COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

Company Name

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

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

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

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
3,244	03/24	

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2015**

2. Commission identification number **39274**

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

4. Exact name of issuer as specified in its charter
   TRANS-ASIA OIL & ENERGY DEVELOPMENT CORPORATION

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

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

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

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

9. Former name, former address and former fiscal year, if changed since last report

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

    Number of shares of common stock outstanding **4,865,146,089 shares**
    Amount of debt outstanding **Php 6.7 billion**

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

    Yes [X] No [ ]

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

12. Indicate by check mark whether the registrant:

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

    Yes [X] No [ ]

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

    Yes [X] No [ ]

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to attached ANNEX "A."

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

Please refer to attached ANNEX "B."

PART 11 – OTHER INFORMATION

Please refer to attached ANNEX "C"

Signatures

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 13, 2015.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

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

MARIEJO P. BAUTISTA
SVP – Finance and Controller

ANNEX A

Trans-Asia Oil and Energy Development Corporation and Subsidiaries

Consolidated Financial Statements
March 31, 2015 and December 31, 2014
and The First Quarter Ended March 31, 2015 and 2014

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 31)	**₱360,298**	₱541,571
Investments held for trading (Notes 7 and 31)	**921,542**	377,793
Receivables (Notes 8 and 31)	**3,051,772**	3,055,022
Fuel and spare parts - at cost (Note 9)	**355,659**	307,097
Other current assets (Note 10)	**863,483**	840,315
Total Current Assets	**5,552,754**	5,121,798
Noncurrent Assets		
Property, plant and equipment (Note 11)	**6,805,934**	6,863,059
Investments in associates and interests in joint ventures (Note 12)	**3,765,450**	3,747,462
Available-for-sale investments (Notes 13 and 31)	**291,651**	268,598
Investment properties (Note 14)	**27,813**	28,302
Goodwill and other intangible assets (Note 15)	**436,416**	440,276
Deferred income tax assets - net (Note 26)	**31,531**	35,199
Other noncurrent assets	**108,973**	86,665
Total Noncurrent Assets	**11,467,768**	11,469,561
TOTAL ASSETS	**₱17,020,522**	₱16,591,359
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 27 and 31)	**₱2,817,504**	₱2,285,438
Income and withholding taxes payable	**39,096**	46,439
Due to stockholders (Notes 19 and 31)	**9,135**	9,135
Current portion of long-term loans (Note 17)	**43,557**	29,255
Total Current Liabilities	**2,909,292**	2,370,267
Noncurrent Liabilities		
Long-term loans - net of current portion (Note 17)	**6,717,638**	6,729,591
Pension and other employee benefits	**32,727**	28,652
Deferred income tax liabilities - net (Note 26)	**152,182**	158,459
Other noncurrent liabilities	**82,359**	82,268
Total Noncurrent Liabilities	**6,984,906**	6,998,970
Total Liabilities	**9,894,198**	9,369,237

(Forward)

	March 31, 2015	December 31, 2014
Equity		
Capital stock (Note 18)	**₱4,865,146**	₱4,865,146
Additional paid-in capital	**38,258**	38,258
Other equity reserve (Note 18)	**36,551**	35,991
Unrealized fair value gains on available-for-sale investments (Note 13)	**108,795**	74,515
Remeasurement losses on defined benefit plan	**(1,454)**	(1,454)
Accumulated share in other comprehensive income of a joint venture (Note 12)	**(370)**	215
Retained earnings (Note 18)	**1,999,057**	2,128,208
Treasury shares (Note 5)	**(28,793)**	(28,793)
Total equity attributable to equity holders of Parent Company	**7,017,190**	7,112,086
Non-controlling interests (Note 29)	**109,134**	110,036
Total Equity	**7,126,324**	7,222,122
TOTAL LIABILITIES AND EQUITY	**₱17,020,522**	₱16,591,359

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)

	For the Quarters Ended March 31	
	Jan – Mar 2015	Jan – Mar 2014
REVENUES		
Generation revenue	**₱432,947**	₱196,017
Trading revenue - net (Note 20)	**94,031**	261,548
Dividend income	**4,199**	5
Rental income (Note 14)	**1,106**	870
	532,283	458,440
COSTS AND EXPENSES		
Cost of power generation (Note 21)	**249,793**	147,572
General and administrative expenses (Notes 22, 23 and 24)	**97,853**	100,655
	347,646	248,227
OTHER INCOME (LOSS) - NET (Note 25)	**(106,999)**	(22,372)
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 12)	**(2,677)**	(7,665)
INCOME BEFORE INCOME TAX	**74,961**	180,176
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**11,873**	62,292
Deferred	**(1,465)**	8,098
	10,408	70,390
NET INCOME	**₱64,553**	₱109,786
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱65,455**	₱109,786
Non-controlling interests (Note 29)	**(902)**	–
	₱64,553	₱109,786
Basic/Diluted Earnings Per Share (Note 28)	**₱0.01**	₱0.02

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the Quarters Ended March 31	
	Jan – Mar 2015	Jan – Mar 2014
NET INCOME FOR THE YEAR	**₱64,553**	₱109,786
OTHER COMPREHENSIVE INCOME (LOSS)		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized fair value gains (losses) on available-for-sale investments - net of deferred income tax (Note 13)	**34,483**	2,672
Income tax effect	**(202)**	(360)
	34,281	2,312
Share in net other comprehensive loss of a joint venture - net of deferred income tax (Note 12)	**(585)**	(5,991)
	(585)	(5,991)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**33,696**	(3,679)
TOTAL COMPREHENSIVE INCOME	**₱98,249**	₱106,107
Total Comprehensive Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱99,151**	₱106,107
Non-controlling interests (Note 29)	**(902)**	–
	₱98,249	₱106,107

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FIRST QUARTERS ENDED MARCH 31, 2015 AND 2014

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserve (Note 18)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 13)	Remeasurement Losses on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 18)	Treasury Shares (Note 5)	Total	Non-controlling Interests (Note 29)	Total Equity
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**
Net income (loss)	–	–	–	–	–	–	**65,455**	–	**65,455**	**(902)**	**64,553**
Other comprehensive income (loss)	–	–	–	**34,280**	–	**(585)**	–	–	**33,695**	–	**33,695**
Total comprehensive income (loss)	–	–	–	**34,280**	–	**(585)**	**65,455**	–	**99,150**	**(902)**	**98,248**
Dividends declared (Note 18)	–	–	–	–	–	–	**(194,606)**	–	**(194,606)**	–	**(194,606)**
Equity-based compensation expense (Note 19)	–	–	**560**	–	–	–	–	–	**560**	–	**560**
	–	–	**560**	–	–	–	**(194,606)**	–	**(194,046)**	–	**(194,046)**
BALANCES AT MARCH 31, 2015	**₱4,865,146**	**₱38,258**	**₱36,551**	**₱108,795**	**(₱1,454)**	**(₱370)**	**₱1,999,057**	**(₱28,793)**	**₱7,017,190**	**₱109,134**	**₱7,126,324**
BALANCES AT DECEMBER 31, 2013	₱4,863,863	₱35,573	₱32,026	₱91,823	(₱4,225)	4,688	2,132,405	(₱28,793)	₱7,127,360	₱–	₱7,127,360
Net income (loss)	–	–	–	–	–	–	109,786	–	109,786	–	109,786
Other comprehensive income (loss)	–	–	–	2,312	–	(5,991)	–	–	(3,679)	–	(3,679)
Total comprehensive income (loss)	–	–	–	2,312	–	(5,991)	109,786	–	106,107	–	106,107
Share in expenses directly attributable to issuance of stocks of a joint venture (Note 12)	–	–	(4,116)	–	–	–	–	–	(4,116)	–	(4,116)
	–	–	(4,116)	–	–	–	–	–	(4,116)	–	(4,116)
BALANCES AT MARCH 31, 2014	₱4,863,863	₱35,573	₱27,910	₱94,135	(₱4,225)	(₱1,303)	₱2,242,191	(₱28,793)	7,229,351	₱–	₱7,229,351

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the Quarters Ended March 31	
	Jan – Mar 2015	Jan – Mar 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱74,961**	₱180,176
Adjustments for:		
Interest and other financial charges (Note 25)	**107,729**	18,891
Depreciation and amortization (Notes 11, 14, 21, and 22)	**95,984**	23,931
Loss (gain) on derivatives - net (Notes 25 and 31)	**(83)**	5,369
Equity-based compensation expense (Note 19)	**560**	–
Dividend income	**(4,199)**	(5)
Interest and other financial income (Note 25)	**(3,334)**	1,464
Equity in net losses of associates and joint ventures (Note 12)	**2,677**	7,665
Provisions for (reversals of):		
Doubtful accounts (Notes 8 and 25)	**–**	(6,694)
Unrealized foreign exchange loss – net	**87**	(94)
Loss (Gain) on sale of:		
Property and equipment (Note 25)	–	(1)
Assets held for sale	–	(88)
Operating income before working capital changes	**274,382**	230,614
Decrease (increase) in:		
Receivables	**88,960**	(282,594)
Fuel and spare parts - at cost	**(48,562)**	(125,816)
Other current assets	**113,975**	(508,633)
Increase (decrease) in accounts payable and other current liabilities	**338,981**	(179,522)
Net cash generated from (used in) operations	**767,736**	(865,951)
Income taxes paid	**(38,989)**	(150,135)
Net cash flows from (used in) operating activities	**728,747**	(1,016,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to (reductions in):		
Property and equipment (Note 11)	**(34,319)**	(519,584)
Investments held for trading (Note 7)	**(537,194)**	(189,115)
Interests in associates and joint ventures (Note 12)	**(21,250)**	(502,222)
Deferred exploration costs (Note 15)	**(187)**	(8,883)
Available-for-sale investments	**(38)**	(46)
Proceeds from:		
Sale of available-for-sale investments (Note 13)	**–**	256
Sale of property and equipment (Note 11)	**–**	1
Sale of short-term investments	**–**	339,640
Increase in other noncurrent assets	**–**	(1,770)
Cash dividend received	**4,199**	5
Interest received	**976**	1,353
Net cash flows used in investing activities	**(587,813)**	(880,365)

