COVER SHEET

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S.E.C. Registration Number

TRANS-ASIA OIL AND ENERGY
DEVELOPMENT CORPORATION

(Company's Full Name)

LEVEL 11 PHINMA PLAZA 39 PLAZA
DRIVE ROCKWELL CENTER MAKATI

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

MR. RAYMUNDO A. REYES, JR.
Contact Person

870-0100
Company Telephone Number

12 (Month) 31 (Day)
Fiscal Year

17-Q
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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, 2008**

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 AND ENERGY DEVELOPMENT CORPORATION

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

6. Industry Classification Code (SEC Use Only)

7. Address of issuer's principal office Postal Code
Level 11, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1200

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

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

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

Number of shares of common stock outstanding **1,657,704,029 shares**
Amount of debt outstanding as of March 31, 20078 **None**

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 Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 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 I – 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 II – 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 15, 2008.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

for

PONCIANO L. DIMAYUGA
Senior Vice-President - Finance

Raymundo A. Reyes Jr.
RAYMUNDO A. REYES, JR.
Vice-President – Exploration

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
March 31, 2008 and December 31, 2007
and First Quarter Ended March 31, 2008 and 2007

and

Independent Auditors' Report

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 2008	December 31 December 2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 24)	**₱1,055,538,118**	₱1,211,421,333
Short-term investments (Notes 24)	–	8,639,904
Investments held for trading (Notes 6 and 24)	**398,496,271**	134,058,401
Receivables - net (Notes 7, 15, and 24)	**115,624,001**	118,256,864
Fuel and spare parts - at cost	**68,220,263**	56,063,302
Other current assets (Notes 24)	**29,973,608**	44,734,135
Company's share in current assets of a joint venture (Note 12)	**189,130,789**	143,971,808
Total Current Assets	**1,856,983,050**	1,717,145,747
Noncurrent Assets		
Property, plant and equipment - net (Notes 8 and 15)	**650,489,797**	663,434,690
Investments in associates (Note 9)	**163,980,859**	160,450,341
Available-for-sale investments (Notes 10 and 24)	**213,187,626**	224,250,497
Intangible assets - net (Notes 13)	**182,688,185**	185,401,954
Investment property - net (Note 11)	**3,512,023**	3,577,060
Other noncurrent assets (Note 7)	**332,678**	332,678
Company's share in noncurrent assets of a joint venture (Note 12)	**357,223,217**	376,962,029
Total Noncurrent Assets	**1,571,414,385**	1,614,409,249
	₱3,428,397,435	₱3,331,554,996
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 24)	**₱186,685,209**	₱188,863,566
Interest-bearing loans and borrowings (Notes 15 and 24)	**–**	–
Due to stockholders (Notes 24)	**71,453,761**	5,340,277
Income and withholding tax payable	**9,819,170**	4,128,253
Company's share in current liabilities of a joint venture (Note 12)	**192,647,004**	140,899,105
Total Current Liabilities	**460,605,144**	339,231,201

(Forward)

		December 31
	March 2008	December 2007
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 15 and 24)	**₱–**	₱–
Customers' deposits (Notes 24)	**17,648,894**	17,558,403
Pension and other post-employment benefits	**7,855,147**	6,415,541
Deferred tax liabilities - net (Note 22)	**82,628,038**	85,584,751
Other noncurrent liabilities	**7,199,828**	7,107,382
Company's share in noncurrent liabilities of a joint venture (Notes 12 and 22)	**13,775,254**	13,775,254
Total Noncurrent Liabilities	**129,107,161**	130,441,331
Equity		
Capital stock (Note 16)	**1,657,704,029**	1,657,585,092
Additional paid-in capital (Note 16)	**54,693,308**	54,693,308
Unrealized fair value gains on available-for-sale investments (Note 10)	**66,816,931**	77,866,896
Company's share in unrealized fair value gains on available-for-sale investments of a joint venture (Note 12)	**12,580,153**	16,252,343
Retained earnings (Note 16)	**1,050,814,578**	1,059,408,694
Parent Company shares of stock held by a joint venture (Note 12)	**(3,923,869)**	(3,923,869)
Total Equity	**2,838,685,130**	2,861,882,464
	₱3,428,397,435	₱3,331,554,996

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Quarters Ended March 31	
	2008	2007
REVENUES		
Trading revenue	**₱66,559,451**	₱–
Generation revenue (Note 1)	**144,262,563**	143,518,605
Company's share in revenue of a joint venture (Note 12):		
Generation	**154,940,435**	178,183,305
Other income	**565,504**	3,372,292
Interest and other financial income (Notes 6 and 24)	**8,589,335**	8,342,899
Dividend income	**18,390**	8,807,595
Other income	**523,690**	4,523,690
	375,459,368	346,748,386
COSTS AND EXPENSES		
Trading cost	**21,357,359**	–
Cost of power generation (Notes 18, 20 and 21)	**142,319,759**	145,854,214
General and administrative expenses (Notes 19, 20 and 21)	**33,061,936**	27,996,886
Company's share in costs and expenses of a joint venture (Note 12):		
Cost of power generation	**118,033,168**	130,538,012
General and administrative expenses	**4,898,188**	12,264,379
OTHER EXPENSES (INCOME)		
Net loss (gain) on derivatives (Note 24)	**5,271,460**	(5,870,820)
Foreign exchange loss (gain)	**(5,398,254)**	9,030,369
Interest and other financial charges (Note 24)	**120,483**	3,874,340
Equity in net earnings (loss) of associates (Note 9)	**(3,530,517)**	387,496
Reversal of allowance for impairment on investment in an associate (Note 9)	**–**	(3,405,227)
Loss (gain) on sale of available-for sale investments	**3,207**	(576,328)
Gain on sale of property and equipment	–	(82,167)
Impairment loss on available-for-sale investments (Note 10)	**–**	20,000
Others	**(638,611)**	(895,378)
	315,498,178	319,135,776
INCOME BEFORE INCOME TAX (Carried Forward)	**59,961,190**	27,612,610

	Quarters Ended March 31	
	2008	2007
INCOME BEFORE INCOME TAX (Brought Forward)	**₱59,961,190**	₱27,612,610
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 15 and 24)		
Current	**4,854,553**	279,662
Deferred	**(2,607,408)**	(2,210,781)
Company's share in income tax of a joint venture	**–**	14,970,062
	2,247,145	13,038,943
NET INCOME	**₱57,714,045**	₱14,573,667
Basic/Diluted Earnings Per Share (Note 23)	**₱0.035**	₱0.013

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	**Additional Paid-in Capital** (Note 16)	**Retained Earnings** (Note 16)	**Unrealized Fair Value Gains on Available-for-Sale Investments** (Note 10)	**Company's Share in Unrealized Fair Value Gains on Available-for-Sale Investments of a Joint Venture** (Note 12)	**Parent Company Shares of Stock Held by a Joint Venture** (Note 12)	**Total**
Balance at January 1, 2008	**₱1,657,585,092**	**₱54,693,308**	**₱1,059,408,694**	**₱77,866,896**	**₱16,252,343**	**(₱3,923,869)**	**₱2,861,882,464**
Cash dividends - ₱0.04 per share	**–**	**–**	**(66,308,161)**	**–**	**–**	**–**	**(66,308,161)**
Issuance during the year	**118,937**		–	–	–	–	**118,937**
	1,657,704,029	**54,693,308**	**993,100,533**	**77,866,896**	**16,252,343**	**(3,923,869)**	**2,795,693,240**
Decrease in fair value gains of available-for-sale investments	–	–	–	**(11,049,965)**	–	–	**(11,049,965)**
Decrease in fair value gains of available-for-sale investments of a joint venture	–	–	–	–	**(3,672,190)**	–	**(3,672,190)**
Net income for the year	–	–	**57,714,045**	–	–		**57,714,045**
Total income for the year	**–**	**–**	**57,714,045**	**(11,049,965)**	**(3,672,190)**	**–**	**42,991,891**
Balance at March 31, 2008	**₱1,657,704,029**	**₱54,693,308**	**₱1,050,814,578**	**₱66,816,931**	**₱12,580,153**	**(₱3,923,869)**	**₱2,838,685,130**
Balance at January 1, 2007	₱1,105,056,728	₱8,194,721	₱1,025,344,031	₱27,736,507	₱4,979,588	(₱3,147,272)	₱2,168,164,303
Increase in fair value gains of available-for-sale investments	–	–	–	4,368,525	–	–	4,368,525
Increase in fair value gains of available-for-sale investments of a joint venture	–	–	–	–	975,413	–	975,413
Net income for the year	–	–	14,573,667	–	–	–	14,573,667
Total income for the year	–	–	14,573,667	4,368,525	975,413	–	19,917,605
Balance at March 31, 2007	₱1,105,056,728	₱8,194,721	₱1,039,917,698	₱32,105,032	₱5,955,001	(₱3,147,272)	₱2,188,081,908
Balance at January 1, 2007	₱1,105,056,728	₱8,194,721	₱1,025,344,031	₱27,736,507	₱4,979,588	(₱3,147,272)	₱2,168,164,303
Cash dividends - ₱0.04 per share	–	–	(44,202,269)	–	–	–	(44,202,269)
Proceeds from stock rights offering, net of ₱8.8 million direct issuance costs	552,528,364	46,498,587	–	–	–	–	599,026,951
Increase in Parent Company's shares held by joint venture	–	–	–	–	–	(776,597)	(776,597)
	1,657,585,092	54,693,308	981,141,762	27,736,507	4,979,588	(3,923,869)	2,722,212,388
Increase in fair value gains of available-for-sale investments	–	–	–	50,130,389	–	–	50,130,389
Increase in fair value gains of available-for-sale investments of a joint venture	–	–	–	–	11,272,755	–	11,272,755
Net income for the year	–	–	78,266,932	–	–		78,266,932
Total income for the year	–	–	78,266,932	50,130,389	11,272,755	–	139,670,076
Balance at December 31, 2007	₱1,657,585,092	₱54,693,308	₱1,059,408,694	₱77,866,896	₱16,252,343	(₱3,923,869)	₱2,861,882,464

