108142015000301

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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Remarks	

COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.transasia-energy.com	870-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,223	4/12	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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 **June 30, 2016**

2. Commission identification number **39274**

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

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

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

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

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

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

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

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

Number of shares of common stock outstanding	**4,877,268,794 shares**
Amount of debt outstanding	**Php 7.02 billion**

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

    Yes [**X**] No [ ]

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

12. Indicate by check mark whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

PART 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 August 11, 2016.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

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

MARIEJO P. BAUTISTA
SVP-Finance and Controller

ANNEX A

Trans-Asia Oil and Energy Development Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2016 *(With comparative audited figures as at December 31, 2015)*
and the Six Months and Three Months Ended June 30, 2016 and 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	June 30, 2016 *(Unaudited)*	December 31, 2015 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 21)	**₱433,846**	₱355,743
Investments held for trading	**1,100,709**	942,142
Receivables (Notes 6, 19, and 21)	**3,817,801**	3,466,310
Fuel and spare parts - at cost (Note 7)	**225,232**	310,929
Other current assets (Note 8)	**884,726**	1,052,366
Total Current Assets	**6,462,314**	6,127,490
Noncurrent Assets		
Property, plant and equipment (Note 9)	**6,508,897**	7,381,816
Investments and advances (Note 10)	**4,537,510**	4,171,641
Available-for-sale investments	**293,625**	295,768
Investment properties	**25,362**	26,341
Goodwill and other intangible assets (Note 11)	**394,292**	434,586
Deferred income tax assets - net	**40,192**	31,303
Other noncurrent assets (Note 12)	**708,480**	157,328
Total Noncurrent Assets	**12,508,358**	12,498,783
TOTAL ASSETS	**₱18,970,672**	₱18,626,273

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 13, 19 and 21)	**₱3,307,909**	₱3,104,537
Income and withholding taxes payable	**18,644**	65,517
Due to stockholders (Notes 19 and 21)	**11,444**	11,570
Current portion of long-term loans (Notes 14 and 21)	**58,093**	58,454
Total Current Liabilities	**3,396,090**	3,240,078
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 14 and 21)	**6,959,592**	7,131,048
Pension and other employee benefits	**40,625**	33,813
Deferred income tax liabilities - net	**134,603**	142,554
Other noncurrent liabilities	**106,705**	118,383
Total Noncurrent Liabilities	**7,241,525**	7,425,798
Total Liabilities	**10,637,615**	10,665,876

(Forward)

	June 30, 2016 ***(Unaudited)***	December 31, 2015 *(Audited)*
Equity		
Capital stock (Note 15)	**₱4,877,269**	₱4,865,146
Additional paid-in capital	**55,416**	40,783
Other equity reserve (Note 15)	**34,913**	34,913
Unrealized fair value gains on available-for-sale investments	**99,458**	101,478
Remeasurement losses on defined benefit plan	**(2,735)**	(2,735)
Accumulated share in other comprehensive loss of a joint venture (Note 10)	**(250)**	(357)
Retained earnings (Note 15)	**3,195,204**	2,845,559
Treasury shares (Note 15)	**(28,793)**	(28,793)
Total equity attributable to equity holders of Parent Company	**8,230,482**	7,855,994
Non-controlling interests	**102,575**	104,403
Total Equity	**8,333,057**	7,960,397
TOTAL LIABILITIES AND EQUITY	**₱18,970,672**	₱18,626,273

See accompanying Notes to Interim Condensed Consolidated Financial Statements

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Amounts in Thousands, Except Per Share Figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	**2016**	2015
REVENUES				
Revenue from sale of electricity	**₱3,954,685**	₱3,496,963	**₱7,081,481**	₱6,405,709
Dividend income	**4,353**	3,213	**7,413**	7,412
Rental income	**1,289**	1,106	**2,561**	2,212
	3,960,327	3,501,282	**7,091,455**	6,415,333
COSTS AND EXPENSES				
Costs of sale of electricity (Note 16)	**3,648,308**	3,057,386	**6,381,254**	5,692,994
General and administrative expenses (Note 17)	**134,702**	119,828	**265,023**	217,680
	3,783,010	3,177,214	**6,646,277**	5,910,674
INTEREST AND OTHER FINANCE CHARGES (Note 18)	**(118,426)**	(99,215)	**(235,668)**	(206,945)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 10)	**240,655**	178,180	**360,123**	175,503
OTHER INCOME - NET	**12,635**	5,476	**17,944**	10,254
INCOME BEFORE INCOME TAX	**312,181**	408,509	**587,577**	483,471
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**47,065**	97,707	**62,945**	109,580
Deferred	**(11,358)**	(2,128)	**(16,870)**	(3,592)
	35,707	95,579	**46,075**	105,988
NET INCOME	**₱276,474**	₱312,930	**₱541,502**	₱377,483
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	**₱277,361**	₱315,209	**₱543,330**	₱380,664
Non-controlling interests	**(887)**	(2,279)	**(1,828)**	(3,181)
	₱276,474	₱312,930	**₱541,502**	₱377,483
Basic/Diluted Earnings Per Share (Note 20)	**₱0.06**	**₱0.06**	**₱0.11**	₱0.08