(Forward)

	For the Quarters Ended March 31	
	Jan – Mar 2015	Jan – Mar 2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(₱194,606)**	₱–
Interest	**(130,264)**	(17,060)
Short-term debt	**–**	(310,000)
Proceeds from:		
Short-term debt	**–**	1,670,000
Long -term debt – net of debt issuance costs	**–**	620,000
Decrease in due to stockholders	**–**	(56)
Increase (decrease) in other noncurrent liabilities	**2,740**	2,413
Net cash flows from financing activities	**(322,130)**	1,965,297
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(77)**	(173)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(181,273)**	68,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**541,571**	687,992
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱360,298**	₱756,665

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

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 27).

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 Note 11). Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Board of Directors (BOD) and stockholders, respectively, of the 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 March 31, 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 March 31, 2015, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 Company's Board of Directors Audit Committee on May 13, 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 (%)			
		March 2015		December 2014	
	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
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**	–	100.00
Trans-Asia Petroleum Corporation [d]	Oil and gas exploration	**50.74**	**0.23**	50.74	0.23
Palawan55 Exploration & Production Corporation [d]	Oil and gas exploration	**30.65**	**35.34**	30.65	35.34

[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 18). 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.

- 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.

<u>Future Changes in Accounting Policies</u>
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.

<u>Business Combinations and Goodwill</u>
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.

<u>"Day 1" Difference</u>
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 7).

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 liabilities, included under "Accounts payable and other current liabilities" account, are financial liabilities at FVPL (see Notes 10 and 16).

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 and receivables are classified as loans and receivables (see Notes 6, 7 and 8).

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 and 13).

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 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 16, 17 and 31).

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.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement'; and either the Company (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a currently legal right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties (where applicable), borrowing costs incurred during the construction period and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Buildings and improvements	20-25 years
Machinery and equipment	9-25 years
Wells, platforms and other facilities	10 years
Transportation equipment	3-5 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Interest in Joint Arrangements

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

Joint operations

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

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

Investments in Associates and Interests in Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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

When the Parent Company's accumulated share in net losses of an associate and joint venture equals or exceeds the carrying amount of the investment, including advances, the Company discontinues the recognition of its share in additional losses and the investment is reduced to zero. If the associate and joint venture subsequently reports net income, the Parent Company will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

An investment in associate and interest in joint venture are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the consolidated statement of income in the year the investment is derecognized.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 years.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Leasehold Rights

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

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

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

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

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) area. Under this method, all exploration costs relating to each SC are tentatively deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following assets have specific characteristics for impairment testing:

Property, plant and equipment and Investment properties

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

Investments in associates and interests in joint ventures

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

Goodwill

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

Leasehold rights

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

Deferred exploration costs
Deferred exploration costs are assessed for impairment when:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Asset Retirement Obligation
The Company is legally required under a lease agreement to dismantle the installations and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the effective interest rate method with the related interest expense recognized in profit or loss.

Capital Stock
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Additional Paid-in Capital (APIC)
APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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

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

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration.

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

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

Revenue
Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Generation Revenue
Revenue from the sale of electricity is recognized during the period when electricity is generated. Revenue from its bilateral contracts is recognized in accordance with the terms of the ESA in relation to the electricity generated.

Trading revenue
Revenue from the sale of electricity is recognized during the period when electricity is purchased from the spot market and sold to the end consumer. Revenue is measured at the fair value of the consideration received or receivable. Trading revenue is presented gross of trading costs where the Company acts as principal and:
- has primary responsibility for providing the goods and services;
- has discretion in establishing prices; and
- bears the credit and inventory risks.

Trading revenue is presented net of trading costs where the Company acts as an agent.

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

Dividend
Dividend income is recognized when the Company's right to receive the payment is established.

Interest
Income is recognized as the interest accrues, taking into account the effective yield on the asset.

Rental
Income is accounted for on a straight-line basis over the lease term.

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

Costs and Expenses
Costs and expenses are recognized when incurred.

Pensions and Other Employee Benefits
Defined benefit plan
The Company has a defined benefit pension plan. The costs of providing benefits under the defined benefit plan are determined using the projected unit credit actuarial valuation method.

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

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

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

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

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

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

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

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

Stock Options
Stock option grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards are measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

Leases
The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income and expense is recognized in the consolidated statement of income on a straight-line basis over the lease arrangements.

<u>Borrowing Costs</u>
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.

<u>Foreign Currency-denominated Transactions</u>
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Non-financial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-financial items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

<u>Income Tax</u>
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the 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 32 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 30). The Company has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to Guimelco and Holcim are recognized as operating revenues.

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 March 31, 2015 and December 31, 2014, 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 31.

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 29). 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 12). Management determined material associates as those associates where the Company's carrying amount of investment is greater than 5% of the total investments in associates and interest in joint ventures as at end of the year.

<u>Estimates</u>
Fair value of financial assets and financial liabilities
The fair value for financial instruments in share of stocks traded in an active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. Any change in value of these financial assets and financial liabilities (including derivatives) would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity. The fair values of the Company's financial assets amounted to ₱4.65 billion and ₱4.27 billion as at March 31, 2015 and December 31, 2014, respectively, while fair values of the Company's financial liabilities amounted to ₱9.64 billion and ₱9.02 billion as at March 31, 2015 and December 31, 2014, respectively (see Note 31).

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 March 31, 2015 and December 31, 2014, allowance for doubtful accounts amounted to ₱63.13 million. The carrying value of receivables amounted to ₱3.05 billion and ₱3.06 billion as at March 31, 2015 and December 31, 2014, respectively (see Note 8).

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. The carrying value of AFS investments amounted to ₱291.65 million and ₱268.60 million as at March 31, 2015 and December 31, 2014, respectively (see Notes 7 and 13).

Realizability of deferred income tax assets
The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

As at March 31, 2015 and December 31, 2014, deferred income tax assets recognized by the Company amounted to ₱42.18 million and ₱43.80 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 26.

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.

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 are as follow:

	March 2015	December 2014
Property, plant and equipment (see Note 11)	**₱6,805,934**	₱6,863,059
Investments in associates and interests in joint ventures (see Note 12)	**3,765,450**	3,747,462
Investment properties (see Note 14)	**27,813**	28,302
Leasehold rights (see Note 15)	**85,672**	89,719

No impairment loss was deemed necessary on these nonfinancial assets for the first quarter of 2015 and 2014.

Accumulated impairment losses on investments in associates and interest in joint ventures amounted to ₱1.56 million as at March 31, 2015 and December 31, 2014 (see Note 12).

Impairment of deferred exploration costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. No impairment loss was deemed necessary for the first of 2015 and 2014. Carrying value of deferred exploration costs amounted to ₱116.59 million and ₱116.41 million as at March 31, 2015 and December 31, 2014, respectively (see Note 15).

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 March 31, 2015 and December 31, 2014 (see Note 15). No impairment loss was recognized on goodwill for the first quarter of 2015 and 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 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 March 31, 2015 and December 31, 2014 amounted to ₱234.15 million (see Note 15). 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 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 25).

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 ₱32.73 million and ₱28.65 million as at March 31, 2015 and December 31, 2014, respectively.

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.

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 March 31, 2015 and December 31, 2014, other equity reserve from stock option plan amounted to ₱15.88 million and ₱15.32 million, respectively. Total expense arising from share-based payments recognized by the Company amounted to ₱7.59 million for the year ended December 31, 2014.

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 15)	–	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 15)	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 15). 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.

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

Forward

Total identifiable net assets acquired	₱974,059
Gain on bargain purchase	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, 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. 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.

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

	March 2015	December 2014
Cash on hand and in banks	**₱129,479**	₱162,019
Short-term deposits	**230,819**	379,552
	₱360,298	₱541,571

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

7. Investments Held for Trading

	March 2015	December 2014
Investments in UITFs	**₱921,542**	₱377,793
	₱921,542	₱377,793

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 ₱2.52 million unrealized gains for the first quarter of 2015 and (₱2.78) million unrealized losses for the first quarter of 2014 (see Note 25).

Investments in UITFs include debt service reserves amounting to ₱110.79 million and ₱56.40 million as at March 31, 2015 and 2014, respectively for the wind project loan facility.