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱59,961,190**	₱27,612,610
Adjustments for:		
Company's share in income before income tax of a joint venture	**20,449,159**	(23,309,520)
Interest and other financial income (Note 24)	**(8,589,335)**	(8,342,899)
Depreciation and amortization (Note 21)	**16,701,593**	39,892,582
Unrealized foreign exchange loss (gain)	**(5,398,254)**	9,030,369
Net loss (gain) on derivatives	**5,271,460**	(5,870,820)
Interest and other financial charges (Note 24)	**120,483**	3,874,340
Equity in net earnings of associates (Note 9)	**(3,530,517)**	387,496
Dividend income	**(18,390)**	(8,807,595)
Provisions for (reversal of):		
Impairment loss on investment in an associate		(3,405,227)
Impairment loss on available-for-sale investments		20,000
Loss (gain) on sale of available-for-sale investments	**3,207**	(576,327)
Gain on sale of property and equipment		(82,167)
Operating income (loss) before working capital changes	**84,970,596**	30,422,842
Decrease (increase) in:		
Receivables	**(14,568,017)**	(11,238,058)
Fuel and spare parts	**(12,156,961)**	(36,346,241)
Other current assets	**(5,135,033)**	80,149,281
Increase (decrease) in accounts payable and other current liabilities	**18,457,607**	11,336,564
Net cash generated from (used for) operations	**71,568,192**	74,324,388
Interest received	**11,961,098**	7,219,823
Interest paid		(3,700,758)
Company's share in net cash flows provided by operating activities of a joint venture	**35,073,230**	54,765,305
Net cash provided by operating activities	**118,602,520**	132,608,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	**(373,314,888)**	(97,917,976)
Property and equipment	**(737,529)**	(2,305,536)
Deferred exploration costs	**(240,364)**	(567,143)
Available-for-sale investments	**(348,450)**	(1,620,623)

(Forward)

	Quarters Ended March 31	
	2008	2007
Cash dividends received	**₱18,390**	₱8,807,595
Proceeds from:		
Sale/redemption of investments held for trading	**116,753,180**	17,747,578
Settlement of currency forward contracts	**14,624,100**	15,508,980
Sale of available-for-sale investments	**358,151**	1,334,373
Sale of property and equipment		213,000
Termination of short-term investments	**8,639,904**	
Increase (decrease) in customers' deposit	**62,565**	277,550
Cash received from the return of investments of associates	**–**	3,405,227
Decrease (increase) in other noncurrent assets	**–**	332,677
Company's share in net cash flows provided by (used in) investing activities of a joint venture	**(55,068)**	38,367,775
Net cash provided by (used in) investing activities	**(234,260,011)**	(16,416,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans and borrowings	**–**	(47,661,292)
Long-term loans and borrowings	**–**	(1,818,182)
Net cash used in financing activities	**–**	(49,479,474)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes on cash and cash equivalents of venturer	**(5,227,562)**	(3,144,387)
Company's share in effect of foreign exchange rate changes on cash and cash equivalents of a joint venture	**–**	(281,042)
Net effect of foreign exchange rate changes on cash and cash equivalents	**(5,227,562)**	(3,425,429)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF VENTURER AND JOINT VENTURE	**(120,865,053)**	63,287,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**1,221,667,518**	266,468,912
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,100,802,465**	₱329,756,244

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or "Parent Company"), incorporated on September 8, 1969, and its wholly-owned subsidiaries, Trans-Asia Renewable Energy Corporation (Renewable), Trans-Asia (Karang Besar) Petroleum Corporation, CIP II Power Corporation (CIPP) and Trans-Asia Gold and Minerals Development Corporation (TA Gold) (collectively referred to as "the Company") are incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company is involved in power generation, oil and mineral exploration, exploitation and production. In 2004, the Parent Company entered into an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras. The Parent Company completed the construction of a 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island in February 2005 and started commercial operations on June 26, 2005 (see Note 28). The other activities of the Company are investments in various operating companies and financial instruments. As of December 31, 2007, its largest investment is 50% interest in Trans-Asia Power Generation Corporation (TA Power). Its subsidiaries, Renewable and Karang Besar, on the other hand, have not yet started commercial operations. On December 28, 2006, the Parent Company acquired CIPP, a company registered with the Philippine Economic Zone Authority (PEZA) as an ecozone utilities enterprise, particularly, to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone, in Barangay Punta and Tulo, Calamba, Laguna.

The Energy Regulatory Commission (ERC) granted TA Oil a certificate of registration as a Wholesale Aggregator in November 2006 and TA Power a certificate of registration as a Wholesale Generator in January 2007.

The registered office address of the Parent Company is 11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc. TA Oil is also controlled by PHINMA under an existing management agreement. PHINMA is incorporated in the Philippines.

2. Basis of Preparation

The accompanying consolidated financial statements of the Company have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso unless otherwise stated.

Statement of Compliance

The accompanying consolidated financial statements, which are prepared for submission to the SEC, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiaries as of March 31 and December 31. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

In addition, the Company's share of each of the assets, liabilities, income and expenses of its jointly controlled venture, TA Power, is included as a separate line item in the consolidated financial statements based on the account grouping (see Notes 3 and 12, "Interest in a Joint Venture").

3. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Assets and 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 fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated statement of 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 the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit amount.

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 instrument.

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 are classified into the following categories: Financial asset at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

- Financial Assets and Liabilities at FVPL

  Financial assets or financial liabilities classified in this category included those that are designated by management on initial recognition as at FVPL when the following criteria are met:

  a. 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; or

  b. 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

  c. The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

  Financial assets and financial liabilities designated at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in the consolidated statement of income. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded according to the terms of the contract, or when the right of the payment has been established.

  <u>Other Financial Assets or Financial Liabilities Held for Trading</u>
  Other financial assets or financial liabilities held for trading are also included in this category and are classified under financial assets and liabilities at FVPL. These financial instruments are recorded in the consolidated balance sheet at fair value. Changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded when the right to receive payment has been established.

The Company's investments in mutual and common trust funds, bonds and treasury notes are classified as financial assets held for trading (see Note 8).

<u>Derivatives Recorded at FVPL</u>
The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

- Loans and Receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

  The Company's cash and cash equivalents, short-term investments, receivables and cash in escrow are classified as loans and receivables.

- HTM Investments

  Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest method.

  Gains and losses are recognized in income when the HTM investments are derecognized or impaired, as well as through the amortization process. HTM financial assets 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 financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, and other relevant valuation models.

AFS financial assets 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's investments in listed and unlisted equity securities and golf club shares are classified as AFS investments (see Note 10).

Other Financial Liabilities

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's accounts payable and other current liabilities, interest-bearing loans and borrowings, due to stockholders and customers' deposits are classified as other financial liabilities.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. Bad debts are written-off when identified. The amount of the loss shall be recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For the purpose of specific evaluation of impairment, the

Company assesses whether financial assets are impaired through assessment of 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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. For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

If an AFS asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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 fair value through profit or loss.

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. The Company has opted not to designate its derivative transactions as accounting hedges. Consequently, 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.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial Liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

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

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

Under the component depreciation method, plant overhaul costs are segregated into two categories, that is: (a) costs that should be depreciated over the useful life of the plant; and, (b) parts that are replaced at periodic intervals. The cost of the initial overhaul that may be capitalized is depreciated over its estimated useful life, through the next overhaul, at which time the process is repeated. Under this method, repairs and maintenance are also expensed as incurred.

Depletion of wells, platforms and other facilities are provided on a field basis under the unit-of-production method based upon estimates of proven reserves. The depletion base includes the estimated future development cost of the undeveloped reserves.

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

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

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

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

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

Investments in Associates

The Company's investments in its associates are accounted for under the equity method of accounting. These are entities in which the Company has significant influence and which are neither subsidiaries nor joint ventures of the Company. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The consolidated statement of income reflects the Company's share of the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

When the Company's accumulated share in net losses of an associate equals or exceeds the carrying amount of the investment, including advances, the Company discontinues the recognition of its share in additional losses and the investment is reported at nil value. If the associate subsequently reports net income, the 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.