See accompanying Notes to Interim Condensed Consolidated Financial Statements

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in Thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	**2016**	2015
NET INCOME FOR THE YEAR	**₱276,474**	₱312,930	**₱541,502**	₱377,483
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Net changes in the fair market value of AFS investments	**(13,656)**	(7,947)	**(1,890)**	26,536
Income tax effect	**(20)**	(2)	**(130)**	(204)
	(13,676)	(7,949)	**(2,020)**	26,332
Share in other comprehensive income (loss) of a joint venture - net of deferred income tax (Note 10)	**–**	370	**107**	(215)
	–	370	**107**	(215)
Net other comprehensive loss to be reclassified directly to retained earnings in subsequent period				
Remeasurement losses on defined benefit plan	**–**	450	**–**	450
Income tax effect	**–**	(135)	**–**	(135)
	–	315	**–**	315
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(13,676)**	(7,264)	**(1,913)**	26,432
TOTAL COMPREHENSIVE INCOME	**₱262,798**	₱305,666	**₱539,589**	₱403,915
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	**₱263,685**	₱307,945	**₱541,417**	₱407,096
Non-controlling interests	**(887)**	(2,279)	**(1,828)**	(3,181)
	₱262,798	₱305,666	**₱539,589**	₱403,915

See accompanying Notes to Interim Condensed Consolidated Financial Statements

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company (*Unaudited*)										
	Capital Stock (Note 15)	Additional Paid-in Capital	Other Equity Reserve (Note 15)	Unrealized Fair Value Gains on Available-for-Sale Investments	Remeasurement Losses on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 15)	Treasury Shares (Note 15)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2015	**₱4,865,146**	**₱40,783**	**₱34,913**	**₱101,478**	**(₱2,735)**	**(₱357)**	**₱2,845,559**	**(₱28,793)**	**₱7,855,994**	**₱104,403**	**₱7,960,397**
Net income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**543,330**	**–**	**543,330**	**(1,828)**	**541,502**
Other comprehensive income (loss)	**–**	**–**	**–**	**(2,020)**	**–**	**107**	**–**	**–**	**(1,913)**	**–**	**(1,913)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(2,020)**	**–**	**107**	**543,330**	**–**	**541,417**	**(1,828)**	**539,589**
Dividends declared (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**(193,685)**	**–**	**(193,685)**	**–**	**(193,685)**
Issuance of stock options	**12,123**	**14,633**	**–**	**–**	**–**	**–**	**–**	**–**	**26,756**	**–**	**26,756**
	12,123	**14,633**	**–**	**–**	**–**	**–**	**(193,685)**	**–**	**(166,929)**	**–**	**(166,929)**
BALANCES AT JUNE 30, 2016	**₱4,877,269**	**₱55,416**	**₱34,913**	**₱99,458**	**(₱2,735)**	**(₱250)**	**₱3,195,204**	**(₱28,793)**	**₱8,230,482**	**₱102,575**	**₱8,333,057**
BALANCES AT DECEMBER 31, 2014	₱4,865,146	₱38,258	₱35,992	₱74,515	(₱1,454)	₱215	₱2,128,208	(₱28,793)	₱7,112,087	₱110,036	₱7,222,123
Net income (loss)	–	–	–	–	–	–	380,664	–	380,664	(3,181)	377,483
Other comprehensive income (loss)	–	–	–	26,332	315	(215)	–	–	26,432	–	26,432
Total comprehensive income (loss)	–	–	–	26,332	315	(215)	380,664	–	407,096	(3,181)	403,915
Dividends declared (Note 15)	–	–	–	–	–	–	(193,613)	–	(193,613)	–	(193,613)
Equity-based compensation expense	–	–	1,120	–	–	–	–	–	1,120	–	1,120
	–	–	1,120	–	–	–	(193,613)	–	(192,493)	–	(192,493)
BALANCES AT JUNE 30, 2015	₱4,865,146	₱38,258	₱37,112	₱100,847	(₱1,139)	₱–	₱2,315,259	(₱28,793)	₱7,326,690	₱106,855	₱7,433,545