8. Receivables

	March 2015	December 2014
Trade	**₱3,061,196**	₱3,055,297
Due from related parties (see Note 27)	**3,849**	264
Receivables from:	–	
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 15)	**39,365**	39,365
Consortium - SC 50 (see Note 15)	–	20,000
Employees	**4,014**	2,107
Stockholders (see Note 27)	**35**	35
Others	**6,445**	1,086
	3,114,904	3,118,154
Less allowance for doubtful accounts	**63,132**	63,132
	₱3,051,772	₱3,055,022

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.

The aging analysis of past due but not impaired receivables is as follows:

	March 2015						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	**Impaired**
Trade	**₱3,061,196**	**₱1,726,363**	**₱37,668**	**₱10,519**	**₱5,567**	**₱1,260,606**	**₱20,473**
Due from related parties	**3,849**	**3,849**	**–**	**–**	**–**	**–**	**–**
Others	**49,859**	**6,647**	**–**	**–**	**–**	**553**	**42,659**
	₱3,114,904	**₱1,736,859**	**₱37,668**	**₱10,519**	**₱5,567**	**₱1,261,159**	**₱63,132**

	December 2014						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱3,055,297	₱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

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

	March 2015		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱20,473**	**₱42,659**	**₱63,132**
Provision for the quarter	**–**	**–**	**–**
Balances at end of quarter	**₱20,473**	**₱42,659**	**₱63,132**

	December 2014		
	Trade	Others	Total
Balances at beginning of year	₱26,490	₱3,294	₱29,784
Provision for the year	–	39,365	39,365
Write-off during the year	(17)	–	(17)
Reversal during the year	(6,000)	–	(6,000)
Balances at end of year	₱20,473	₱42,659	₱63,132

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 2014, the Company collected ₱410.00 million under the said Multilateral Agreement and was recognized as payable to PEMC.

9. Fuel and Spare Parts - at cost

	March 2015	December 2014
Fuel	**₱295,702**	₱250,918
Spare parts	**59,957**	56,179
	₱355,659	₱307,097

Fuel charged to Cost of power generation amounted to ₱28.44 million and ₱66.98 million for the first quarter of 2015 and 2014, respectively. (see Notes 21 and 22).

10. Other Current Assets

	March 2015	December 2014
Input VAT	**₱452,773**	₱450,813
Creditable withholding taxes	**326,746**	292,494
Prepaid expenses	**58,097**	71,201
Deposits receivables	**25,867**	25,807
	₱863,483	₱840,315

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, 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 March 31, 2015 and December 31, 2014, debt issue costs and other charges included in "Prepaid expenses" amounted to ₱5.48 million.

Deposits receivable pertain to advances to suppliers and option money paid to various land owners.

11. **Property, Plant and Equipment**

The details and movements of this account are shown below:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction In Progress	Total
Cost									
At Janaury1, 2014	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
Additions	4,566	6,525	22,782	–	–	105	454	–	34,432
Disposals		–	–	–	(113)	–	–	–	(113)
At March 31, 2015	**234,417**	**295,462**	**6,867,884**	**–**	**25,023**	**28,264**	**43,345**	**–**	**7,494,395**
Accumulated Depletion, Depreciation, Amortization and Impairment									
At January 1, 2014	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
Depreciation and amortization (see Note 27)	–	4,024	84,143	–	1,451	500	1,326	–	91,443
At March 31, 2015	**1,236**	**97,173**	**527,676**	**–**	**10,294**	**20,057**	**32,025**	**–**	**688,460**
Net Book Value									
At January 1, 2014	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
At March 31, 2015	**233,181**	**198,289**	**6,340,208**	**–**	**14,729**	**8,207**	**11,320**	**–**	**6,805,934**

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.

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.

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.

The Company continues to implement the development activities on the 12 WESC areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project of TAREC which obtained approval for the commerciality of the wind project. Construction costs related to the project were included under construction in progress as at December 31, 2013. The said project was completed in the last quarter of 2014.

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*	₱102,901
General borrowings	8,152
Amortization of debt issue costs	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 17).

12. Investments in Associates and Interests in Joint Ventures

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

	Percentage of Ownership	**March 2015**	December 2014
Associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱312,985**	₱278,041
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		313,616	278,672
Joint ventures:			
SLTEC	50.00	**3,451,784**	3,468,734
ACTA	50.00	**50**	56
		3,451,834	3,468,790
		₱3,765,450	₱3,747,462

****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:

	March 2015	December 2014
Acquisition costs:		
Balance at beginning of year	**₱3,877,061**	₱3,367,338
Addition	**21,250**	509,723
Balance at end of quarter/year	**3,898,311**	3,877,061
Accumulated equity in net income (losses):		
Balance at beginning of year	**(144,235)**	(141,619)
Equity in net losses for the year	**(2,677)**	(2,616)
Balance at end of quarter/year	**(146,912)**	(144,235)
Accumulated share in other comprehensive income:		
Balance at beginning of year	**215**	4,688
Share in other comprehensive loss	**(585)**	(4,473)
Balance at end of quarter/year	**(370)**	215
Other equity transactions:		
Balance at beginning of year	**15,980**	20,096
Share in expenses directly attributable to issuance of stocks of a joint venture	**–**	(4,116)
Balance at end of quarter/year	**15,980**	15,980
Less accumulated impairment losses	**1,559**	1,559
	₱3,765,450	₱3,747,462

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 details of the net assets of MGI as at March 31, 2015 and December 31, 2014 are shown below:

Summarized balance sheets

	March 2015	December 2014
Current assets	**₱455,630**	₱284,032
Noncurrent assets	**3,333,111**	3,402,660
Total assets	**3,788,741**	3,686,692
Current liabilities	**(512,588)**	(553,221)
Noncurrent liabilities	**(2,024,211)**	(2,021,307)
Net assets	**1,251,942**	1,112,164
Proportion of the Company’s ownership	**25%**	25%
Carrying amount of investment	**₱312,986**	₱219,510

The results of operations of MGI for the first quarter of 2015 and 2014 are shown below:

Summarized statements of income

	Jan-Mar 2015	Jan-Mar 2014
Generation revenues	**₱190,742**	₱113,922
Cost of power generation	**71,881**	32,240
Gross profit	**118,861**	81,682
Other expenses	**(52,068)**	(27,614)
General and administrative expenses	**(12,017)**	(16,033)
Income (loss) before income tax	**54,776**	38,035
Provision for income tax	**2**	–
Net income (loss)	**₱54,774**	₱38,035

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 30). 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 March 31, 2015 and December 31, 2014, MGI is in compliance with the said loan covenants.

For the quarters ended March 31, 2015 and 2014, MGI made several cash calls and TA Oil, as a Project Sponsor, infused additional investment amounting to ₱21.25 million and ₱491.00 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 March 31, 2015, 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 March 31, 2015 and December 31, 2014 and for the quarters ended March 31, 2015 and 2014, and the reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

SLTEC

Balance sheets

	March 2015	December 2014
Current assets	**₱2,730,178**	₱3,406,270
Noncurrent assets	**18,824,084**	18,354,529
Current liabilities	**(1,763,984)**	(1,934,807)
Noncurrent liabilities	**(12,886,711)**	(12,888,525)
Equity	**6,903,567**	6,937,467
Proportion of the Company’s ownership	**50%**	50%
Carrying amount of investment	**₱3,451,784**	₱3,468,734

Additional information:

Cash and cash equivalents	**₱2,124,181**	₱2,720,872
Current financial liabilities*	**32,021**	31,667
Noncurrent financial liabilities	**12,886,711**	12,888,525

**Excluding trade, other payables and provision.*

Statements of income

	Jan - Mar 2015	Jan - Mar 2014
Expenses	**(₱34,188)**	(₱8,546)
Other income (expenses)	**4,513**	(1,229)
Provision for deferred income tax	**(3,056)**	(4,365)
Net loss	**(32,731)**	(14,141)

Additional information:

Depreciation and amortization	**2,950**	1,456
Interest income	**4,654**	4,628
Interest expense	**192,727**	93,969

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.

During the first quarter of 2015 there were no additional capital invested while in the calendar year 2014 the Company invested additional capital amounting to ₱18.72 million in response to several equity calls for the expansion of the coal-fired power plant in Calaca.

13. Available-for-sale Investments

	March 2015	December 2014
Shares of stock:		
Listed	**₱163,854**	₱131,244
Unlisted	**83,247**	83,247
Golf club shares	**44,550**	54,107
	₱291,651	₱268,598

AFS investments are stated at fair value as at March 31, 2015 and December 31, 2014, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Net gain on change in fair value of ₱34.48 million, net of deferred income tax of ₱0.20 for the first quarter of 2015. Net loss on change in fair value of ₱35.22 million, net of deferred income tax of ₱0.32 for the first quarter of 2014.

14. Investment Properties

The details and movements of this account are shown below.

	Land	Mezzanine	Total
Cost			
At January 1, 2014	₱13,085	₱28,133	₱41,218
Acquisition	–	–	–
At December 31, 2014	13,085	28,133	41,218
Acquisition	–	–	–
At March 31, 2015	**13,085**	**28,133**	**41,218**
Less Accumulated depreciation			
At January 1, 2014	–	10,954	10,954
Depreciation (see Note 24)	–	1,961	1,961

(Forward)

	Land	Mezzanine	Total
At December 31, 2014	₱–	₱12,915	₱12,915
Depreciation (see Note 27)	–	490	490
At March 31, 2015	**–**	**13,405**	**13,405**
Net Book Value			
At January 1, 2014	₱13,085	₱17,179	₱30,264
At December 31, 2014	13,085	15,217	28,302
At March 31, 2015	**13,085**	**14,728**	**27,813**

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, 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.

