMMISSION
Attention: Dir. Justina F. Callangan
Corporation and Finance Department
SEC Building
EDSA, Mandaluyong City

Gentlemen:

In compliance with the Commission's requirements for independent directors to submit a certification, under oath, that they possess the qualifications and none of the disqualifications as provided for in the Securities Regulation Code, we submit herewith the certifications of the following independent directors of Trans-Asia Oil and Energy Development Corporation for the year 2014:

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

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

Thank you.

Very truly yours,

CECILLE B. ARENILLO
Vice President-Compliance Officer

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

CERTIFICATION OF INDEPENDENT DIRECTORS

I, David Lucas Borras Balangue (a.k.a. David L. Balangue), Filipino, of legal age and a resident of 32 Limasawa Street, Magallanes Village, Makati City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Trans-Asia Oil and Energy Development Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Makati Commercial Estate Association, Inc.	President/Chairman	May 2010 - Present
Makati Parking Authority	President	2012 - Present
The Manufacturers Life Insurance Co. (Phils), Inc.	Non-executive Director	2011 - Present
Ayala Land Inc.	Consultant	2010 - Present
Trans-Asia Power Generation Co.	Independent Director	2013 - Present
Unistar Credit and Finance Corp.	Independent Director	2012 - Present
Maybank ATR Kim Eng Capital Partners, Inc.	Independent Director	2013-Present
Roxas Holdings, Inc.	Independent Director	2012 - Present
Manulife Financial Plans, Inc.	Non-executive Director	February 2011-Present
OmniPay, Inc.	Independent Director	2014
National Movement for Free Elections NAMFREL)	Co-vice Chairman	2011-Present
Halcyon TCMers, Inc. (a Family corporation)	President/Chairman	2003 - Present
Coalition Against Corruption	Chairman	2011-Present
Habitat For Humanity Philippines Foundation, Inc.	Trustee	2011-Present
Philippine Center for Population and Development	Trustee	2011-Present
Magallanes Village Association	Director	2012-Present
Manila Polo Club, Inc.	Director	2012-Present
San Vic Foundation for Livelihood, Inc.	Trustee	2013-Present
Philippine Financial Reporting Standards Council	Chairman	2010-Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Trans-Asia Oil and Energy Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Trans-Asia Oil and Energy Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of ____________________, at _________________.

David Lucas Borras Balangue
Affiant

SUBSCRIBED AND SWORN to before me this APR 07 2014 day of ________, 2014 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. EB9578760 issued at DFA-Manila on November 13, 2013.

Doc. No. 376;
Page No. 77;
Book No. 106;
Series of 2014.

MIGUEL ROMUALDO T. SANIDAD
Commission No. M-153
Notary Public for Makati City
Until December 31, 2015
11/F Plaza Plaza, Rockwell Center, Makati
Roll No. 33861
PTR No. 4232511; 1/6/14; Makati City
IBP No. 952568; 1/7/14; Makati Chapter

CERTIFICATION OF INDEPENDENT DIRECTORS

I, RICARDO V. CAMUA, Filipino, of legal age and a resident of 83 Dona Ines Street, Alabang Hills Village, Muntinlupa City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Trans-Asia Oil and Energy Development Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Manila Cordage Company	President/CEO	2000 to 09-30-09
Manco Synthetics Inc.	President/CEO	2007 to 09-30-09
Manco Insurance Agents, Inc.	VP/Director	2009 to 09-30-09
Tupperware Realty Corp.	VP/Director	2008 to 09-30-09
Manco Farms, Inc.	Director	1986 to 09-30-09
Filmag Holdings, Inc.	Director	2005 to 2012
RVCCI	President	2008 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Trans-Asia Oil and Energy Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Trans-Asia Oil and Energy Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 27th day of March, at Muntinlupa City.

RICARDO V. CAMUA
Affiant

SUBSCRIBED AND SWORN to before me this APR 07 2014 day of 2014 2014 at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 12761049 issued at Muntinlupa City on Feb 28, 2014.

Doc. No. 374;
Page No. 76;
Book No. 106;
Series of 2014.

MIGUEL ROMUALDO T. SANIDAD
Commission No. M-153
Notary Public for Makati City
Until December 31, 2015
11/F Phinma Plaza, Rockwell Center, Makati
Roll No. 33861
PTR No. 4232511; 1/6/14; Makati City
IBP No. 952568; 1/7/14; Makati Chapter