See accompanying Notes to Interim Condensed Consolidated Financial Statements

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in Thousands)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱587,577**	₱483,471
Adjustments for:		
Interest and other finance charges (Note 17)	**235,668**	206,945
Depreciation and amortization (Notes 9 and 11)	**207,847**	195,955
Loss (gain) on derivatives – net	**–**	(1,099)
Equity-based compensation expense	**–**	1,120
Dividend income	**(7,413)**	(7,412)
Write-off of petroleum exploration costs (Note 11)	**10,994**	–
Provision for doubtful accounts (Note 6)	**19,443**	–
Interest and other financial income	**(10,200)**	(7,920)
Equity in net earnings of associates and joint ventures (Note 10)	**(360,123)**	(175,503)
Foreign exchange loss – net	**952**	440
Pension and other employee benefits	**5,439**	7,732
Gain on sale of:		
Property, plant and equipment	**(35,706)**	(255)
Available-for-sale investments	**(38)**	–
Operating income before working capital changes	**654,440**	703,474
Decrease (increase) in:		
Receivables	**(34,881)**	(280,056)
Fuel and spare parts - at cost	**85,230**	(2,224)
Other current assets	**21,371**	206,570
Increase in accounts payable and other current liabilities	**353,629**	562,727
Net cash generated from operations	**1,079,789**	1,190,491
Income taxes paid	**(68,733)**	(81,035)
Net cash flows from operating activities	**1,011,056**	1,109,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Plant, property and equipment (Note 9)	**(₱51,129)**	(₱245,527)
Investments held for trading	**(152,104)**	(718,998)
Deferred exploration costs (Note 11)	**(5,575)**	(289)
Available-for-sale investments	**–**	(79)
Investment in associates and joint venture	**(5,639)**	(21,250)
Proceeds from:		
Sale of plant, property and equipment	**444,381**	470
Sale of available-for-sale investments	**291**	–
Currency forward contracts	**98**	1,016
Increase in other noncurrent assets	**(538,169)**	–
Cash dividends received	**7,413**	8,405
Interest received	**1,872**	1,949
Net cash flows used in investing activities	**(298,561)**	(974,303)

(Forward)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of capital stock (Note 15)	**₱26,756**	₱–
Payments of:		
Long-term loans (Note 14)	**(180,500)**	–
Cash dividends (Note 15)	**(193,685)**	(194,606)
Mortgage loan	**(461)**	–
Finance leases	**(207)**	–
Interest paid	**(260,553)**	(166,279)
Decrease in due to stockholders	**(126)**	(14)
Increase (decrease) in pension and other employee benefits and other noncurrent liabilities	**(24,691)**	49,255
Net cash flows used in financing activities	**(633,467)**	(311,644)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(925)**	(304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**78,103**	(176,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**355,743**	541,571
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱433,846**	₱364,776

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or "the Parent Company"), incorporated on September 8, 1969, and its subsidiaries, Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Gold and Minerals Development Corporation (TA Gold), Trans-Asia Wind Power Corporation (TAWPC), One Subic Power Generation Corporation (One Subic), Trans-Asia Petroleum Corporation (TA Petroleum) and Palawan55 Exploration & Production Corporation (Palawan55), collectively referred to as "the Company", were incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. TA Oil is managed by PHINMA, Inc. under an existing management agreement (see Note 19).

The Parent Company is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras using its 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island. The Parent Company is also registered as a Wholesale Aggregator and is a licensed Retail Electricity Supplier (RES). The license authorizes the Parent Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). As a RES, the Parent Company is allowed to supply electricity to the contestable market, pursuant to EPIRA. The other activities of the Parent Company are investments in various operating companies and in financial instruments.

On January 25, 2016, the Board of Directors (BOD) of the Parent Company approved the amendment of its Articles of Incorporation to change the Parent Company's name to PHINMA Energy Corporation and to extend its corporate life for another 50 years from and after September 8, 2019. The resolutions were approved by the stockholders on April 12, 2016 and are subject to approval by the SEC.

TA Power was incorporated and registered with the SEC on March 18, 1996. TA Power is engaged in power generation. Previously, the Parent Company had a 50% interest in TA Power, a joint venture with Holcim Philippines, Inc. (Holcim). On January 1, 2013, the Parent Company entered into a Share Purchase Agreement with Holcim for the purchase of Holcim's 50% stake in TA Power. In October 2006, the Philippine Electricity Market Corporation (PEMC) approved TA Power's application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and TA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, TA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten years with TA Oil for the administration and management by TA Oil of the entire capacity and net output of TA Power starting 2014. In addition to the fixed capacity, TA Oil is billed by TA Power for transmission and fuel cost.

CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which is to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP's operations. Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the BOD and stockholders, respectively, of the Parent Company approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and TA Oil entered into a PAMA valid for ten years for the latter's administration and management of the entire capacity and net output of CIPP. As at July 25, 2016, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

TAREC was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Philippine Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54 MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. In 2013, the DOE confirmation affirmed the conversion of said WESC from Pre-development to Development/ Commercial Stage. On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators. On February 16, 2015, the Company received from the DOE the confirmation of start of Commercial Operations of its 54 MW San Lorenzo Wind Project declared on December 27, 2014. On June 10, 2015, the Company received its Certificate of Endorsement for Feed-In Tariff (FIT) from the DOE certifying that its 54 MW San Lorenzo Wind Project has fully qualified under the FIT System.