Rental income in for the first quarter of 2015 and 2014 amounted to ₱0.43 million and ₱0.22 million, respectively, recognized in the consolidated statements of income, while related direct costs and expenses amounted to ₱0.66 million ₱0.65 million for the first quarter of 2015 and 2014, respectively included as part of "General and administrative expenses" account in the consolidated statements of income.

15. 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, 2014	₱–	₱85,094	₱–	₱85,094
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
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
Additions:				
Cash calls	–	187	–	187
At March 31, 2015	99,839	116,592	234,152	450,583

Forward

Less Accumulated amortization and impairment				
At January 1, 2014	₱–	₱–	₱–	₱–
Amortization	10,120	–	–	10,120
At December 31, 2014	10,120	–	–	10,120
Amortization (see Note 24)	4,047	–	–	4,047
At March 31, 2015	14,167	–	–	14,167
Net Book Value				
At January 1, 2014	₱–	₱96,291	₱–	₱96,291
At December 31, 2014	89,719	116,405	234,152	440,276
At March 31, 2015	**85,672**	**116,592**	**234,152**	**436,416**

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 first quarter of 2015 and for the calendar 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:

	March 2015	December 2014
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,147**	15,085
SC 6 (Northwest Palawan)	**20,909**	20,784
SC 55 (Southwest Palawan)	**5,713**	5,713
SC 52 (Cagayan Province)	**30,438**	30,438
SC 50 (Northwest Palawan)	**11,719**	11,719
	₱116,592	₱116,405

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.

As at March 31, 2015 and December 31, 2014, no impairment loss was recognized on deferred exploration costs.

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

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.

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. As at March 31, 2015 and December 31, 2014, receivable from Investwell amounted to ₱39.37 million. In the calendar year 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.

16. Accounts Payable and Other Current Liabilities

	March 2015	December 2014
Trade	**₱2,413,409**	₱1,635,241
Non-trade	**71,680**	60,073
Due to related parties (see Note 27)	**71,450**	294,781
Accrued interest expense	**71,581**	130,259
Output VAT – net	**134,050**	109,701
Accrued expenses	**35,606**	37,407
Accrued directors' and annual incentives (see Note 27)	**2,731**	12,518
Deferred rent income	**1,440**	144
Derivative liabilities (see Note 31)	**–**	83
Others	**15,557**	5,231
	₱2,817,504	₱2,285,438

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

17. Long-term Loans

As at March 31, 2015 and December 31, 2014, this account consists of:

	March 2015	December 2014
TAREC term loan facility	**₱3,820,000**	₱3,820,000
TA Oil long term loans	**3,000,000**	3,000,000
	6,820,000	6,820,000
Add premium on long-term loans (embedded derivative)	**10,600**	10,997
Less unamortized debt issue costs	**69,405**	72,151
	6,761,195	6,758,846
Less current portion of long-term loans	**43,557**	29,255
Noncurrent portion	**₱6,717,638**	₱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	(1,099)	(6,187)*
As at December 31, 2014	₱10,997	₱72,151
Amortization for the quarter	397	2,744
	10,600	69,405

**Includes capitalized amortization of debt issue costs of ₱4,096 during calendar year 2014.*

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 March 31, 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 11). 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.

<u>TA Oil</u>
The relevant terms of the long-term loans of TA Oil are as follows:

Description	Interest Rate (per annum)	Terms	**March 2015**	December 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	**₱1,494,476**	₱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	**995,909**	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	**494,342**	494,211
			₱2,984,728	₱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. 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 March 31, 2015 and 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 and ₱106.68 million for the first quarter of 2015.

18. Equity

Capital stock

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

	Number of Shares	
	March 2015	December 2014
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**4,865,146,089**	4,863,862,757
Issuance during the year:		
Exercise of stock options	**–**	1,283,332
Stock grants	**–**	–
	–	1,283,332
Balance at end of quarter/year	**4,865,146,089**	4,865,146,089

The issued and outstanding shares as at March 31, 2015 and December 31, 2014 are held by 3,244 and 3,254 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 ₱4.90 billion as at March 31, 2015 and December 31, 2014. Undistributed earnings of subsidiaries, associates and joint venture included in the Company’s retained earnings amounting to ₱485.23 million as at December 31, 2014, respectively, are not currently available for dividend distribution.

Other Equity Reserve

This account consists of:

	March 2015	December 2014
Other equity reserves from joint venture [a]	**₱19,144**	₱19,144
Other equity reserve from Stock Option Plan [b]	**15,884**	15,324
Effect of distribution of property dividends - TA Petroleum shares [c]	**1,523**	1,523
	₱36,551	₱35,991

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 12).

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 19).

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 the first quarter of 2015 and the calendar years 2014 and 2013 are as follow:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
March 21, 2013	Cash	0.04 per share	194,318*	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,057	August 5, 2013
March 24, 2014	Cash	0.04 per share	194,555	April 7, 2014
February 23, 2015	**Cash**	**0.04 per share**	194,606	**March 25, 2015**

**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 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.

19. Employee Stock Options and Executive Stock Grants

On April 2, 2007, the Company's BOD and stockholders approved a total of 100 million shares to be taken from the unsubscribed portion of the Company's 2 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Company; and (b) stock options for directors, officers and employees of TA Oil and its subsidiaries and affiliates under the terms and conditions as determined by the Executive Committee of the BOD.

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

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

Stock Options
Following are the specific terms of the Company's Stock Option Plan:

Coverage	Directors, permanent officers and employees of TA Oil and its subsidiaries and affiliates
Exercise price	At weighted average closing price for 20 trading days prior to grant date but should not be lower than par value of ₱1.00 per share
Vesting period	• Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.

Right to Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implement only the Company's Stock Grant for its executives which resulted in the issuance of 0.70 million shares in 2013 and 0.14 million shares in 2012. No stock grants have been granted and awarded to any of the executives of the Company in the first quarter of 2015 and for the calendar year 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 in 2014:

Outstanding at January 1	35,666,684
Granted during the year	–
Forfeited during the year	(598,001)
Exercised during the year*	(1,283,332)
Outstanding at December 31	33,785,351
Exercisable at December 31	19,146,140

** The weighted average stock price at the date of exercise of these options was ₱2.43.*

The remaining contractual life for the stock options outstanding as at March 31, 2015 and December 31, 2014 is 1.30 years and 1.55 years, respectively.

A summary of the stock option plan for the year ended December 31, 2014 follows:

Vesting date	**July 22, 2013**	**July 22, 2014**	**July 22, 2015**
Vesting shares	**14,030,101**	**13,420,991**	**12,506,044**

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 2014:

	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 in 2014.

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 as at December 31, 2014.

20. Trading Revenue

	Jan - Mar 2015	Jan - Mar 2014
Trading revenue	**₱2,630,365**	₱1,186,689
Cost of power purchased	**2,536,334**	925,141
	₱94,031	₱261,548

21. Cost of Power Generation

	Jan - Mar 2015	Jan - Mar 2014
Fuel	**₱54,710**	₱90,820
Depreciation and amortization (see Note 24)	**85,963**	19,229
Salaries (see Note 23)	**17,368**	12,752
Repairs and maintenance	**19,526**	6,718
Rental	**19,351**	144
Insurance	**21,533**	3,150
Taxes and licenses	**15,072**	11,561
Station used	**10,303**	17
Pension and employee benefits (see Note 23)	**3,239**	2,095
Others	**2,728**	1,086
	₱249,793	₱147,572

22. General and Administrative Expenses

	Jan - Mar 2015	Jan - Mar 2014
Taxes and licenses	**₱25,753**	₱28,934
Salaries and directors' fees (see Note 23)	**21,611**	25,331
Management and professional fees (see Note 27)	**21,064**	17,067
Depreciation and amortization (see Note 24)	**5,972**	4,701
Pension and employee benefits (see Note 23)	**4,539**	4,542
Building maintenance and repairs	**3,268**	3,359
Transportation and travel	**2,375**	2,764
Insurance, dues and subscriptions	**1,728**	9,560
Donation and contribution	**1,310**	180
Rent	**1,110**	457
Office supplies	**751**	1,221
Entertainment, amusement and recreation	**7**	158
Others	**8,365**	2,381
	₱97,853	₱100,655

23. Personnel Expenses

	Jan - Mar 2015	Jan - Mar 2014
Salaries and directors' fees included under:		
Cost of power generation (see Note 21)	**₱17,368**	₱12,752
General and administrative expenses (see Note 22)	**21,611**	25,331
Pension and employee benefits included under:		
Cost of power generation (see Note 21)	**3,239**	2,095
General and administrative expenses (see Note 22)	**4,539**	4,542
	₱46,757	₱44,720

24. Depreciation and Amortization

	Jan - Mar 2015	Jan - Mar 2014
Cost of power generation (see Note 21)	**₱85,963**	₱19,229
General and administrative expenses (see Note 22)	**5,972**	4,701
	₱91,935	₱23,930