Interest in a Joint Venture

The Company's interest in its joint venture is proportionately consolidated to the accounts of the Parent Company. This method involves presenting as separate line items the Company's share in the joint venture's assets, liabilities, income and expenses in the consolidated financial statements.

The joint venture's investment in the Parent Company's shares of stock is accounted for as "Parent Company shares of stock held by a joint venture" included and shown as a reduction in the equity section of the consolidated balance sheet.

Investment Property

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

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

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

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

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC)/geophysical survey and exploration contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are tentatively deferred to the extent that the capitalized costs do not exceed the value of those reserves, pending determination of whether the contract area contains oil and gas reserves in commercial quantities, net of an allowance for impairment losses.

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

Deferred exploration costs are assessed for impairment when:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or,

- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

Business Combinations

Business combinations are accounted for using the acquisition accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Company reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognizes immediately in profit or loss any excess remaining after that reassessment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Customer contracts acquired through business combinations are assessed to have finite useful life and amortized on a straight-line basis over the useful economic life of five years, 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 is reviewed at least at each financial year-end. Changes in the expected useful life or 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. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

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.

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 are recognized during the period when electricity is generated. Revenue from take-or-pay arrangement is recognized in accordance with the terms of the ESA in relation to the electricity generated.

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

Interest. 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.

Pensions and Other Post-Employment Benefits
The Company has a defined benefit pension plan. The costs of providing benefits under the defined benefit plan are determined using the projected unit credit actuarial valuation method. The method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of the past service cost of the current period exceeding any increase in the present value of the economic benefits stated in the foregoing are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Stock Option
The Company had a stock option plan offered to qualified employees, officers and directors of the Company. As allowed under PFRS 1, "First Time Adoption of Philippine Financial Reporting Standards," the Company availed of the exemption from applying PFRS 2, "Share-based Payment," to stock options granted after November 7, 2002 but are fully vested as of January 1, 2005. There are no stock options granted after November 7, 2002 which remained unvested as of January 1, 2005.

Stock option grants subsequent to January 1, 2005 will be accounted for in accordance with PFRS 2, that is, the cost of stock option awards will be measured by reference to the fair value at the date on which they are granted. The cost of such awards will be 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 will be recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit 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.

Operating Leases

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs, including foreign exchange differences arising from foreign currency-denominated borrowings, to the extent they are regarded as an adjustment to interest costs, are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

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 cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

<u>Foreign Currency Transactions</u>
Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the balance sheet date. Exchange gains or losses arising from the settlement or restatement of monetary items at rates different from those at which they were initially recorded during the year are credited or charged directly to current operations.

<u>Income Tax</u>

Current Tax. Current 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 authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Tax. Deferred 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 tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred 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 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 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 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 tax asset to be recovered.

Deferred 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Segment Reporting
For purposes of financial reporting, the following are the Company’s reportable segments: oil and mineral exploration and power generation. The investment activities are incidental to the Company’s power generation activities arising from management of the Company’s excess funds. There are no activities in the oil and mineral exploration segment except incurrence of exploration costs, shown as deferred exploration costs under “Intangible assets” account in the consolidated balance sheet.

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.

Subsequent Events
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 when material.

4. Significant Accounting Estimates and Judgments

The Company's consolidated financial statements prepared in conformity with PFRS require management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. 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 estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant estimates and judgments and related impact and associated risks in its consolidated financial statements.

Judgments

Determining 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.

Determining Whether an Arrangement Contains a Lease and Proper Classification of the Lease. TA Oil's ESA with Guimelco and TA Power's ESA with Holcim Philippines, Inc. (Holcim) qualify as lease on the basis that TA Oil and TA Power sell all their output to Guimelco and Holcim, respectively. These arrangements call for a take-or-pay arrangement where payment is made on the basis of the availability of the power plant and not on actual deliveries. These lease arrangements are determined to be operating leases where a significant portion of the risks and rewards of ownership are retained by TA Oil and TA Power. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment and the fees billed to Guimelco and Holcim are recorded as operating revenues.

Fair Value of Financial Assets. Where the fair values of financial assets 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 is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility.

Estimates

Estimating Allowances for Doubtful Accounts. The Company maintains allowance for doubtful accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, which considers the significant financial difficulties of the customer, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, past-due status and terms) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of receivables as of March 31, 2008 and December 31 2007 is ₱115.6 million and ₱118.2 million, respectively (see Note 7).

Realizability of Deferred Tax Assets. The carrying amount of deferred 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.

The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred tax assets were recognized in the consolidated balance sheet as of March 31, 2008 and December 31, 2007 amounted to ₱369.1 million.

Estimating Useful Lives of Property, Plant and Equipment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment 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 is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property, plant and equipment as of March 31, 2008 and December 31, 2007 is ₱650.5 million and ₱663.4 million, respectively. Details are disclosed in Note 8 to the consolidated financial statements.

Impairment of Deferred Exploration Costs. The carrying value of deferred exploration costs is reviewed for impairment when there are indications that the carrying amount exceeds the recoverable amount. The carrying value of deferred exploration costs is ₱138.4 million and ₱138.1 million as of March 31, 2008 and December 31, 2007, respectively. Details are disclosed in Note 13 to the consolidated financial statements.

Impairment of Property, Plant and Equipment, Intangible Assets and Investment Property. The Company performs annual impairment testing of assets which are not used in operations and those with indications of impairment. The impairment testing of assets not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The impairment testing of property, plant and equipment with indications of impairment requires an estimation of the value in use of the cash-generating units. There are no additional impairment losses provided in 2008 and 2007. The carrying value of property, plant and equipment as of March 31, 2008 and December 31, 2007 is ₱650.5 million and ₱663.4 million, respectively. Details are disclosed in Note 8 to the consolidated financial statements. The carrying value of intangible assets as of March 31, 2008 and December 31, 2007 is ₱182.7 million and ₱185.4 million, respectively. Details are disclosed in Note 13 to the consolidated financial statements. The carrying value of investment property as of March 31, 2008 and December 31, 2007 is ₱3.5 million and ₱3.6 million, respectively. Details are disclosed in Note 11 to the consolidated financial statements.

Estimating the Fair Values of CIPP's Identifiable Assets and Liabilities. Where the fair values of CIPP'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.

Impairment of Investments in Associates. The carrying value of investments in associates is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. The carrying value of investments in associates as of March 31, 2008 and December 31, 2007 is ₱163.9 million and ₱160.4 million, respectively. Details are disclosed in Note 9 to the consolidated financial statements.

Impairment of AFS Investments. The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% more of the original cost of investment, and "prolonged", greater than 6 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 carrying value of AFS investments as of March 31, 2008 and December 31, 2007 is ₱213.2 million and ₱224.3 million, respectively. Details are disclosed in Note 10 to the consolidated financial statements.

Pension and Other Post-employment Benefits. The determination of the Company's obligation and cost for pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions include among others, discount rates, expected returns on plan assets and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

5. Cash and Cash Equivalents

	March 2008	December 2007
Cash on hand and in banks	**₱48,158,361**	₱124,981,827
Short-term deposits	**1,007,379,757**	1,086,439,506
	₱1,055,538,118	₱1,211,421,333

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

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of the following at December 31:

	March 2008	December 2007
Cash and cash equivalents of venture	**₱1,055,538,118**	₱1,211,421,333
Share in cash and cash equivalents of a joint venture (see Note 12)	**45,264,347**	10,246,185
	₱1,100,802,465	₱1,221,667,518

6. Investments Held for Trading

	March 2008	December 2007
Investments in bonds and Fixed Treasury Notes (FXTNs)	**₱192,634,551**	₱134,058,401
Investments in Unit Investment Trust Funds (UITFs) and mutual funds	**205,861,720**	–
	₱398,496,271	₱134,058,401

7. Receivables

	March 2008	December 2007
Trade	**₱78,033,979**	₱87,302,887
Due from related companies	**53,522,565**	24,287,915
Others	**10,870,189**	33,468,794
	142,426,733	145,059,596
Less allowance for doubtful accounts	**26,802,732**	26,802,732
	₱115,624,001	₱118,256,864

Trade receivables represent receivables from Guimelco, in accordance with the terms of the ESA between the Parent Company and Guimelco, and CIPP's receivables from locators in CIP II. Trade receivables are noninterest-bearing and are generally on a 30-day credit terms.

Due from related companies includes a long-outstanding receivable of ₱23.5 million from a company under common control of PHINMA, fully provided with allowance for doubtful accounts, as of March 31, 2008 and December 31, 2007.

Other receivables include interest receivable of ₱6.4 million as of March 31, 2008 and December 31, 2007.

The Parent Company extended a loan to Guimelco with face value amounting to ₱532,382 with interest of 12.7% per annum and a monthly amortization of ₱18,726 beginning May 2005 up to February 2008. The monthly amortization will be offset against the monthly rental of ₱20,000 under the lease contract between Guimelco and TA Oil. In case the lease contract is terminated prior to the full settlement of the loan, the remaining outstanding balance becomes due and demandable.