TA Petroleum was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. TA Petroleum was registered with the Philippine Stock Exchange on August 28, 2014. As at July 25, 2016, TA Petroleum has not started commercial operations.

TA Gold was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of TA Gold effective March 31, 2009. As at July 25, 2016, TA Gold's exploration activities remain suspended.

Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other form of petroleum. As at July 25, 2016, Palawan55 has not started commercial operations.

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

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to the Parent Company. As a result of the assignment, TAWPC became a wholly owned subsidiary of the Parent Company. As at July 25, 2016, TAWPC has not started commercial operations.

On June 29, 2011, the Parent Company entered into a 50-50 joint venture agreement with AC Energy Holdings, Inc. (AC Energy) to form South Luzon Thermal Energy Corporation (SLTEC), the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a 135 MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. The construction, testing and commissioning of the first unit of SLTEC Circulating Fluidized Bed Coal-fired Power Plant was completed during the first half of 2015 and started its commercial operations on April 24, 2015. The second unit started its commercial operation on February 21, 2016. The 2 x 135MW coal fired units are fully operational.

The Parent Company has 50% interest in ACTA Power Corporation (ACTA), a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and it has not started commercial operations as at July 25, 2016.

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

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

The interim condensed consolidated financial statements of the Company were authorized for issuance by the Parent Company's Board of Directors on July 25, 2016.

2. Basis of Preparation and Consolidation

Basis of Preparation

The interim condensed consolidated financial statements of the Company for the six months ended June 30, 2016 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual consolidated financial statements as at December 31, 2015.

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

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the

Parent Company and its subsidiaries as at June 30, 2016 and December 31, 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the interim condensed consolidated statement of income. Any investment retained is recognized at fair value.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. Non-controlling interests share in losses even if the losses exceed the non-controlling equity interest in the subsidiary.

The interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at June 30, 2016 and December 31, 2015:

		Percentage of Ownership (%)	
	Principal Activities	**Direct**	**Indirect**
TA Power	Power generation	**100.00**	**–**
CIPP	Power generation	**100.00**	**–**
TAREC	Renewable energy generation	**100.00**	**–**
TA Gold	Mineral exploration	**100.00**	**–**
TAWPC	Renewable energy generation	**100.00**	**–**
One Subic	Power generation	**–**	**100.00**
TA Petroleum	Oil and gas exploration	**50.74**	**0.40**
Palawan55	Oil and gas exploration	**30.65**	**35.46**

3. Summary of Significant Accounting Policies and Disclosures

Change in the Presentation of Revenues and Costs from Sale of Electricity
The Company presented revenues from sale of power purchased as a gross amount and recorded the same as part of revenue from sale of electricity. Costs of the power purchased are then presented and included as part of costs of sale of electricity which is a separate line item in the cost and expense section in the interim consolidated statement of income. Prior to December 31, 2015, revenues from sale of power purchased were reported net of the related cost and presented as "Trading revenue - net" in the interim condensed consolidated statement of income. This change was made to reflect more clearly the arrangements under its various sales agreements whereby the Company purchases electricity for its own account.

The Company accounted for the change retroactively and accordingly restated the comparative interim condensed consolidated statements of income. The change is to presentation only, and it has no impact on the Company's consolidated net income, earnings per share, cash flows or statement of financial position.

Likewise, revenues arising from sale of electricity generated by the power plants were also included under revenue from sale of electricity and the related power generation cost were also included under costs of sale of electricity. Previously, these were presented under generation revenues and cost of power generation. The change is only to the account title for revenue and cost accounts and does not affect the amounts recorded in the books.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of the following amendments and improvements to the PAS which became effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments and improvements did not have significant impact on the Company's interim condensed consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Standards Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment, and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the Company's financial statements as the Company has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the Company's interim condensed consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the Company's interim condensed consolidated financial statements .

- PFRS 14, *Regulatory Deferral Accounts*

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

- PFRS 10, PFRS 12 and PAS 28 - *Investment Entities: Applying the Consolidation Exception* (Amendments)

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity (IE) that measures all of its subsidiaries at fair value and that only a subsidiary of an IE that is not an IE itself and that provides support services to the IE parent is consolidated. The amendments also allow an investor (that is not an IE and has an IE associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the IE associate or joint venture to its interests in subsidiaries. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments do not have any impact on the Company's interim condensed consolidated financial statements since none of the entities within the Company is an IE nor does the Company have IE associates or joint venture.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. The amendments clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The adoption of these amendments has no significant impact on the interim condensed consolidated financial statements.