25. **Other Income (Loss) - Net**

	Jan - Mar 2015	Jan - Mar 2014
Interest and other finance charges (see Note 17)	**(₱107,730)**	(₱18,891)
Gain (loss) on derivatives - net	**83**	(5,369)
Interest and other financial income	**3,334**	(1,465)
Gain (loss) on sale of:		
Property and equipment	–	1
AFS investments (see Note 13)	–	88
Reversal of (provision for):		
Doubtful accounts	–	6,695
Foreign exchange gain (loss) - net	**439**	110
Amortization of leasehold rights	**(4,047)**	–
Others	**922**	(3,541)
	(₱106,999)	₱22,372

Interest and Other Financial Income

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

	Jan - Mar 2015	Jan - Mar 2014
Interest income on:		
Cash in banks	**₱1**	₱1
Short-term deposits and investments	**788**	1,181
Bonds	**–**	**–**
FXTNs	**–**	**–**
Others	**24**	136
	813	1,318
Net gains (losses) on investments held for trading:		
Fair value gains on investments held for trading:		
Unrealized gain (loss)	**1,187**	49,811
Gain (loss) on sale of investments in held for trading	**1,334**	(52,594)
	2,521	(2,783)
	₱3,334	(₱1,465)

26. **Income Tax**

a. Current income tax pertains to the following:

	Jan - Mar 2015	Jan - Mar 2014
MCIT	**₱2,316**	₱–
RCIT	**9,557**	208,090
	₱11,873	₱208,090

b. The components of the Company’s net deferred income tax assets (liabilities) as at March 31, 2015 and December 31, 2015 are as follows:

	March 2015	December 2014
Deferred income tax assets:		
Allowance for impairment loss	**₱11,810**	₱–
Pension and other employee benefits	**10,524**	8,356
Allowance for doubtful accounts	**6,142**	17,951
Derivative liabilities	**3,180**	3,324
NOLCO	**2,171**	6,069
Unamortized past service cost	**2,080**	2,099
Asset retirement obligation	**1,972**	1,945
Accrued expenses	**1,538**	1,538
MCIT	**1,431**	1,431
Unrealized FV losses on FVPL	**567**	–
Deferred rent income	**432**	43
Unrealized foreign exchange losses	**331**	335
Unamortized discount on security deposits	–	567
Allowance for probable losses	–	146
	42,178	43,804

(Forward)

	March 2015	December 2014
Deferred income tax liabilities:		
Allowance for inventory obsolescence	**₱**(10,647)	₱–
Unamortized debt issue costs	**–**	(4,125)
Unrealized fair value gains on available-for-sale investments	**–**	(3,931)
Asset retirement obligation	**–**	(446)
Unrealized fair value gains on UITFs	**–**	(103)
	(10,647)	(8,605)
Deferred income tax assets - net	**₱**31,531	₱35,199
Deferred income tax liabilities:		
Difference between FV and CA of net assets	**₱128,798**	₱–
Leasehold rights	**23,280**	24,495
Capitalized interest expense	**104**	–
Excess of fair value over cost of power plant	**–**	131,529
Unamortized capitalized borrowing costs	**–**	2,435
Deferred income tax liabilities	**₱182,182**	₱158,459

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:

	March 2015	December 2014
NOLCO	**₱45,320**	₱124,944
Allowance for impairment loss on property and equipment	**105,009**	105,009
Pension and other employee benefits	**1,123**	5,865
MCIT	**1,146**	1,141
Allowance for probable losses	**3,097**	–
Allowance for doubtful accounts	**24**	–
	₱155,719	₱236,959

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 March 31, 2015, NOLCO totaling ₱132.18 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱2.87 million can be credited against future RCIT due as follows:

Expiry Date	MCIT	NOLCO
December 31, 2015	₱–	₱14,840
December 31, 2016	1,145	30,261
December 31, 2017	1,427	87,082
December 31, 2018	299	–
	₱2,871	₱132,183

NOLCO amounting to ₱12.99 million was applied against taxable income in the first quarter of 2015

27. 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 quarter ended March 31, 2015 and calendar year ended December 31, 2014, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the quarter ended March 31, 2015 and calendar year ended December 31, 2014 with related parties are as follows:

	March 2015				
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
Philippine Investment Management (Phinma), Inc					
Revenues	**₱627**	Rent and share in expenses	**₱43**	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and Expenses	**14,142**	Management fees and share in expenses	**(7,478)**	30-day, non-interest bearing	Unsecured
Payable	−	Rental deposit	**(186)**	End of lease term	Unsecured
Joint Ventures					
South Luzon Thermal Energy Corp. (SLTEC)					
Revenues	**3,791**	Trading revenues, rent and share in expenses	**3,807**	30-day, non-interest bearing	Unsecured
Cost and Expenses	**99,969**	Trading costs	−	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	**177,900**	Trading cost	**(62,197)**	30-day, non-interest bearing	Unsecured
Receivable	**300**	Expense reimbursement		30-60 day, non-interest bearing	Unsecured, no impairment
Other Related Parties					
PPHC					
Payable	−	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured, no impairment
Phinma Corp.					
Revenues	**2,188**	Cash dividend and share in expenses	−		
Costs and Expenses	**455**	Share in expenses	**(5)**	30-day, non-interest bearing	Unsecured
***Union Galvasteel Corp*.**					
Revenue	**2,281**	Cash dividend	−	-	-
***T-O Insurance, Inc*.**					
Costs and Expenses	**16,697**	Insurance expense	**(569)**	30-60 day, non-interest bearing	Unsecured
Receivable	**30**	Refund on overpayment	−	30-60 day, non-interest bearing	Unsecured , no impairment
Directors					
Expenses	**2,731**	Annual incentives	**(2,731)**	On demand	Unsecured

(Forward)

			March 2015		
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Stockholders					
Payable	**₱194,606**	Cash dividend	**(₱9,135)**	On demand	Unsecured
Receivable	**−**	Withholding tax on property dividend	**35**	On demand	Unsecured
Due from related parties			**3,849**		
Receivable from stockholders			**35**		
Due to related parties			**(71,450)**		
Due to stockholders			**(9,135)**		
Accrued Directors and annual incentives			**(2,731)**		

			December 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	−	-	-

Forward

December 2014					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
T-O Insurance, Inc.					
Costs and Expenses	111,840	Insurance expense	(1,525)	30-60 day, non-interest bearing	Unsecured
Receivable	163	Refund on overpayment	15	30-60 day, non-interest bearing	Unsecured , no impairment
Coral Way					
Expenses	39	Share in expenses	−		
Directors					
Expenses	15,797	Annual incentives	(12,518)	On demand	Unsecured
Stockholders					
Payable	₱193,562	Cash dividend	(₱9,135)	On demand	Unsecured
Receivable	−	Withholding tax on property dividend	35	On demand	Unsecured
Due from related parties			264		
Receivable from stockholders			35		
Due to related parties			(294,781)		
Due to stockholders			(9,135)		
Accrued Directors and annual incentives			(12,518)		

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.

<u>T-O Insurance, Inc.</u>
T-O Insurance, Inc. is likewise controlled by PHINMA, INC. through a management agreement. The Company insures its properties through T-O Insurance.

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

<u>Retirement Fund</u>
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 as at December 31, 2014.

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 first quarter of 2015 and 2014.

The plan assets include shares of stock of the Parent Company with fair value ₱0.06 million as at December 31, 2014. 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 first quarter of 2015 and 2014. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

28. Earnings Per Share

Basic and diluted EPS are computed as follow:

	Jan - Mar 2015	Jan - Mar 2014
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income attributable to equity holders of Parent Company	**₱65,455**	₱109,786
Common shares outstanding at beginning of year (see Note 18)	**4,865,146,089**	4,863,862,757
Weighted average number of shares issued during the quarter	**–**	–
(b) Weighted average common shares outstanding	**4,865,146,089**	4,863,862,757
Basic/Diluted EPS (a/b)	**₱0.01**	₱0.02

The Company's stock options have no dilutive effect in 2014. 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.

29. **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 for the first quarter of 2015 and for the calendar year of 2014 as follow:

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 for the first quarter of 2015 and for the calendar year ended December 31, 2014 are as follow:

	March 2015		
	TA Petroleum	**Palawan55**	**Total**
Accumulated balance of NCI	₱106,334	₱2,800	₱109,134
Net loss allocated to NCI	(882)	(20)	(902)
Total comprehensive loss allocated to NCI	**(₱882)**	**(₱20)**	**(₱902)**

	December 2014		
	TA Petroleum	Palawan55	Total
Accumulated balance of NCI	₱107,216	₱2,820	₱110,036
Net loss allocated to NCI	2,192	9	2,201
Total comprehensive loss allocated to NCI	₱2,192	₱9	₱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 March 31, 2015 and December 31, 2014 are as follow:

	March 2015	
	TA Petroleum	**Palawan55**
Current assets	₱109,260	₱2,563
Noncurrent assets	107,679	5,781
Current liabilities	-243	50
Total equity	**₱216,696**	**₱8,294**
Attributable to:		
Equity holders of the Parent Company	₱110,363	₱5,433
Non-controlling interests	106,334	2,800

December 2014	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 quarter ended March 31, 2015 as follow:

	TA Petroleum	**Palawan55**
Revenues	₱286	₱5
Expenses	(2,098)	(65)
Other income - net	22	–
Net loss	₱1,790	₱60
Total comprehensive loss	₱1,790	₱60

Summarized statements of cash flows for the first quarter of 2015 as follow:

Operating	(₱1,548)	(₱52)
Investing	(187)	–
Net decrease in cash and cash equivalents	(₱1,735)	(₱52)

There were no dividends paid to non-controlling interests for the quarter ended March 31, 2015.