Loan receivable was fully collected in February 2008. The outstanding balance of the loan receivable as of December 31, 2007 is ₱36,865. The amount due within the next twelve months after year end of 2007 ₱36,865 and is included as part of other receivables.

Due from related companies amounting to ₱23.5 million and other receivables amounting to ₱3.3 million were impaired and fully provided for as of March 31, 2008 and December 31, 2007. There was no movement in the allowance for doubtful accounts in 2008 and 2007.

The aging analysis of receivables is as follows:

	March 2008						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**Impaired**
				(In Thousands)			
Trade	**₱78,034**	**₱71,240**	**₱1,457**	**₱462**	**₱11**	**₱4,864**	**₱–**
Due from related companies	**53,522**	**29,990**	**–**	**–**	**–**	**–**	**23,532**
Others	**10,870**	**7,567**	**–**	**–**	**32**	**–**	**3,271**
Total	**₱142,426**	**₱108,797**	**₱1,457**	**₱462**	**₱43**	**₱4,864**	**₱26,803**

	December 2007						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 days	30-60 days	60-90 days	90-120 days	Impaired
				(In Thousands)			
Trade	₱87,303	₱76,466	₱4,681	₱578	₱442	₱5,136	₱–
Due from related companies	24,288	756	–	–	–	–	23,532
Others	33,469	30,159	7	32	–	–	3,271
Total	₱145,060	₱107,381	₱4,688	₱610	₱442	₱5,136	₱26,803

8. Property, Plant and Equipment

	Land	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Total
Cost:								
At January 1, 2007	₱57,983,000	₱90,482,530	₱502,398,223	₱20,346,661	₱8,047,649	₱4,707,066	₱24,889,363	₱708,854,492
Additions	–	7,157,864	50,000,000	–	6,766,620	3,052,205	2,002,531	68,979,220
Disposal	–				(712,500)		(36,080)	(748,580)
At December 31, 2007	57,983,000	97,640,394	552,398,223	20,346,661	14,101,769	7,759,271	26,855,814	777,085,132
Additions	–	–	–	–	–	297,647	439,882	737,529
Disposal	–	–	–	–	–	–	–	–
At March 31, 2008	**57,983,000**	**97,640,394**	**552,398,223**	**20,346,661**	**14,101,769**	**8,056,918**	**27,295,696**	**777,822,661**
Accumulated depreciation and impairment:								
At January 1, 2007	–	18,736,486	8,770,040	20,346,661	2,949,255	1,094,559	11,095,074	62,992,075
Depreciation	–	6,206,846	39,098,163	–	1,919,800	597,094	3,454,211	51,276,114
Disposal	–	–	–	–	(581,667)	–	(36,080)	(617,747)
At December 31, 2007	–	24,943,332	47,868,203	20,346,661	4,287,388	1,691,653	14,513,203	113,650,442
Depreciation	–	1,281,160	10,499,375	–	626,225	300,964	974,698	13,682,422
Disposal	–	–	–	–	–	–	–	–
At March 31, 2008	**–**	**26,224,492**	**58,367,578**	**20,346,661**	**4,913,613**	**1,992,617**	**15,487,901**	**127,332,864**
Net book value:								
At March 31, 2008	**₱57,983,000**	**₱71,415,902**	**₱494,030,645**	**₱–**	**₱9,188,156**	**₱6,064,301**	**₱11,807,795**	**₱650,489,797**
At December 31, 2007	57,983,000	72,697,062	504,530,020	–	9,814,381	6,067,618	12,342,609	663,434,690
At January 1, 2007	57,983,000	71,746,044	493,628,183	–	5,098,394	3,612,507	13,794,289	645,862,417

Included under “mining and other equipment” is a wind tower constructed in Sual, Pangasinan. Construction of the wind tower was completed on December 21, 2005. The Company has not operated the wind tower as the result of wind measurement in Sual, Pangasinan has not reached the required level to operate the wind tower commercially. In August 2007, the wind tower was transferred in San Lorenzo, Guimaras. Test run is on-going.

9. Investments in Associates

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

	March 2008	December 2007
Acquisition costs:		
Balance at beginning of year	**₱207,334,913**	₱231,240,140
Reclassification	**–**	(20,500,000)
Return of capital	**–**	(3,405,227)
Balance at end of year	**207,334,913**	207,334,913
Accumulated equity in net losses:		
Balance at beginning of year	**(45,325,321)**	(20,665,133)
Equity in net earnings for the year	**3,530,517**	5,009,578
Reclassification	**–**	(29,669,766)
Dividends received	**–**	–
Balance at end of year	**(41,794,804)**	(45,325,321)
	165,540,109	162,009,592
Less accumulated impairment:		
Balance at beginning of year	**1,559,251**	4,964,478
Reversal	**–**	(3,405,227)
Balance at end of year	**1,559,251**	1,559,251
	₱163,980,858	₱160,450,341

The percentage of ownership and the carrying values of investments in associates which are accounted for under the equity method are as follows:

	Percentage of Ownership	**March 2008**	December 2007
Bacnotan Industrial Park Corporation (BIPC)	30.00	**₱163,312,975**	₱159,768,775
Union Aggregates Corporation (UAC)*	31.25	**–**	–
Asia Coal Corporation (Asia Coal)*	28.18	**667,883**	681,566
		₱163,980,858	₱160,450,341

** Ceased operations*

Information with regard to the Company's significant associates is shown below:

<u>BIPC</u>

	March 2008	December 2007
Cash and cash equivalents	**₱8,126,121**	₱10,105,857
Investments in UITFs and mutual fund	**4,940,983**	7,955,162
Installment contract receivables	**107,414,008**	54,379,063
Input tax and other current and noncurrent assets	**24,515,172**	16,512,057
Land and development costs	**345,379,006**	395,980,999
Property and equipment - net	**140,142,561**	141,887,247
Total (Carried Forward)	**630,517,851**	626,820,385

	March 2008	December 2007
Total (Brought Forward)	**₱630,517,851**	₱626,820,385
Accounts payable and accrued expenses	**(39,591,137)**	(20,995,196)
Deferred gross profit	**(3,606,981)**	(17,289,161)
Estimated liability for land development	**(3,209,664)**	(16,259,384)
Deposits for construction costs	**(3,174,039)**	(15,194,516)
Other taxes payable		(826,084)
Long-term debt	**(23,928,231)**	(23,693,459)
	(73,510,052)	(94,257,800)
Net assets	**₱557,007,799**	₱532,562,585
Revenue	**₱39,506,000**	₱6,129,000
Costs and expenses	**(24,871,000)**	(7,747,000)
Other income (expenses)	**(629,000)**	322,000
Benefit from (provision for) income tax	**(2,192,000)**	(34,000)
Net income (loss)	**₱11,814,000**	(₱1,330,000)

BIPC is engaged in the development of a 110-hectare industrial estate in Calaca, Batangas. On January 17, 2008, the Company, together with the other shareholders of BIPC, entered into a Memorandum of Agreement with Phoenix Petroleum Philippines, Inc. (Phoenix) for the sale of all the issued and outstanding common shares of BIPC to Phoenix. Total consideration to be paid to TA Oil is ₱197.6 million.

10. **Available-for-Sale Investments**

	March 2008	December 2007
Shares of stock:		
Listed	**₱92,524,608**	₱105,557,479
Unlisted	**95,463,018**	95,463,018
Golf club shares	**25,200,000**	23,230,000
	₱213,187,626	₱224,250,497

AFS investments are stated at fair value as of March 31, 2008 and December 31, 2007 except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Loss from change in fair value recognized directly in equity in March 2008 amounted to ₱11 million. Gains from change in fair value recognized directly in equity in December 2007 amounted to ₱50.1 million. Impairment loss in March 2007 amounting to ₱20.0 thousand has been recognized directly in profit or loss and none in March 2008.

11. Investment Property

	March 2008	December 2007
Cost	**₱4,893,663**	₱4,893,663
Accumulated depreciation:		
Balance at beginning of the year	**1,316,603**	1,056,453
Depreciation	**65,037**	260,150
Balance at end of year	**1,381,640**	1,316,603
	₱3,512,023	₱3,577,060

Investment property is stated at cost less accumulated depreciation and any impairment losses. The fair value of the investment property based on the latest valuation by an independent firm of appraisers is ₱5.8 million as of March 31, 2008 and December 31, 2007. The valuation undertaken considers the sales of similar or substitute properties and related market data and establishes value estimate by processes involving comparison.

12. Interest in a Joint Venture

The Company has a 50% interest in TA Power, which is engaged in power generation.