Annual Improvements to PFRS (2012-2014 cycle)

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2016 and are not expected to have a material impact on the Company's interim condensed consolidated financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

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

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

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

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

4. Operating segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum and Mining. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim consolidated financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	For the Six Months Ended June 30, 2016			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue				
External customers	**₱7,081,482**	**₱–**	**₱9,974**	**₱7,091,456**
Costs and expenses	**6,504,319**	**9,063**	**132,895**	**6,646,277**
Results				
Provision for income tax	**–**	**–**	**(46,075)**	**(46,075)**
Interest and other financial charges	**(153,343)**	**–**	**(82,325)**	**(235,668)**
Interest and other financial income	**–**	**–**	**10,200**	**10,200**
Depreciation and amortization	**197,608**	**319**	**9,899**	**207,826**
Equity in net earnings	**360,123**	**–**	**–**	**360,123**
Provision for doubtful accounts	**–**	**(19,443)**	**–**	**(19,443)**
Petroleum exploration costs written-off	**–**	**(10,994)**	**–**	**(10,994)**
Gain on sale of property and equipment	**35,706**	**–**	**–**	**35,706**
Segment profit	**819,648**	**(39,500)**	**(192,571)**	**587,577**
	As at June 30, 2016			
Operating assets	**₱16,397,995**	**₱114,144**	**₱2,458,533**	**₱18,970,672**
Operating liabilities	**₱7,412,650**	**₱6,185**	**₱3,218,780**	**₱10,637,615**
Other disclosure				
Capital expenditure	**₱45,881**	**₱2,845**	**₱2,694**	**₱51,420**
Disposal of assets	**779,728**	**2,097**	**1,092**	**782,917**
Investments and advances	**4,536,879**	**–**	**631**	**4,537,510**

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱7.41 million and ₱2.56 million, respectively.

b. Costs and expenses for each operating segment does not include general and administrative expenses amounting to ₱132.90 million.

c. Profit for operating segment does not include foreign exchange loss and interest and other financial charges amounting to ₱83.07 million. Other income - net not included in the profit for operating segment includes interest income, gain on sale of AFS investments and miscellaneous income amounted to ₱13.42 million.

d. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.53 billion, receivables and other current assets totaling ₱332.62 million and noncurrent assets amounting to ₱591.35million as these are managed on a group basis.

e. Segment liabilities do not include accounts payable and other current liabilities of ₱97.20 million, income and withholding taxes of ₱18.64 million, deferred income tax liabilities of ₱134.60 million, pension and other employment benefits of ₱40.63 million and current portion of long-term loans of ₱58.09 million. Long term loan amounting to ₱2.87 billion and other non-current liabilities amounting to ₱1.89 million are also not included in segment liabilities of operating segments.

f. Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination. Investments and advances are consists of investments and cash advances to the Company's associates and joint ventures.

	For the Six Months Ended June 30, 2015			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue				
External customers	₱6,405,709	₱–	₱9,624	₱6,415,333
Costs and expenses	5,803,353	10,655	96,666	5,910,674
Results				
Provision for income tax	–	–	(105,988)	(105,988)
Interest and other financial charges	205,400	–	1,545	206,945
Interest and other financial income	–	–	7,920	7,920
Depreciation and amortization	186,185	302	9,468	195,955
Equity in net earnings	175,503	–	–	175,503
Segment profit	573,616	(10,665)	(79,480)	483,471
	As at June 30, 2015			
Operating assets	₱15,438,575	₱143,345	₱2,184,410	₱17,766,330
Operating liabilities	₱6,939,319	₱17,554	₱3,375,913	₱10,332,786
Other disclosure				
Capital expenditure	₱244,641	₱–	₱886	₱245,527
Disposal of asset	1,264	–	1,128	2,392
Investments and advances	3,943,370	–	631	3,944,001

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱7.41 million and ₱2.21 million, respectively.

b. Costs and expenses for each operating segment does not include general and administrative expenses amounting to ₱96.67 million.

c. Profit for operating segment does not include foreign exchange loss and interest and other financial charges amounting to ₱1.63 million. Other income - net not included in the profit for operating segment includes interest income, fair value gain on sale of investments held for trading, marked to market gain on derivatives, gain on sale of PPE and miscellaneous income amounted to ₱9.19 million.

d. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.47 billion, receivables and other current assets totaling ₱287.25 million and noncurrent assets amounting to ₱426.41 million as these are managed on a group basis.

e. Segment liabilities do not include accounts payable and other current liabilities of ₱168.04 million, income and withholding taxes of ₱39.64 million, deferred income tax liabilities of ₱150.60 million, pension and other employment benefits of ₱33.33 million and current portion of long-term loans of ₱58.50 million. Long term loan amounting to ₱2.93 billion is not included in segment liabilities of operating segments.

f. Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination. Investments and advances are consists of investments and cash advances to the Company’s associates and joint ventures.