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.

30. 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 which will be due within one year amounted to ₱160,000 as at December 31, 2014.

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 follow:

	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 follow:

	2014
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 follow:

	2014
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.

31. 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	
	March 2015	December 2014	**March 2015**	December 2014
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱360,298**	₱541,571	**₱360,298**	₱541,571
Receivables:				
Trade	**3,040,699**	3,034,824	**3,040,699**	3,034,824
Due from related parties	**3,849**	264	**3,849**	264
Others	**7,199**	19,934	**7,199**	19,934
Refundable deposits	**28,531**	26,222	**28,531**	26,222
	3,440,576	3,622,815	**3,440,576**	3,622,815
Financial assets at FVPL:				
Investments held for trading	**921,542**	377,793	**921,542**	377,793
	921,542	377,793	**921,542**	377,793
AFS investments:				
Quoted	**208,404**	185,351	**208,404**	185,351
Unquoted	**83,247**	83,247	**83,247**	83,247
	291,651	268,598	**291,651**	268,598
	₱4,653,769	₱4,269,206	**₱4,653,769**	₱4,269,206
Financial Liabilities				
Financial liability at FVPL -				
Derivative liabilities[(a)]	**₱–**	₱83	**₱–**	₱83
Other financial liabilities				
Accounts payable and other current liabilities[(b)]	**2,788,953**	2,175,510	**2,788,953**	2,175,510
Due to stockholders	**9,135**	9,135	**9,135**	9,135
Long-term loans (see Note 17)	**6,761,194**	6,758,846	**6,761,194**	6,758,846
Other noncurrent liabilities[(c)]	**75,785**	75,785	**75,785**	75,785
	9,635,067	9,019,276	**9,635,067**	9,019,276
	₱9,635,067	₱9,019,359	**₱9,635,067**	₱9,019,359

(a)Presented as part of "Accounts payable and other current liabilities in 2014".
(b)Excludes nonfinancial items amounting to ₱28.55 million and ₱109.85 million as at March 31, 2015 and December 31, 2014, respectively.
(c)Excludes asset retirement obligation amounting to ₱6.48 million and ₱6.11million as at March 31, 2015 and December 31, 2014, 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 follow:

	March 2015		
	Level 1	**Level 2**	**Total**
Assets:			
Investments held for trading	**₱921,542**	**₱–**	**₱921,542**
AFS investments	**208,404**	**–**	**208,404**
	₱1,129,946	**₱–**	**₱1,129,946**

	December 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

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 March 31, 2015 and December 31, 2014.

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 as at December 31, 2014. The weighted average fixing rate amounted to ₱45.23 to US$1.00 as at December 31, 2014. The net fair value of these embedded derivatives amounted to ₱0.08 losses at December 31, 2014.

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

	March 2015	December 2014
Balance at beginning of year	**(₱83)**	₱11,671
Net changes in fair value during the quarter/year	**83**	(9,022)
Fair value of settled contracts	−	(2,732)
Balance at end of quarter/year	**₱–**	(₱83)

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 25).

The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets (see Note 16).

32. 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.

	March 2015			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue	**₱526,978**	**₱–**	**₱5,305**	**₱532,283**
Results				
Depreciation and amortization	86,991	148	4,798	91,937
Interest and other financial charges	106,966	4	760	107,730
Loss (gain) on sale of property and equipment	–	663	(663)	–
Segment profit	**107,543**	**(3,847)**	**(28,734)**	**74,961**
Operating assets	**₱14,931,542**	**₱27,879**	**₱2,061,101**	**₱17,020,521**
Operating liabilities	**₱6,620,749**	**₱17,364**	**₱3,256,084**	**₱9,894,197**
Other disclosure				
Capital expenditure	**₱34,407**	**₱–**	**₱25**	**₱34,432**
Capital disposal	**–**	**–**	**113**	**113**

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱4.20 million and ₱1.11 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 ₱38.33 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 ₱4.21 million.

c. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.28 billion, receivables and other current assets totaling ₱342.09 million and noncurrent assets amounting to ₱437.17 million as these are managed on a group basis.

d. Segment liabilities do not include accounts payable and other current liabilities of ₱50.28 million, income and withholding taxes of ₱39.10 million and net deferred income tax liabilities of ₱152.18 million. Long term loan and other noncurrent liabilities amounting to ₱2.98 billion and ₱30.59 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.

	March 2014			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	₱457,565,311	₱–	₱875,083	₱458,440,394
Results				
Depreciation and amortization	19,872,201	123,432	3,934,922	23,930,555
Interest and other financial charges	18,135,476	–	756,017	18,891,493
Reversal for doubtful accounts	(6,694,487)	–	–	(6,694,487)
Loss (gain) on sale of property and equipment	(1,339)	663	663	(1339)
Segment profit	₱249,919,905	(₱4,835,829)	(₱64,907,712)	₱180,176,364
Operating assets	₱10,497,332,690	₱146,604,417	₱2,206,292,933	₱12,850,230,040
Operating liabilities	₱2,921,571,470	₱16,775,924	₱2,682,532,001	₱5,620,879,395
Capital expenditure	₱512,117,940	₱–	₱7,466,029	₱519,583,969
Capital disposal	36,741	–	–	36,741

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱5.38 million and ₱869.70 million, respectively.

b. Profit for operating segment does not include general and administrative expenses, fair value loss on AFS and financial charges amounting to ₱67.81 billion. Other income (loss) - net not included in the profit for operating segment amounted to ₱2.03 million.

c. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.42 billion, receivables and other current assets totaling ₱345.98 million and property, plant and equipment, investment in associates, AFS investments, investment property, other noncurrent assets and deferred tax assets amounting to ₱437.96 million as these are managed on a group basis.

d. Segment liabilities do not include accounts payable and other current liabilities and due to stockholders of ₱263.70 million, short-term loan of ₱2.27 billion and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱148.84 million.

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

ANNEX B

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

The following discussion and analysis of financial position and results of operations of Trans-Asia Oil and Energy Development Corporation or "TA-OIL and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards or *PFRS*.

The table below summarizes the consolidated results of operations of Trans-Asia's revenues, costs and expenses, and net income for the three months ended March 31,2015 and 2014.

Consolidated Income statement

	For the three months ended March 31,			
		Unaudited	**Increase (Decrease)**	
In thousand	**2015**	**2014**	**Amount**	**%**
Generation revenues	432,947	196,017	236,930	121
Trading revenues - net	94,031	261,548	(167,517)	(64)
Dividend income	4,199	5	4,194	77903
Rental income	1,106	870	236	27
Total Revenues	**532,284**	**458,440**	**73,843**	**16**

- Consolidated generation revenues, the largest component of revenue, went up by 121% or ₱ 236.93 million from ₱196.02 million to ₱432.95 million as the latter includes generation revenues from Trans-Asia Renewable Energy Corporation (TAREC) which started operation on December 27, 2014 and One Subic Power Corporation (OSPGC) which was purchased by Trans-Asia Power Generation Corporation (TAPGC) on May 12, 2014.
- Net trading revenues decreased by 64% from ₱261.55 million to ₱94.03 million due to higher cost of power per kWh.
- Dividend income rose from ₱ 5 thousand to ₱ 4.20 million due to cash dividends received from Phinma Corporation and Union Galvasteel Corp.
- Rental income increase by 27% due to rental income from a third party..

Costs and Expenses

Cost of power generation	249,793	147,572	102,221	69
General & administrative expenses	97,853	100,655	(2,802)	(3)
Total Costs and Expenses	**347,646**	**248,227**	**99,419**	**40**
Others expense	**(106,999)**	**(22,372)**	(84,627)	378
Equity in net losses of associates & JV	(2,677)	(7,665)	4,988	(65)
Income before income tax	**74,961**	**180,176**	**(105,215)**	**(58)**
Current income tax	11,873	62,292	(50,419)	(81)
Deferred income tax	(1,465)	8,098	(9,563)	(118)
Total provision for income tax	10,408	70,390	(59,982)	(85)
Net income	**64,553**	**109,786**	**(45,234)**	**(41)**
Attributable to:				
Equity holders of the parent	65,455	109,786	(44,331)	(40)
Non-controlling interests	(902)	-	(902)	100
Net income	**64,553**	**109,786**	**(45,234)**	**(41)**
Basic/Diluted Earnings Per Share	**0.01**	**0.023**		

- Cost of power generation increased by 69% in the first quarter of 2015 due to the cost of power generation of TAREC and OSPGC.
- General and administrative expenses decreased by ₱2.80 million or 3% brought about by lower insurance expenses and employees costs.
- The decrease by 65% in Equity in net losses of associates & joint venture was mainly due to net income earned by Maibarara Geothermal Inc. (MGI) for the first quarter of 2015. MGI started commercial operations in February 2014.
- Other expenses went up by 378% from ₱22.37 million to ₱107.00 million mainly due to interest expense incurred on long-term loans availed in the second quarter of 2014.
- Total provision for income tax went down due to lower taxable income in the first quarter of 2015.
- Due to the factors discussed above, the Company reported a lower net income in the first quarter of 2015 as compared to the same period last year.