The Company's proportionate share in the assets and liabilities of TA Power as of March 31, 2008 and Decemebr 31, 2007 and income and expenses for the first quarter ended March 31, 2008 and 2007, before elimination of intercompany transactions and balances, are as follows:

	March 2008	December 2007
Current assets	**₱208,615,551**	₱143,971,808
Noncurrent assets*	**357,223,217**	376,962,029
	565,838,768	520,933,837
Current liabilities	**(210,681,935)**	(141,654,654)
Noncurrent liabilities (see Note 24)	**(13,775,254)**	(13,775,254)
	(224,457,189)	(155,429,908)
Net assets	**₱341,381,579**	₱365,503,929

* *Net of investment in shares of stock of the Parent Company of ₱3.9 million in March 2008 and December 2007.*

	March 2008	March 2007
Revenue	**₱168,849,269**	₱178,183,305
Cost of power generation	**(184,505,983)**	(130,538,013)
General and administrative expenses	**(5,466,677)**	(12,749,221)
Other income - net	**674,232**	3,383,510
Income before income tax	**(20,449,159)**	38,279,581
Provision for income tax	**–**	(14,970,061)
Net income	**(₱20,449,159)**	₱23,309,520

Details of the Company's share in the current and noncurrent assets and current and noncurrent liabilities of the joint venture as of March 31, 2008 and December 31, 2007, after elimination of intercompany balances, are as follows:

	March 2008	December 2007
Current assets:		
Cash and cash equivalents	**₱45,264,348**	₱10,246,185
Investments held for trading	**–**	–
Trade and other receivables	**69,658,552**	65,220,613
Fuel and spares - at cost	**67,037,999**	56,977,076
Prepaid expenses and other current assets	**7,169,890**	11,527,934
	₱189,130,789	₱143,971,808
Noncurrent assets:		
Property, plant and equipment – net	**₱309,691,261**	₱325,757,883
Available-for-sale investments	**47,531,956**	51,204,146
	₱357,223,217	₱376,962,029

	March 2008	December 2007
Current liabilities:		
Trade and other payables	**₱189,358,532**	₱137,231,493
Due to related parties		379,140
Derivative liability	**788,472**	788,472
Provisions	**2,500,000**	2,500,000
	₱192,647,004	₱140,899,105
Noncurrent liability -		
Deferred tax liability - net (see Note 22)	**₱13,775,254**	₱13,775,254

Details of the Company's share in the cost of power generation and general and administrative expenses of the joint venture for the first quarter ended March 31, 2008 and 2007, after elimination of intercompany transactions, are as follows:

	March 2008	March 2007
Cost of power generation:		
Fuel	**₱94,065,608**	₱102,587,833
Depreciation and amortization	**15,854,137**	15,671,614
Repairs and maintenance	**1,373,387**	4,553,051
Labor	**2,976,798**	3,938,771
Taxes and licenses	**2,437,680**	2,038,140
Insurance	**845,232**	974,641
Security, janitorial and professional fees	**204,667**	366,854
Others	**275,659**	407,107
	₱118,033,168	₱130,538,012

	March 2008	March 2007
General and administrative expenses:		
Management and professional fees	**₱1,533,094**	₱7,157,792
Salaries and directors' fees	**1,749,574**	3,327,135
Employee benefits	**63,219**	324,269
Depreciation and amortization	**221,533**	158,529
Taxes and licenses	**511,908**	369,564
Transportation and travel	**107,826**	172,103
Entertainment, amusement and recreation	**10,826**	
Others	**700,208**	754,987
	₱4,898,188	₱12,264,379

In order to optimize the capacity and profitability of TA Power's power plant especially with the rising price of bunker fuel, TA Power started to participate in the Wholesale Electricity Spot Market (WESM) in January 2007. As such, engines have been subjected to frequent start and stop operations which increases the wear and tear rate of the engines.

Consequently, the remaining useful life of the power plant was shortened from 11 years to 6 years in 2007.

13. **Intangible Assets**

	March 2008	December 2007
Deferred exploration costs	**₱138,376,186**	₱138,135,822
Customer contracts	**44,311,999**	47,266,132
	₱182,688,185	₱185,401,954

Following are the details and movements of intangible assets:

	Oil Exploration Costs	Mineral Explorations Costs	Total Deferred Exploration Costs	Customer Contracts	Total
Cost:					
At January 1, 2007	₱287,540,357	₱8,819,647	₱296,360,044	₱59,082,665	₱355,442,669
Additions	3,139,591	809,234	3,948,825	–	3,948,825
At December 31, 2007	290,679,948	9,628,881	300,308,829	59,082,665	359,391,494
Additions	20,716	219,648	240,364	–	240,364
At March 31, 2008	**290,700,664**	**9,848,529**	**300,549,193**	**59,082,665**	**359,631,858**
Allowance for impairment loss and amortization:					
At January 1, 2007	162,173,007	–	162,173,007	–	162,173,007
Amortization	–	–	–	11,816,533	11,816,533
At December 31, 2007	162,173,007	–	162,173,007	11,816,533	173,989,540
Amortization	–	–	–	2,954,133	2,954,133
At March 31, 2008	**162,173,007**	**–**	**162,173,007**	**14,770,666**	**176,943,673**
Net book value:					
At December 31, 2007	**₱128,527,657**	**₱9,848,529**	**₱138,376,186**	**₱44,311,999**	**₱182,688,185**
At December 31, 2007	128,506,941	9,628,881	138,135,822	47,266,132	185,401,954
At January 1, 2007	125,367,350	8,819,647	134,186,997	59,082,665	193,269,662

Deferred Exploration Costs

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

	March 2008	December 2007
SC No. 6 (Northwest Palawan)	**₱113,049,200**	₱113,028,483
SC No. 41 (Sulu Sea)	**51,673,917**	51,673,917
SC No. 42 (North Palawan)	**33,880,927**	33,880,927
SC No. 51/GSEC No. 93 (East Visayas)	**32,363,323**	32,363,323
GSEC No. 94 (Offshore West Palawan)	**28,228,563**	28,228,563
Offshore North Mindoro-West Batangas	**17,290,300**	17,290,300
GSEC No. 91 (Southwest Palawan)	**8,103,315**	8,103,315
SC No. 55 (Offshore West Palawan)	**5,570,140**	5,570,140
Others	**540,980**	540,980
	₱290,700,664	₱290,679,948

The foregoing deferred oil exploration costs represent the Company's share in the expenditures incurred under Petroleum SCs or GSECs with the Philippine Department of Energy (DOE). The contracts provide for certain minimum work and expenditure obligations and are covered by operating agreements which set forth the participating interests, rights and obligations of the contractors.

Customer Contracts

Customer contracts were acquired through business combinations. This account will be amortized evenly over their useful economic life of five years until 2011.

14. Accounts Payable and Other Current Liabilities

	March 2008	December 2007
Trade and nontrade accounts payable	**₱70,666,682**	₱108,455,684
Accrued expenses	**48,022,831**	50,593,778
Accrued directors' and annual incentives	**20,567,825**	24,714,168
Output tax	**10,411,095**	6,115,611
Due to related parties	**32,952,937**	775,473
Deferred rent income	**352,777**	35,278
Others	**3,711,062**	455,085
	₱186,685,209	₱191,145,077

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

15. Interest-bearing Loans and Borrowings

Current

Included in current interest-bearing loans and borrowings as of December 31, 2006 are:

- ₱165.0 million Philippine peso-denominated loans from a local bank which were used to finance the acquisition of CIPP. The loans have a fixed interest rate of 7.8% and with maturity on March 28, 2007 and January 9, 2007. The loans are secured by financial assets amounting to US$3.2 million and ₱20.0 million which are under the custody of the creditor bank. These loans were fully paid and the collaterals were released in August 2007.

- ₱32.7 million U.S. dollar denominated loan of CIPP from a local bank with maturity on June 26, 2007. This loan was preterminated in January 2007.

Noncurrent

Long-term debt as of December 31, 2006 represents a term loan in the amount of ₱80.0 million used to finance the construction and installation of a 3.4 MW Bunker C-fired diesel power plant in Guimaras Island. The loan has a fixed interest rate of 12.7% payable quarterly and a term of seven years, inclusive of one year grace period on principal payment, which will mature on September 30, 2011. The loan is payable in equal quarterly amortization of ₱1.8 million. On December 27, 2005, the Company paid ₱40.0 million. The interest rate was converted from a fixed rate to a variable rate in 2005. This loan was fully paid in June 2007.

The loan is secured by: (i) a chattel mortgage on various machinery and equipment that constitute the 3.4 MW Bunker C-fired power plant located at Barangay San Miguel, Jordan, Guimaras; (ii) assignment of rights over the ESA with Guimelco; (iii) assignment of contract receivables from Guimelco; and (iv) assignment to the bank of proceeds from Performance Bond required from contractors and suppliers of the Company.

Machinery and equipment with net carrying amount of ₱90.8 million as of December 31, 2006, have been pledged as security for the loan. The bank released the chattel mortgage on September 27, 2007.

16. Equity

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

	Number of Shares	
	March 2008	December 2007
Authorized capital stock - ₱1 par value	**2,000,000,000**	2,000,000,000
Issued:		
Balance at beginning of year	**1,657,585,092**	1,105,056,728
Issuance during the year	**118,937**	–
Stock dividend during the year	**–**	–
Balance at end of year	**1,657,704,029**	1,105,056,728

On June 20, 2007, the SEC approved the stock rights offering of 552.5 million shares of the Company at the rate of 1 share for every 2 shares held as of record date of November 23, 2007, at a price of ₱1.10 per share. The offer period commenced on November 28, 2007 and ended on December 11, 2007. Total proceeds raised from the stock rights offering, net of direct costs incurred, amounted to ₱599.0 million. The proceeds will be used to finance plant expansion, to fund petroleum and mineral explorations and for general corporate purposes.