5. Cash and Cash Equivalents

	June 30, 2016	December 31, 2015
Cash on hand and in banks	**₱238,401**	₱102,166
Short-term deposits	**195,445**	253,577
	₱433,846	₱355,743

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

Short-term deposits account includes debt service reserves amounting to ₱55.83 million and ₱55.50 million as at June 30, 2016 and December 31, 2015, respectively, for the wind project loan facility.

6. Receivables

	June 30, 2016-	December 31, 2015
Trade	**₱3,790,866**	₱3,454,353
Due from related parties (see Note 19)	**9,024**	6,640
Receivables from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 11)	**39,365**	39,365
Consortium - SC 50	**20,000**	20,000
Consortium - SC 52 (Note 11)	**19,443**	–
Employees	**9,629**	2,698
Stockholders (see Note 19)	**35**	35
Others	**12,014**	6,351
	3,900,376	3,529,442
Less allowance for doubtful accounts	**82,575**	63,132
	₱3,817,801	₱3,466,310

Trade receivables mainly represent receivables from PEMC, FIT from National Transmission Corporation (TransCo) and from the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on terms of 30 to 60 days.

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

	June 30, 2016							
		Neither Past Due nor	Past Due but not Impaired					Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days		Impaired
Trade	**₱3,790,866**	**₱2,007,091**	**₱114,770**	**₱56,682**	**₱57,121**	**₱1,534,729**		**₱20,473**
Due from related parties	**9,024**	**9,024**	**–**	**–**	**–**	**–**		**–**
Others	**100,486**	**35,855**	**404**	**286**	**148**	**1,691**		**62,102**
	₱3,900,376	**₱2,051,970**	**₱115,174**	**₱56,968**	**₱57,269**	**₱1,536,420**		**₱82,575**

	December 31,02015						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱3,454,353	₱1,958,805	₱127,243	₱8,898	₱13,316	₱1,325,618	₱20,473
Due from related parties	6,640	6,640	–	–	–	–	–
Others	68,449	4,616	74	36	46	21,018	42,659
	₱3,529,442	₱1,970,061	₱127,317	₱8,934	₱13,362	₱1,346,636	₱63,132

The movement of allowance for doubtful accounts is as follows:

	Trade	Others	Total
Balances at December 31, 2015 and 2014	20,473	42,659	₱63,132
Additions	–	19,443	19,443
Balances at June 30, 2016	**₱20,473**	**₱62,102**	**₱82,575**

Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. On December 23, 2013, the Supreme Court issued a 60-day Temporary Restraining Order ("TRO") enjoining the MERALCO and the Energy Regulatory Commission (ERC) from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the Supreme Court extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 bills. As directed by ERC, PEMC recalculated regulated prices and issued WESM adjustment bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. In the first six months of 2016 and 2015, the Company collected ₱204.05 million and ₱276.27 million, respectively, under the said Multilateral Agreement and was recognized as payable.

7. Fuel and Spare Parts - at cost

	June 30, 2016	December 31, 2015
Fuel	**₱134,595**	₱240,029
Spare parts	**90,637**	70,900
	₱225,232	₱310,929

Fuel charged to “Costs of sale of electricity” in the interim condensed consolidated statements of income amounted to ₱394.40 million and ₱598.38 million during the first six months of 2016 and 2015, respectively (see Note 16).

8. Other Current Assets

	June 30, 2016	December 31, 2015
Input Value Added Tax (VAT)	**₱471,878**	₱616,337
Creditable withholding taxes	**317,657**	282,068
Prepaid expenses	**55,889**	108,369
Deposits receivables	**39,302**	45,494
Derivative asset	**–**	98
	₱884,726	₱1,052,366

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

Creditable withholding taxes represent amounts withheld by the Company’s customers and is deducted from the Company’s income tax payable.

Prepaid expenses pertain to insurance, rent and other expenses paid in advance.