Consolidated Balance Sheet

In thousand	March 2015	December 2014	Increase (Decrease) Amount	%
	Unaudited	Audited		
Cash and cash equivalents	360,298	541,571	(181,273)	(33)
Investments held for trading	921,542	377,793	543,749	144
Receivables	3,051,772	3,055,022	(3,250)	(0)
Fuel & spare parts - at cost	355,659	307,097	48,562	16
Other current assets	863,483	840,315	23,168	3
Total Current Assets	**5,552,754**	**5,121,798**	**430,957**	**8**
Plant, property and equipment	6,805,934	6,863,059	(57,125)	(1)
Investments in associates & JV	3,765,450	3,747,462	17,988	0
Available-for-sale investments	291,650	268,598	23,053	9
Investment properties	27,813	28,303	(490)	(2)
Goodwill & intangible assets	436,416	440,276	(3,860)	(1)
Deferred tax income assets - net	31,531	35,199	(3,668)	(10)
Other noncurrent assets	108,972	86,663	22,309	26
Total Noncurrent Assets	**11,467,767**	**11,469,560**	**(1,793)**	**(0)**
TOTAL ASSETS	**17,020,521**	**16,591,358**	**429,163**	**3**

- Cash and cash equivalents decreased by 33% from ₱541.57 million to ₱360.30 million. On the other hand, investment held for trading went up by 144%. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents, short-term investments and investments held for trading.
- Fuel and spare parts increased by ₱48.56 million brought about by increase in fuel purchases to avail of lower prices per liter.
- Available-for sale-investments slightly increased by 9% due to the increase in market value of investments.
- Deferred income tax assets decreased by 10% due to the tax effect of NOLCO claimed during the period.
- Other noncurrent assets went up by 26% brought about by the reclassification of receivable from current to noncurrent.

	March 2015	December 2014	Increase (Decrease) Amount	%
	Unaudited	Audited		
Accounts payable and other current liabilities	2,817,504	2,285,438	525,748	23
Income and withholding taxes payable	39,096	46,439	(7,342)	(16)
Due to stockholders	9,135	9,135	-	0
Current portion of long-term loans	43,557	29,255	14,301	49
Total Current Liabilities	**2,902,973**	**2,370,267**	**532,707**	**22**
Long-term loans - net of current portion	6,717,638	6,729,591	(11,953)	(0)
Pension & other employment benefits	32,727	28,652	4,075	14
Deferred tax income liabilities - net	152,182	158,459	(6,277)	(4)
Other noncurrent liabilities	82,359	82,267	91	0
Total Noncurrent Liabilities	**6,984,905**	**6,998,969**	**(14,064)**	**(0)**
Total Liabilities	**9,887,879**	**9,369,236**	**518,643**	**6**
Capital Stock	4,865,146	4,865,146	-	0
Additional paid in capital	38,258	38,258	-	0
Other equity reserve	36,551	35,992	560	2
Unrealized FV gains on AFS investments	108,795	74,515	34,280	46
Remeasurement losses on defined benefit plan	(1,454)	(1,454)	-	0
Acc share in OCI of JV	(370)	215	(585)	(272)
Retained Earnings	1,999,057	2,128,208	(144,700)	(7)
Treasury shares	(28,793)	(28,793)	-	0
Total equity attributable to equity holders of Parent Co.	**7,017,191**	**7,112,086**	**(94,895)**	**(1)**
Non-controlling Interests	109,134	110,036	(902)	(1)
Total Equity	**7,126,325**	**7,222,122**	**(95,797)**	**(1)**
TOTAL LIABILITIES & EQUITY	**17,020,521**	**16,591,358**	**429,163**	**3**

- Accounts payable and other current liabilities increased by 23% due to the increase in trade payables.
- The 16% decrease in income and withholding taxes payable was mainly due to lower income taxes in the first quarter of 2015.
- The reclassification of long-term loans from noncurrent to current is the reason for the 49% increase in the current portion of long-term loans.
- Pension and other employees benefits increased by 14% due to the accrual of retirement expense during the period.
- Deferred tax income liabilities decreased by 4% due to tax effect of the amortization of leasehold rights & depreciation of excess of fair value over cost of power plant.
- Unrealized fair value gains on AFS investments increased by 46% due to higher market value of available-for-sale investments.
- Accumulated share in other comprehensive income of a joint venture decreased by 272% due to settlement of forward contracts of SLTEC.
- The 7% decrease in retained earnings was brought about by lower net income for the first quarter of 2015 and the payment of cash dividends on March 25, 2015.

Financial Performance Indicators

KPI	Formula	31-Mar-15 Unaudited	31-Dec-14 Audited	Increase (Decrease) Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabiltiies	1.91	2.16	(0.25)	(12)
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.49	1.68	(0.19)	(11)
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.39	1.30	0.09	7
Asset to equity ratio	Total Assets / Total Equity	2.39	2.30	0.09	4
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	1.70	11.44	(9.74)	(85)
Net Debt to Equity Ratio	Debt - Cash & cash equivalents / Total equity	1.21	1.17	0.04	3

Current ratio and Acid test ratio
Current ratio and acid test ratio decreased due to 23% increase in current liabilities brought about by increase in trade payables.

Debt to Equity ratio
Debt to equity ratio slightly increased from 1.30 to 1.39 due to the 6% increase in liabilities while equity decreased by 1%.

Asset to equity ratio
Asset to equity ratio increased by % as total assets increased by 3% compared to a 1% decrease in equity.

Interest coverage ratio
Interest coverage ratio decreased by 85% in 2015 brought about by higher interest expense from long-term loans availed in the second quarter of 2014.

Net Debt Equity Ratio
The 3% increase in net debt equity ratio was due to the 2% increase in net debt as equity decreased by 1%.

KPI	Formula	31-Mar-15 Unaudited	31-Mar-14 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	0.90%	1.53%	(0.01)	(41)
Return on assets	Net income before taxes / Total assets	0.45%	1.51%	(0.01)	(70)
Asset turnover	Revenues / Total assets	18.26%	11.61%	0.07	57

Return on equity
Return on equity went down from 1.53% to 0.90% due to lower net income in the first quarter of 2015 as compared to the same period of last year.

Return on assets
Return on asset dropped from 1.51% to .0.45% as average total assets increased by 22% and net income decreased by 41% in the first quarter of 2015.

Asset turnover
Asset turnover increased by 57% as revenues increased by 16% and total assets increased by 22%.

During The First Quarter of 2015:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company has 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.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date except those already disclosed in the Consolidated Financial Statements and Annex B-1.
- 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 except those mentioned above.
- 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.

Annex "B-1"

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

PROGRESS REPORT

For the Quarter, January 1, 2015 to March 31, 2015

SC 6 Block A (Northwest Palawan)

Prospect evaluation commenced.

TA Petroleum has 2.334% participating interest in SC 6 Block A.

SC 6 Block B (Northwest Palawan)

Geophysical studies (seismic interpretation and satellite gravity study) progressed.

TA Petroleum owns 14.063% participating interest in SC 6 Block B.

SC 51 (East Visayas)

Otto Energy's request that the DOE reconsider its decision not to accept the Duhat-2 well as compliant with the Sub-Phase 5 work obligation, remains pending with the DOE.

The Filipino partners' request for 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 Energy's participating interest to the Filipino partners, also remains pending with the DOE.

TA Petroleum holds 6.67% participating interest in SC 51.

SC 55 (Ultra Deepwater West Palawan)

Otto Energy continued preparations for the drilling of Hawkeye – 1.

Red Emperor (Australia) farmed in for 15% participating interest in SC 55.

PNOC Exploration Corporation awaits clearance from the Office of the President to acquire 15% participating interest in SC 55.

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

SC 69 (Camotes Sea)

The consortium of TA Petroleum and Frontier Gasfields Ltd. weighed its options in view of the 7 April 2015 deadline to enter Sub-Phase 4. Sub-Phase 4 carries a commitment to drill a well or to undertake a 3D seismic program.

TA Petroleum holds 50% participating interest in SC 69.

SC 50 (Northwest Palawan)

The DOE denied Frontier Oil Corporation's request for an extension of Sub-Phase 3 beyond its 11 March 2015 expiry date.

Subsequently, UMW unilaterally cancelled its drilling contract with Frontier for the drilling of the Calauit wells, in the middle of renegotiation of rig day rates. In view of the foregoing, Frontier Oil applied for a Force Majeure situation.

Approval of TA Petroleum's farm-in for 10% participating interest in SC 50 is pending with the DOE.