As of December 31, 2007, the Company's retained earnings balance is ₱1.1 billion while paid-up capital is ₱1.7 billion. Undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱422.5 million and ₱611.5 million as of December 31, 2007 and 2006, respectively, are not currently available for dividend distribution.

Dividends declared and paid in 2008, 2007, 2006 and 2005 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
March 14, 2005	Special cash	₱0.04 per share	₱33,950,705	March 30, 2005
March 14, 2005	Cash	0.04 per share	33,950,705	March 30, 2005
March 14, 2005	Stock	30%	255,304,091	September 23, 2005
March 27, 2006	Cash	0.04 per share	44,202,269	May 23, 2006
April 2, 2007	Cash	0.04 per share	44,202,269	April 19, 2007
March 25, 2008	Cash	0.04 per share	66,308,161	April 11, 2008

17. Employee Stock Options and Executive Stock Grants

The Company had a stock option plan (the Old Plan) that covered up to 25 million shares. The Old Plan entitled qualified employees, officers and directors to purchase shares of stock during the offering years at a price of ₱1 a share.

On June 7, 2004, the Company's BOD approved the reallocation of stock options for a total of 12,518,650 shares out of the original 25 million shares, which expired in April 2003 and May 2004. Such stock options were allocated among directors and employees of the Company and the exercise of such options was subject to the following terms and conditions:

Subscription Price	At par value of ₱1 per share
Period of Exercise	Up to 100% of the allocated shares within three years from June 8, 2004
Payment of Shares	Cash payment upon exercise of option
Right to Exercise Option	Continuous employment required

As allowed under PFRS 1, "First Time Adoption of Philippine Financial Reporting Standards," the Company availed of the exemption from applying PFRS 2, "Share-based Payment," to stock options granted after November 7, 2002 but are fully vested as of January 1, 2005.

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: (a) stock grants for officers and managers of the Company, and (b) stock options for directors, officers and employees of TA Oil and its subsidiaries and affiliates (referred to herein as the "New Plan") under the terms and conditions as determined by the Executive Committee of the BOD. As of December 31, 2007, such stock options have not been granted and awarded to any of the directors, officers and employees of the Company.

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

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

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

Coverage	Directors, permanent, officers and employees of TA Oil and its subsidiaries/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 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.

18. Cost of Power Generation

	March 2008	March 2007
Fuel	**₱112,835,433**	₱88,855,097
Depreciation and amortization (see Note 21)	**10,405,442**	34,474,941
Rental	**4,437,376**	6,612,947
Labor (see Note 20)	**4,356,149**	3,387,976
Repairs and maintenance	**4,323,277**	6,878,961
Concession and other fees	**2,739,121**	2,517,811
Insurance	**596,929**	637,254
Employee benefits (see Note 20)	**561,374**	575,157
Taxes and licenses	**511,883**	650,262
Others	**1,552,773**	1,263,807
	₱142,319,759	₱145,854,214

19. General and Administrative Expenses

	March 2008	March 2007
Management and professional fees	**₱11,753,086**	₱10,594,141
Salaries and directors' fees (see Note 20)	**6,546,374**	4,572,240
Depreciation and amortization (see Note 21)	**6,296,150**	5,417,641
Building maintenance and repairs	**1,732,719**	2,004,083
Employee benefits (see Note 20)	**936,518**	532,987
Insurance, dues and subscriptions	**788,166**	721,827
General exploration	**753,728**	758,776
Donation and contribution	**736,100**	126,329
Rent	**700,682**	290,276
Office supplies	**640,857**	447,049
Retirement (see Notes 20)	**628,443**	366,905
Transportation and travel	**460,495**	789,134
Taxes and licenses	**388,452**	578,939
Entertainment, amusement and recreation	**28,605**	44,336
Others	**671,561**	752,223
	₱33,061,936	₱27,996,886

20. Personnel Expenses

	March 2008	March 2007
Salaries and directors' fees included under:		
Cost of power generation	**₱4,356,149**	₱3,387,976
General and administrative expenses	**6,546,374**	4,572,240
Deferred exploration costs	**78,300**	396,448
Retirement	**628,443**	366,905
Employee benefits included under:		
Cost of power generation	**561,374**	575,157
General and administrative expenses	**936,518**	532,987
	₱13,107,158	₱9,831,713

21. Depreciation and Amortization

Depreciation and amortization related to the following assets:

	March 2008	March 2007
Depreciation expense of property, plant and equipment and investment property included under:		
Cost of power generation	**₱10,405,442**	₱34,474,941
General and administrative expenses	**3,342,017**	2,463,508
	13,747,459	36,938,449
Amortization of intangibles included under -		
General and administrative expenses (see Note 15)	**2,954,133**	2,954,133
	₱16,701,592	₱39,892,582

22. Income Tax

The Company's deferred tax liabilities amounting to ₱85.6 million as of March 31, 2008 and December 31, 2007, respectively, pertain to the tax effect of the difference between fair values and carrying amounts of net assets arising from the acquisition of CIPP and unrealized fair value gains on investments held for trading.

The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred tax assets were recognized in the consolidated balance sheet are as follows:

	March 2008	December 2007
Unrealized foreign exchange losses	**₱107,191,734**	₱107,191,734
NOLCO	**71,986,618**	71,986,618
Allowance for impairment losses	**6,712,782**	6,712,782
Accrued expenses	**5,088,322**	5,088,322
MCIT	**4,691,155**	4,691,155
Unamortized past service cost	**4,024,685**	4,024,685
Asset retirement obligation	**3,883,808**	3,883,808
Allowance for doubtful accounts	**3,270,365**	3,270,365
Allowance for probable losses on mineral exploration	**162,173,007**	162,173,007
Unrealized marked to market loss	**65,644**	65,644
Deferred rent income	**35,278**	35,278
	₱369,123,398	₱369,123,398

Deferred tax assets have not been recognized in respect of the foregoing items as it is not probable that sufficient future taxable income will be available against which related deferred income tax assets can be used.

The Company's share in deferred tax assets (liabilities) of a joint venture is as follows:

	March 2008	December 2007
Capitalized unrealized foreign exchange gains	**(₱14,055,179)**	**(₱14,055,179)**
Unrealized foreign exchange gains	**(52,505)**	**(52,505)**
Past service costs and accrued retirement	**332,430**	**332,430**
	(₱13,775,254)	**(₱13,775,254)**

MCIT amounting to ₱4.7 million and NOLCO totaling to ₱72.0 million can be claimed as deduction from income tax due and regular taxable income, respectively, as follows:

	Amount	
Expiry Date	MCIT	NOLCO
December 31, 2008	₱276,852	₱60,162,413
December 31, 2009	1,097,140	9,251,527
December 31, 2010	3,317,163	2,572,678
	₱4,691,155	₱71,986,618

MCIT amounting to ₱0.6 million and NOLCO amounting to ₱42.6 million expired in 2007.

23. EPS Computation

	March 2008	March 2007
(a) Net income	**₱57,714,045**	₱14,573,667
Common shares outstanding at beginning of year (see Note 16)	**1,657,585,092**	1,105,056,728
Weighted average number of shares issued during the year	**–**	–
(b) Weighted average common shares outstanding	**1,657,585,092**	1,105,056,728
Basic/Diluted EPS (a/b)	**₱0.035**	₱0.013

The Company's outstanding stock option has no dilutive effect in March 2008 and 2007. 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.

24. Financial Instruments

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the Company's financial statements.

	Carrying Amount		Fair Value	
	March 2008	December 2007	**March 2008**	December 2007
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱1,055,538,118**	₱1,211,421,333	**₱1,055,538,118**	₱1,211,421,333
Short-term investments	**–**	8,639,904	**–**	8,639,904
Receivables:				
Trade	**78,033,979**	87,302,887	**78,033,979**	87,302,887
Due from related companies	**29,990,199**	755,549	**29,990,199**	755,549
Others	**7,599,823**	30,198,428	**7,599,823**	30,198,428
	1,171,162,119	1,338,318,101	**1,171,162,119**	1,338,318,101
Financial assets at FVPL:				
Investments held for trading	**398,496,271**	134,058,401	**398,496,271**	134,058,401
Derivative asset*	**14,105,791**	34,001,351	**14,105,791**	34,001,351
	412,602,062	168,059,752	**412,602,062**	168,059,752
AFS investments:				
Quoted	**117,724,609**	129,787,480	**117,724,609**	129,787,480
Unquoted	**95,463,017**	94,463,017	**95,463,017**	94,463,017
	213,187,626	224,250,497	**213,187,626**	224,250,497
Total financial assets	**₱1,796,951,807**	₱1,730,628,350	**₱1,796,951,807**	₱1,730,628,350

	Carrying Amount		Fair Value	
	March 2008	December 2007	**March 2008**	December 2007
Financial Liabilities				
Financial liability at FVPL -				
Derivative liability**	**₱349,306**	₱–	**₱349,306**	₱–
Other financial liabilities:				
Accounts payable and other				
current liabilities	**186,685,209**	185,029,466	**186,685,209**	185,029,466
Customers' deposits	**17,648,894**	20,081,531	**17,648,894**	20,081,531
Due to stockholders	**71,453,761**	5,340,277	**71,453,761**	5,340,277
Other noncurrent liability	**3,223,574**	2,792,642	**3,223,574**	2,792,642
	279,011,438	213,243,916	**279,011,438**	213,243,916
Total financial liabilities	**₱279,360,744**	₱213,243,916	**₱279,360,744**	₱213,243,916

** Presented as part of other current assets.*

*** Presented as part of accounts payable and other current liabilities.*

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Notes Payable, Accounts Payable and Other Current Liabilities, Due to Stockholders. Carrying amount approximates fair value due to the relatively short-term maturities of these financial instruments.