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

9. Property, Plant and Equipment

The details and movements of this account are shown below:

June 30, 2016								
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at January 1, 2016	₱248,658	₱389,114	₱7,095,724	₱29,741	₱30,486	₱49,208	₱524,895	₱8,367,826
Additions	276	10,402	18,918	7,531	1,324	2,017	10,952	51,420
Disposal	–	–	(779,683)	(3,234)	–			(782,917)
Reclassifications	–	–	287,553	–	–	–	(285,367)	2,186
Balance at June 30, 2016	248,934	399,516	6,622,512	34,038	31,810	51,225	250,480	7,638,515
Accumulated depreciation								
Balance at January 1, 2016	1,236	187,564	730,369	8,951	21,782	36,108	–	986,010
Depreciation (Notes 16 and 17)	–	28,967	161,957	3,262	1,306	3,280	–	198,772
Disposal	–	–	(54,363)	(2,987)	–	–	–	(57,350)
Adjustments	–	–	2,186	–	–	–	–	2,186
Balance at June 30, 2016	1,236	216,531	840,149	9,226	23,088	39,388	–	1,129,618
Net Book Value	₱247,698	₱182,985	₱5,782,363	₱24,812	₱8,722	₱11,837	₱250,480	₱6,508,897

December 31, 2015								
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at January 1, 2015	₱229,851	₱288,937	₱6,845,102	₱25,136	₱28,159	₱42,891	₱–	₱7,460,076
Additions	18,666	61,639	278,590	11,365	2,327	6,603	524,895	904,085
Disposals	–	–	(6,260)	(5,638)	–	(31)	–	(11,929)
Adjustments	–	16,971	–	(1,122)	–	(255)	–	15,594
Reclassifications	141	21,567	(21,708)	–	–	–	–	–
Balance at December 31, 2015	248,658	389,114	7,095,724	29,741	30,486	49,208	524,895	8,367,826
Accumulated depreciation								
Balance at January 1, 2015	1,236	93,149	443,533	8,843	19,557	30,699	–	597,017
Depreciation	–	53,096	312,071	5,878	2,225	5,695	–	378,965
Disposals	–	–	(887)	(4,648)	–	(31)	–	(5,566)
Adjustments	–	16,971	–	(1,122)	–	(255)	–	15,594
Reclassifications	–	24,348	(24,348)	–	–	–	–	–
Balance at December 31, 2015	1,236	187,564	730,369	8,951	21,782	36,108	–	986,010
Net Book Value	₱247,422	₱201,550	₱6,365,355	₱20,790	₱8,704	₱13,100	₱524,895	₱7,381,816

In 2014, TA Oil entered into a Memorandum of Agreement (MOA) with Power Sector Assets and Liabilities Management Corp. (PSALM) for the sale of Power Barges (PBs) 101, 102 and 103 to TA Oil at an agreed price of ₱420.00 million. On July 8, 2015, these PBs were officially transferred to TA Oil. As at December 31, 2015, the total costs capitalized for the three PBs amounted to ₱524.89 million and included under “Construction in Progress” under “Property, plant and equipment” in the interim consolidated statement of financial position. These costs include the purchase price and all other dry-docking and repair costs. As of June 30, 2016, total costs capitalized for PBs 101 and 102 were reclassified to “Machinery and Equipment”.

On May 20, 2013, the Philippine Department of Energy (DOE) confirmed the Declaration of Commerciality of the Company’s 54 MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Commercial Stage.

On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators.

On February 16, 2015, the Company received from the DOE the confirmation of Commercial Operation starting December 27, 2014 for its 54 MW San Lorenzo Wind Project. The carrying amount of the wind farm as at June 30, 2016 and December 31, 2015 is ₱5,035.31 million and ₱5,806.98 million, respectively, included under “Machinery and equipment” and “Land and land improvements” accounts.

Land Held under Finance Leases
The Company entered into finance leases of land in Barangays Suclaran and Cabano in San Lorenzo, Guimaras and Barangays Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the wind farm. The carrying amount of property and equipment held under finance leases, included under “Land and land improvements”, as at June 30, 2016 and December 31, 2015 amounted to ₱113.71 million and ₱113.44 million, respectively.

In the first six months of 2016 and for the year 2015, no borrowing costs were capitalized.

Mortgaged Property and Equipment
TAREC’s wind farm with carrying value of ₱4,841.44 million and ₱5,613.38 million, as at June 30, 2016 and December 31, 2015, is mortgaged as security for the ₱4.3 billion term loan (see Note 14).

10. Investments and Advances

Details of investments in associates and interests in joint ventures and the carrying amounts as at June 30, 2016 and December 31, 2015 are as follow:

	Percentage of Ownership	**June 30, 2016**	December 31, 2015
Investments in associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱346,967**	₱329,945
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		347,598	330,576
Interests in joint ventures:			
SLTEC	50.00	**4,131,606**	3,788,486
ACTA	50.00	**13,306**	42
		4,144,912	3,788,528
Advances to associates and joint ventures:			
MGI		**45,000**	45,000
ACTA		**–**	7,537
		45,000	52,537
		₱4,537,510	₱4,171,641