Certified Correct:

RAYMUNDO A. REYES, JR.
EVP and COO

Signed in the presence of:

______________________ ______________________

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the first quarter ended March 31, 2015 covered by this report:

Date of filing	Item Reported
January 19, 2015	We confirm the accuracy of the news report entitled "Trans- Asia eyeing new wind farm in Guimaras" appearing in the January 16, 2015 online issue of the Manila Standard Today, quoted in part as follows: “Trans Asia Renewable Energy Corp., a unit of Trans-Asia Oil and Energy Development Corp., plans to build another 40 megawatt wind project in Sibunag, Guimaras province. The Energy Department approved Trans-Asia’s request to conduct a grid impact study on the wind project. Trans-Asia president Francisco Viray said the company was keen on the project if it was assured of a feed-in tariff, the per kilowatt-hour rate incentive to renewable energy resources. ‘We will do Sibunag only if we got a FIT for San Lorenzo and a FIT for Sibunag prior to investment,’ Viray said. . . . .”
February 05, 2015	Please be advised that the annual meeting of shareholders of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION will be held on 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: A G E N D A 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
February 13, 2015	Hydropower Service Contract HSC No. 2104-06-466 Please be informed that Trans-Asia surrendered to the Department of Energy the entire contract area covered by subject Hydropower Service Contract in Buguias, Benguet effective today.
February 20, 2015	We seek to clarify recent news involving Trans-Asia Oil and Energy Development Corporation (Trans-Asia) with the most recent news article appearing in the 16 February 2015 issue of Business World, entitled “PSALM to dispute P89-M PEMC penalty”, quoted as follows: “Six other firms were identified by PEMC in August to have violated the market rule. "These are: AP Renewables, Inc. (APRI); CIP II Power Corp.; Trans-Asia Power Generation Corp. (TAPGC); Udenna Management and Resources Corp.; Strategic Power Development Corp.; and SEM-Calaca Power Corp. "APRI, CIP and Udenna only received non-compliance letters for their violations. "Meanwhile, PEMC granted the requests for reconsideration of the remaining three firms -- TAPGC, Strategic Power and SEM-Calaca.

	"The decision of PEMC to penalize generators came as a result of its investigation into the breach of rules during the November and December 2013 supply months." Trans-Asia Oil and Energy Development Corporation is the parent of three of the cited companies, namely: CIP, TAPGC, and One Subic Power Generation Corporation which Trans-Asia purchased in May 2014 from Udenna. The must-offer rule requires that a generation facility/power plant must offer its full registered capacity to the spot market. PEMC verifies compliance by comparing the plant's registered capacity versus its offered capacity, which is the "bid" submitted by each plant at regular hourly intervals. During the period covered by the inquiry, 26 October to 25 December 2013, the three companies mentioned experienced periods of inability to deliver full registered capacity to the grid. Upon receipt of PEMC Non-Compliance letter, the companies communicated with PEMC to conduct a review of each and every instance that generation fell short of registered capacity. In its individual letters dated 30 January 2015, addressed to CIP II, TAPGC, and UMRC respectively, PEMC, after deliberation, decided to grant TAPGC's request for consideration, while CIP and OSPGC were cited, but no financial penalties were imposed on all three subsidiaries.
February 24, 2015	Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held today, the following were approved: 1. Audited Financial Statements of 2014, showing consolidated net income of P180 million; 2. Cash dividend of ₱0.04 per share, payable on March 25, 2015 to all stockholders of record as of March 09, 2015.
February 24, 2015	Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held today, the following were approved:

	1. Audited Financial Statements of 2014, showing consolidated net income of P180 million; 2. Cash dividend of ₱0.04 per share, payable on March 25, 2015 to all stockholders of record as of March 09, 2015.
February 26, 2015	Update to Geothermal Service Contract No.8 (GSC No.8) : Mabini Geothermal Service Contract Please be informed that Trans-Asia signed today a Farm-in. Agreement and a Deed of Assignment with Basic Energy Corporation ("Basic") providing for Trans-Asia's acquisition from Basic of twenty-five percent (25%) participating interest in Geothermal Service Contract No. 8 ("GSC No.8") dated July 10, 2008 which covers a certain area in Mabini, Batangas. As part of its farm-in obligation, Trans-Asia completed a comprehensive gravity geophysical program in the area of interest. Under GSC Nc. 8 one (1) exploratory well is committed to be drilled by the third quarter of this year. The above assignment of interest is subject to the approval of the Department of Energy.

TRANS-ASIA
OIL & ENERGY DEVELOPMENT
A PHINMA Company

April 15, 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 March 31, 2015, 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 1th Quarter of 2015.

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 March 31, 2015
(Amounts in Millions)

	Estimate			Actual disbursement for the period November 28, 2007 to Dec. 31,			Actual disbursement for the period January - March 2015		Balance of Gross Proceeds As of March 31, 2015		
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
SVP - 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 March 31, 2015 and for the period January 1, 2015 to March 31, 2015. 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 March 31, 2015 and for the period January 1, 2015 to March 31, 2015 (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, 2014
   d. Actual disbursements for the period January 1, 2015 to March 31, 2015
   e. Balance of the gross proceeds as at March 31, 2015.

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 for the period October 1, 2014 to December 31, 2014 submitted to SEC and noted no exceptions.
   b. Traced the actual gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering for the period October 1, 2014 to December 31, 2014 submitted to SEC. We noted no exceptions.
   c. Traced the actual disbursements for the period May 30, 2011 to December 31, 2014 to the Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering for the period October 1, 2014 to December 31, 2014 submitted to SEC and noted no exceptions.

3. From the schedule obtained in No. 1, we noted that there are no actual disbursements for the period January 1, 2015 to March 31, 2015.

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. 08-001998-55-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751303, January 5, 2015, Makati City

April 14, 2015

Trans-Asia Oil and Energy Development Corporation
Schedule of Disbursements from the Gross Proceeds of the 2011 Stock Rights Offering
As at March 31, 2015 and for the period January 1, 2015 to March 31, 2015
(Amounts in Millions)

	Estimates			Actual Disbursements for the Period May 30, 2011 to December 31, 2014			Actual Disbursements for the Period January 1, 2015 to March 31, 2015			Balance of the Gross Proc as at March 31, 2015	
Original Gross Proceeds - 2011 Stock Rights Offering (SRO)			₱1,165.2			₱1,165.2			₱–		
Application of Gross Proceeds:											
Equity investments:											
Coal power projects		1,044.1			1,044.1			–			1,044.1
Maibarara Geothermal, Inc.		105.0			105.0			–	–		105.0
Pay Expenses in Relation to the SRO:											
Documentary stamp tax	5.8			5.8			–			5.8	
Professional fees	4.0			–			–			–	
Philippine Securities and Exchange Commission fees for the increase in authorized capital stock and notice of exemption	3.5			5.6			–			5.6	
Philippine Stock Exchange 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
Balance			₱–			₱3.1			₱–		

Prepared by:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
SVP - Controller

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INDEPENDENT AUDITORS' REPORT OF FACTUAL FINDINGS

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

We are pleased to submit our report on the agreed-upon procedures performed with respect to the disbursements from the gross proceeds of the 2012 stock rights offering of Trans-Asia Oil and Energy Development Corporation (the Company) as at March 31, 2015 and for the period January 1, 2015 to March 31, 2015. 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 March 31, 2015 and for the period January 1, 2015 to March 31, 2015 (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, 2014
    d. Actual disbursements for the period January 1, 2015 to March 31, 2015
    e. Balance of the gross proceeds as at March 31, 2015.

2. Using the schedule obtained in No. 1, we performed the following:
    a. Traced the estimated gross proceeds and estimated application of gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period October 1, 2014 to December 31, 2014 submitted to SEC, which were also traced to the estimated amounts indicated in the prospectus. We noted no exceptions.
    Traced the actual gross proceeds to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period October 1, 2014 to December 31, 2014 submitted to SEC. We noted no exceptions.
    b. Traced the actual disbursements for the period November 14, 2012 to December 31, 2014 to the Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering for the period October 1, 2014 to December 31, 2014 submitted to the SEC. We noted no exceptions.

3. From the schedule obtained in No. 1, we noted that there are no actual disbursements for the period January 1, 2015 to March 31, 2015.

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.

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April 14, 2015

Trans-Asia Oil and Energy Development Corporation
Schedule of Disbursements from the Gross Proceeds of the 2012 Stock Rights Offering
As at March 31, 2015 and for the period January 1, 2015 to March 31, 2015
(Amounts in Millions)

	Estimates			Actual Disbursements for the Period November 14, 2012 to December 31, 2014			Actual Disbursements for the Period January 1, 2015 to March 31, 2015			Balance of Gross Proceeds As at March 31, 2015		
Original Gross Proceeds - 2012 Stock Rights Offering (SRO)			₱1,627			₱–			₱–			₱1,627
Application of Gross Proceeds:												
Equity investments in:												
54-megawatt (MW) wind energy project in San Lorenzo, Guimaras		1,000.0			1,000.0			–			1,000.0	
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 National Power Corporation and Power Sector Assets and Liabilities Management Corporation		612.0			589.00			–			589.0	
Pay Expenses in Relation to the SRO:												
Philippine Securities and Exchange Commission fees for increase confirmation and exemption	1.6			1.6			–			1.6		
Philippine Stock Exhange 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			1,626.7			–			1,626.7
Balance			₱–			(₱1,626.7)			₱–			₱0.3

Prepared by:

Yolanda D. Añonuevo
Assistant Controller

Noted by:

Mariejo P. Bautista
SVP - Controller