Investments Held for Trading and AFS Investments. Quoted market prices have been used to determine the fair values of investments held for trading and listed AFS investments. The fair values of unlisted AFS investments are based on cost since the fair values are not readily determinable. The Company does not intend to dispose the unlisted AFS in the near future.

Derivative Asset. The fair value of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company has outstanding currency forward contracts with an aggregate notional amount of US$10.4 million and weighted average contracted forward rate of ₱41.76 to US$1.00 as of March 31, 2008, and an aggregate notional amount of US$11.5 million and weighted average contracted forward rate of ₱44.208 to US$1.00 as of December 31, 2007. The Company is in a Selling USD position. The net fair value gains on these currency forward contracts as of March 31, 2008 and December 31, 2007 amounted to ₱ 12.7million and ₱32.6 million, respectively, and were included in "Other current assets" account in the consolidated balance sheet.

The net movements in fair value changes of freestanding forward currency transactions are as follows:

	March 2008	December 2007
Balance at beginning of year	**₱32,623,900**	₱15,508,980
Net changes in fair value during the year	**(5,271,460)**	103,603,681
Fair value of settled contracts	**(14,624,100)**	(86,488,761)
Balance at end of year	**₱12,728,340**	₱32,623,900

The net changes in fair value during the year are included in the "Net gain on derivatives" account in the consolidated statement of income.

Embedded Derivatives. The Company 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.

The net movements in fair value changes of these embedded derivatives are as follows:

	March 2008	December2007
Balance at beginning of year	**₱1,377,451**	(₱25,529)
Net changes in fair value during the year	–	(10,773,389)
Fair value of settled contracts	–	12,176,369
Balance at end of year	**₱1,377,451**	₱1,377,451

The net changes in fair value during the year are included in the "Net gain on derivatives" account in the consolidated statement of income.

Customers' Deposits. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used range from 4.04% to 5.68% in 2007.

Other Noncurrent Liability. The fair value of the Company's long-term payable to Ascendas is based on the discounted value of the expected future cash flow using applicable interest rate for similar type of instrument. Discount rate used was 5.81%.

Long-term Debt. The carrying value of floating rate loan that reprice on a quarterly basis, at the least, approximates fair value as of balance sheet date. The carrying value approximates fair value because of recent and regular repricing based on market conditions.

Details of interest and other financial income and interest and other financial charges are as follow:

Interest and Other Financial Income

	March 2008	March 2007
Interest income	**₱12,039,698**	₱8,056,144
Net gains on investments held for trading:		
Gain on redemption/sale of investments held for trading	**117,180**	2,209,432
Unrealized gains (loss) from changes in fair value of investments held for trading	**(2,157,991)**	(1,739,451)
Amortization of bond premium/discount	**(1,409,552)**	(183,226)
	₱8,589,335	₱8,342,899

Interest and Other Financial Charges

	March 2008	March 2007
Interest expense on loans and borrowings	**₱**	₱3,603,259
Amortization of debt issuance cost		179,641
Amortization of discount on customers' deposits	**27,927**	–
Accretion of asset retirement obligation	**92,456**	91,440
Other financial charges	**100**	
	₱120,483	₱3,874,340

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
Consolidated Aging of Accounts Receivable
As of March 31, 2008
(In Thousands)

	March 2008						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 days	30-60 days	60-90 days	90-120 days	Impaired
			(In Thousands)				
Trade	₱78,034	₱71,240	₱1,457	₱462	₱11	₱4,864	₱–
Due from related companies	53,522	29,990	–	–	–	–	23,532
Others	10,870	7,567	–	–	32	–	3,271
Total	₱142,426	₱108,797	₱1,457	₱462	₱43	₱4,864	₱26,803
Allowance for doubtful accounts	(26,803)						26,803
Total	₱115,623	₱108,797	₱1,457	₱462	₱43	₱4,864	₱-

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Consolidated revenues increased to P 375.5 million in the first quarter of 2008 compared with P 346.7 million for the same period last year due to trading revenues of P 66.6 million reported in the first quarter of 2008.

In spite of the rise in total consolidated revenues in the first quarter of 2008, the Company reported unfavorable results for the following:

- Company's share in generation revenues of joint venture decline to P 154.9 million from P 178.2 million on account of lower power rate.
- Company's share in other income of joint venture dropped to P 565.5 thousand from P 3.4 million on account of lower level of placements brought about by the declaration of P 600 million cash dividend paid in July and August 2007.
- Dividend income of P 18.4 thousand was reported in the first quarter of 2008 against P 8.8 million from Atlas Holding Corporation in the same period last year.
- Other income went down to P 523.7 thousand from P 4.5 million due to service income from the contract entered into by the Company in the first quarter of 2007.

Consolidated costs and expenses increased to P 315.5 million in the first quarter of 2008 against P 319.1 million for the same period last year due to the following:

- Trading cost was P 21.4 million was incurred in the first quarter of 2008.
- General and administrative expenses increased to P 33.1 million from P 28 million brought about by higher professional fees, depreciation and amortization reported by the Company.
- Net loss on derivatives of P 5.3 million was reported in the first quarter of 2008 due to depreciation of peso. Net gain on derivatives of P 5.9 million was reported in the same period last year.
- Loss on sale of available-for-sale investments of P 3.2 thousand was reported in the first quarter of 2008 against gain on sale of available-for-sale investments of P 576 thousand reported in the same period last year.
- Other income decreased to P 638.6 thousand from P 895.4 million.
- A reversal of impairment loss of P 3.4 million was reported in the first quarter of 2007.
- Gain on sale of property and equipment of P 82.2 thousand was reported in the first quarter of 2007.

In spite the increase in total consolidated costs and expenses in the first quarter of 2008, the Company reported favorable results for the following:

- Company's share in cost of generation of joint venture declined to P 118 million from P 130.5 million due to lower energy generated by joint venture.
- Company's share in general and administrative expenses of joint venture went down to P 4.9 million from P 12.3 million due to lower professional fees in the first quarter of 2008.
- Interest and other financial charges dropped to P 120.5 thousand from P 3.9 million on account of the settlement of all loans of the Company in 2007.
- Foreign exchange gain of P 5.4 million was reported in the first quarter of 2008 due to depreciation of peso. Foreign exchange loss of P 9 million was reported in the same period last year.
- Equity in net earnings of associates of P 3.5 million was reported in the first quarter of 2008 brought about by higher net income posted by Bacnotan Industrial Park Inc. Equity in net loss of associates of P 387.5 thousand was reported in the same period last year.

- Provision for impairment loss on available-for-sale investment of P 20 thousand was reported in the first quarter of 2007.

Provision for income tax went up to P 4.9 million from P 279.7 thousand due to higher taxable income in the first quarter of 2008. Benefit from deferred income tax increased to P 2.6 million from P 2.2 million. Company's share in income tax of joint venture of P 15 million was reported in the first quarter of 2007.

As a consequence of the above-cited factors, a net income of P 57.7 million was reported in the first quarter of 2008 against P 14.8 million income reported in the same period last year.

Total consolidated assets increased to P 3.4 billion as of March 31, 2008 from P 3.3 billion as of December 31, 2007. Total Consolidated liabilities increased to P 589.7 million from P 469.7 million while equity remained constant at P 2.8 billion.