CERTIFICATION OF INDEPENDENT DIRECTORS

I, GUILLERMO D. LUCHANGCO , Filipino, of legal age with office address of 17th Floor, Robinson's Summit Centre, 6783 Ayala Avenue, Makati City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Trans Asia Oil and Energy Development Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Investment & Capital Corp of the Philippines	Chairman & CEO	since March 1987
ICCP Holdings Corp.	Chairman & CEO	since April 2007
ICCP Managers, Inc.	Chairman & President	since October 1987
Regatta Properties, Inc.	Chairman & CEO	since October 1993
Pueblo de Oro Development Corp.	Chairman & CEO	since February 1995
RFM-Science Park of the Philippines, Inc	Chairman & CEO	since August 1997
Science Park of the Philippines, Inc.	Chairman & CEO	since March 1989
Cebu Light Industrial Park, Inc.	Chairman & CEO	since December 1994
ICCP Land Management, Inc	Chairman & CEO	since November 1988
ICCP Venture Partners, Inc	Chairman & CEO	since September 1989
ICCP Venture Partners, Inc.- U.S.	Chairman & CEO	since December 2004
Tech Venture Partners Ltd.	Chairman & CEO	since November 2004
Tech Venture Partners III Ltd	Chairman & CEO	since October 2004
Pacific Synergies Partners IV Ltd.	Chairman & CEO	since March 2008
Beacon Property Ventures, Inc	Chairman & President	since November 2004
Manila Exposition Complex, Inc	Chairman	since March 1995
ICCP Group Foundation, Inc.	Chairman	since April 1997
Ventrix Holdings Corporation	Chairman & President	since 1991
Pueblo de Oro Golf & Country Club, Inc.	Director	since April 1999
Globe Telecom, Inc	Director	since September 2001
Ionics, Inc.	Director	since 1991
Ionics, Circuits, Ltd	Director	since 2000
Ionics EMS, Inc.	Director	since 1999
Ionics EMS, Ltd.	Director	since 2004
Ionics Properties, Inc.	Director	since 1997
Iomni Precision, Inc.	Director	since 2000
Maxima Trading	Director	since 1992
Phinma Corporation	Director	since April 2005
Fuld & Company	Director	since May 2011
Roxas & Company, Inc.	Director	since November 2009
Synertronix, Inc.	Director	since 1995
Inactive Companies: Palawan Agro-Development Corp. Palawan Integrated Development Corp. Optima Agri-Industrial Corp. San Isidro Mining Corp.		

As of April 1, 2014

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Trans Asia Oil and Energy Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Trans Asia Oil and Energy Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 7th day of April, 2014 at Makati City.

Guchangco

GUILLERMO D. LUCHANGCO
Affiant

SUBSCRIBED AND SWORN to before me this APR 07 2014 day of ____ 2014 at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 10861308 issued at Makati City on January 20, 2014.

Doc. No. 373;
Page No. 76;
Book No. 166;
Series of 2014

MIGUEL ROMUALDO T. SANIDAD
Commission No. M-152
Notary Public for Makati City
Until December 31, 2015
11/F Phinma Plaza, Rockwell Center, Makati
Roll No. 33851
PTR No. 4232511; 1/6/14; Makati City
IBP No. 952568; 1/7/14; Makati Chapter

CERTIFICATION OF INDEPENDENT DIRECTORS

I, RAYMUNDO O. FELICIANO, Filipino, of legal age and a resident of 1167 Tamarind Road, Dasmariñas Village, Makati City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Trans-Asia Oil and Energy Development Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ROF Management & Dev. Corporation	Chairman	1978-2014
BU Properties Corporation	Chairman	1994-2014
Bates Licensing & Entertainment Inc.	Chairman	2000-2014
Tuesday Licensing	Chairman	2003-2014

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Trans-Asia Oil and Energy Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Trans-Asia Oil and Energy Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 3rd day of April 2014, at Makati City.

R O Feliciano

Raymundo O. Feliciano
Affiant

SUBSCRIBED AND SWORN to before me this 3rd day of April, 2014 at Makati City, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 02253496 issued at Makati City on February 11,2014.

Doc. No. 374;
Page No. 76;
Book No. 106;
Series of 2014.

MIGUEL ROMUALDO T. SANIDAD
Commission No. M-153
Notary Public for Makati City
Until December 31, 2015
11/F Pinaka Plaza, Rockwell Center, Makati
Roll No. 33861
PTR No. 4232511; 1/6/14; Makati City
IBP No. 952568; 1/7/14; Makati Chapter

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

March 5, 2015

SECURITIES AND EXCHANGE COMMISSION
Markets and Securities Regulation Department
SEC Building, EDSA
Greenhills, Mandaluyong City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director

Re: **TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION**

Gentlemen:

This is to certify that none of the present Directors and nominees for Directors of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") are public officers or employees, whether appointed or elected to any governmental body or agency of the Republic of the Philippines.

Mr. Ramon R. del Rosario, Jr. is a member of the Board of Trustees and Chairman of the National Museum of the Philippines (the "National Museum") as a representative from the private sector, a position expressly provided under Sections 8 and 9 of Republic Act No. 8492 or the National Museum Act of 1998. As such, Mr. del Rosario does not receive any salary, allowances or honoraria from the government.

Since Mr. del Rosario is a representative from the private sector, it is already presumed under the law that he is holding office in one form or another in a private enterprise. Thus, no consent from the National Museum should be necessary or required in order to be appointed as a Director of Trans-Asia since the law itself gives such consent by necessary implication.

Very truly yours,

ALAN T. ASCALON
AVP-Legal/Assistant Corporate Secretary