Following are the material changes in the balance sheet accounts:

- Cash and cash equivalents decreased to P 1.1 billion from P 1.2 billion. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- Short-term investments of P 8.6 million was converted to short-term deposits.
- Investments held for trading rose to P 398.5 million from P 134.1 million. The Consolidated Statements of Cash Flows show the details of materials changes in investment held for trading.
- Fuel and spare parts increased to P 68.2 million from P 56.1 million due to higher fuel cost.
- Other current assets went down to P 30 million from P 44.7 million due to the collection of receivables from the Non-Deliverable Forward Contracts.
- Company's share in current assets of joint venture increased to P 189.1 million from P 144 million on account of higher trade receivables.
- Available-for-sale investments decreased to P 213.2 million from P 224.2 million brought about by lower market value of said investments.
- Investment property decreased to P 3.5 million from P 3.6 million on account of depreciation expenses for the first quarter of 2008.
- Company's share in noncurrent assets of joint venture declined to P 357.2 million from P 376.9 million due to depreciation expenses.
- Due to stockholders went up to P 71.4 million from P 5.3 million due to the declaration of 4% cash dividend to all shareholders of record as of April 11, 2008 payable on May 8, 2008.
- Income and withholding tax payable increased to P 9.8 million from P 4.1 million brought about by higher income tax for the first quarter of 2008.
- The rise in Company's share in current liabilities of joint venture to P 192.6 million from P 140.9 million was brought about by the increase in its trade and nontrade payables.
- Pension and other post employment benefits increased to P 7.1 million from P 6.4 million due to the accrual of pension expense.
- Unrealized fair value gains on available-for-sale investments went down to P 66.8 million from P 77.9 million due to lower market value of the said investments.
- The decline in Company's share in unrealized fair value gains on financial assets of a joint venture of P 12.5 million from P 16.2 million was brought about by the lower market value of the said financial assets.

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

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

   Current ratio declined to 4.03:1 as of March 31, 2008 from 5.06 as of December 31, 2007 on account of higher company's share in current liabilities of joint venture and due to stockholders.

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

The ratio of current assets to total assets increased to 54.2% as of March 31, 2008 from 51.5% as of December 31, 2007 due to increased in investments held for trading.

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

Debt/equity ratio decreased to 0.21:1 as of March 31, 2008 from 0.16:1 as of December 31, 2007 brought about by increased company's share in current liabilities of joint venture.

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

The rate of return on stockholders' equity improved to 2% for the first quarter ended March 31, 2008 as compared with 0.6% for the same period last year due to higher net income recorded in the first quarter of 2008.

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

Earnings per share improved to P 0.035 from P 0.009 on account of higher net income reported in the first quarter ended March 31, 2008.

During the first quarter of Calendar Year 2008:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two reportable segments namely: oil exploration and power generation. The fund placements are incidental to the Company's 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.
- The Company had not been involved in any business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current interim period.
- 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 affected adversely the liquidity of the Company.
- There were no trends, events or uncertainties occurred that had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There were no events that trigger direct or contingent financial obligation that was material to the Company.

- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period.

OPERATION OF THE COMPANY CONCERNING EXPLORATION

Please refer to attached Review of Operations (Annex B-1)

Annex "B-1"

PROGRESS REPORT
For the Quarter, January 1, 2008 to March 31, 2008

OIL PRODUCTION

SC 6 Cadlao Northwest Palawan

Negotiations were held with two parties regarding their joint offer to buy out the overriding royalty interests.

Trans-Asia holds a 1.65% royalty interest in the Cadlao Production Area.

SC 6 A Northwest Palawan

Due to delay in the delivery of 3D seismic data to be used in the Octon-Galoc technical study, Vitol GPC Investments (farminee) requested and partners approved extension of the 7 March 2008 deadline to complete Vitol's technical study, to three (3) months after Vitol's receipt of said data.

Trans-Asia holds a 7.78% working interest and a 2.475% carried interest in the block.

OIL EXPLORATION

SC 51 East Visayas

Processing and interpretation of 146 sq. km. 3D seismic data acquired in July 2007 were completed.

The Department of Energy approved the consortium's entry into the 3rd Sub-Phase of the Exploration Period (8 February 2008 to 7 March 2009) which entails a commitment to drill one (1) exploratory well.

The DOE also approved the new contract area (332,000 hectares) resulting from the mandatory relinquishment of 25% of the original contract area.

Partners approved the conduct of a 150 line-km mini-Sosie seismic survey in northwest Leyte. The consortium abandoned the survey after test acquisition did not yield the desired results.

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

SC 55 Ultra Deepwater West Palawan

Processing of 954 line - km of 2D seismic data acquired in June 2007 was completed.

Interpretation of the aforementioned data neared completion.

The DOE approved the consortium's entry into the 2nd Sub-Phase of the Exploration Period (5 February 2008 - 4 August 2009) which entails a commitment to drill one (1) ultra deepwater exploratory well.

Trans-Asia holds15% participating interest in SC 55.

Area 8 PECR 2006 Camotes Sea

Service contract negotiations with the DOE reached the final stage.

Trans-Asia will have 30% participating interest in the service contract when awarded.

MINERALS

MPSA No. 252-2007-V (Camarines Norte)

Mines and Geosciences Bureau Region V registered the MPSA in December 2007.

Trans-Asia and its wholly-owned subsidiary, Trans-Asia Gold and Minerals Development Corporation (Trans-Asia Gold), signed on 14 February 2008, an Operating Agreement appointing the latter as Operator of the former's MPSA.

MRD - 491 and MRD - 492 (Rizal)

Trans-Asia and Rock Energy International Corporation signed an Operating Agreement on 3 March 2008 granting the latter the exclusive right to extract and market tuffaceous materials within Trans-Asia's mining lease areas for a period of five (5) years.

EPA II – 000084 (Isabela)

Trans-Asia applied for the transfer of its Exploration Permit Application covering a 4,172 - hectare area in the town of Dinapigue to Trans-Asia Gold. The proposed transfer is under processing by Mines and Geosciences Bureau Region II.

OTHERS

Trans-Asia signed a Memorandum of Understanding with Indian company, H. L. Nathurmal, regarding possible cooperation in energy and mining. Goa - based HLN is engaged in mining of iron and manganese ore, pharmaceuticals and trading.

Certified Correct:

RAYMUNDO A. REYES, JR.
Geologist No. 716
PRC License Valid to Feb. 5, 2011
PTR No. 1057357
Issued on February 1, 2008
at Makati City

Signed in the presence of:

lpc

ANNEX C

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the first quarter ended March 31, 2008 covered by this report:

Date of Filing	Items Reported
January 21, 2008	Trans-Asia Oil's sworn certification on the attendance of its directors in board meetings for the year 2007.
January 22, 2008	Revised Manual on good Corporate Governance
	Certification on compliance with Manual on good Corporate Governance for Calendar Year 2007.
February 6, 2008	Trans-Asia Oil and H. L. Nathurmal of India signed a Memorandum of Understanding regarding possible cooperation in the fields of mining and energy in the Philippines, India and ASEAN countries. Goa-based H. L. Nathurmal is engaged in iron and manganese mining, power generation, pharmaceuticals and trading.
February 27, 2008	Trans-Asia Oil reported a consolidated net income of P 78,266,932.49 for the year 2007 at the regular meeting of the Board of Directors of Trans-Asia Oil held on February 27, 2008.
	The Board of Directors of Trans-Asia Oil has fixed April 16, 2008 as the date of its Annual Stockholders Meeting at 2:30 p.m. at the Renaissance Hotel, Makati City.
March 3, 2008	Trans-Asia Oil and Rock Energy International Corporation signed an Operating Agreement granting the latter the exclusive right to extract and market tuffaceous materials within the areas in Teresa, Morong and Baras, Rizal, Philippines that are covered by the former's Mining Lease Contract No. MRD – 491 and Mining Lease Contract No. MRD – 492, both with the Department of Environment and Natural Resources. Rock Energy is engaged in coal exploration and mining, bulk materials trading, and coal briquette production, among others.

March 5, 2008	In compliance with Section 17.15 of the PSE Revised Disclosure Rules, Trans-Asia Oil submit a Certification of the Department of Energy dated February 8, 2008 that, as of December 31, 2007, Trans-Asia Oil's petroleum Service Contracts are valid and subsisting and that Trans-Asia has no pending violations with the DOE, in compliance with Section 17.15 of the PSE Revised Disclosure Rules.
March 13, 2008	The Department of Energy approved the entry of the NorAsian Energy – Trans-Asia consortium into the 2nd sub-Phase of the Exploration Period of Service Contract No. 55 (February 5, 2008 to August 5, 2009), which entails a commitment to drill one (1) ultra deepwater well (water depth over 5,000 feet) west of Palawan Island. Trans-Asia Oil has 15% participating interest in SC 55. The Department of Energy approved the entry of the Service Contract No. 51 consortium the 3rd sub-Phase of the Exploration Period (February 8, 2008 to March 8, 2009), which entails a commitment to drill one (1) exploratory well in the contract area in eastern Visayas. Trans-Asia Oil has 6.67% participating interest in SC 51.
March 24, 2008	Trans-Asia Gold and Minerals Development Corporation (Trans-Asia Gold), wholly-owned subsidiary of Trans-Asia Oil and Energy Development Corporation (Trans-Asia Oil), entered into an Agreement for Diamond Drilling Services with Alden Well Drilling Services in connection with Trans-Asia Gold's drilling program in Jose Panganiban, Camarines Norte. Trans-Asia Oil and Trans-Asia Gold have previously signed an Operating Agreement pertaining to the former's Mineral Production Sharing Agreement with the Department of Environment and Natural Resources covering an area in the aforementioned locality.
March 25, 2008	At the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held on March 25, 2008, the Board declared a Four Percent (4%) Cash Dividend payable on May 8, 2008 to all shareholders of record as of April 11, 2008.