**Shortened corporate life to October 31, 2009, hence, the investment is already fully impaired.*
***Ceased operations.*

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

	June 30, 2016	December 31, 2015
Investment in an associate and interests in joint ventures		
Acquisition costs:		
Balance at beginning of period	**₱3,877,061**	₱3,877,061
Additions	**5,639**	–
From advances *	**7,537**	–
Balance at end of period	**3,890,237**	3,877,061
Accumulated equity in net earnings (losses):		
Balance at beginning of the period	**227,979**	(144,235)
Equity in net earnings (losses) for the period	**360,230**	372,214
Balance at end of the period	**588,209**	227,979
Accumulated share in other comprehensive income:		
Balance at beginning of the period	**(357)**	215
Share in other comprehensive income (loss)	**–**	(572)
Balance at end of the period	**(357)**	(357)

(Forward)

	June 30, 2016	December 31, 2015
Other equity transactions:		
Balance at beginning and end of period	**15,980**	15,980
	4,494,069	4,120,663
Less accumulated impairment losses	**1,559**	1,559
	4,492,510	4,119,104
Advances to associate and joint venture		
Balance at beginning of period	**52,537**	–
Additional advances reclassified to investment*	**(7,537)**	52,537
Balance at end of period	**45,000**	52,537
Total investments and advances	**₱4,537,510**	₱4,171,641

** ACTA's application for increase in authorized capital shares was approved on January 25,2016 and the advances are reclassified to investments in joint ventures.*

Investments in Associates

MGI

The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation.

The summarized financial information in respect to MGI, a material associate of the Parent Company, as at and for the six months ended June 30, 2016 and for the year ended December 31, 2015 and the reconciliation with the carrying amount of the investments and advances in the interim condensed consolidated financial statements are shown below:

Summarized statements of financial position

	June 30, 2016	December 31, 2015
Current assets	**₱768,381**	₱310,497
Noncurrent assets	**3,424,607**	3,353,104
Total assets	**4,192,988**	3,663,601
Current liabilities	**(639,140)**	(652,961)
Noncurrent liabilities	**(2,165,981)**	(1,690,860)
Net assets	**1,387,687**	1,319,780
Proportion of the Company's ownership	**25%**	25%
Carrying amount of investments	**₱346,967**	₱329,945

Summarized statements of income

	For the six months ended June 30	
	2016	2015
Revenue from sale of electricity	**₱366,028**	₱395,484
Costs of sale of electricity	**(189,423)**	(152,560)
Gross profit	**176,605**	242,924
Other income (charges) - net	**3**	254
Interest income (expenses) - net	**(87,189)**	(99,212)
General and administrative expenses	**(21,325)**	(21,849)
Income (loss) before income tax	**68,094**	122,117
Provision for income tax	**7**	25
Net income (loss)	**₱68,087**	₱122,092
Total comprehensive income (loss)	**₱68,087**	₱122,092

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments.

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

Commercial operations started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the Maibarara Geothermal Power Plant. In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

a. assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
b. assign its rights and/or interests in the Joint Venture Agreement;
c. provide Project Sponsor's support for the completion of the project under such terms and conditions that may be agreed upon by the Parent Company and the lenders.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at June 30, 2016 and December 31, 2015, MGI is in compliance with the said loan covenants.

During 2015, the Phase 2 of the project, adding 12 MW already started and it is expected to be operational by 2017.

In 2015, the Parent Company granted advances amounting to ₱45.00 million.

As at June 30, 2016 MGI started drilling a new reinjection well.

Asia Coal
On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of its corporate life to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As at June 30, 2016, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

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

<u>Interests in a Joint Venture</u>
The summarized financial information in respect to SLTEC, a material joint venture of the Parent Company, as at and for the six months ended June 30, 2016 and for the year ended December 31, 2015 and the reconciliation with the carrying amount of the investment in the interim condensed consolidated financial statements are set out below:

SLTEC

Statements of Financial Position

	June 30, 2016	December 31, 2015
Current assets	**₱6,299,949**	₱5,561,978
Noncurrent assets	**18,647,662**	19,512,177
Current liabilities	**(2,999,603)**	(3,149,447)
Noncurrent liabilities	**(13,736,972)**	(14,401,006)
Net assets	**8,211,036**	7,523,702
Proportion of the Company's ownership	**50%**	50%
Parent Company's share in the net assets	**4,105,518**	3,761,851
Other adjustments*	**26,088**	26,635
Carrying amount of investment	**₱4,131,606**	₱3,788,486

**Alignment of accounting policies.*

Additional Information

	June 30, 2016	December 31, 2015
Cash and cash equivalents	**₱4,174,660**	₱4,038,038
Current financial liabilities*	**1,146,005**	1,099,842
Noncurrent financial liabilities	**13,718,664**	14,383,504

**Excluding trade, other payables and provision.*

Statements of Income

	For the six months ended June 30	
	2016	2015
Revenue from sale of electricity	**₱2,367,755**	₱509,996
Costs of sale of electricity	**(1,494,180)**	(342,871)
	873,575	167,125
General and administrative expenses	**(84,237)**	(66,410)
Interest income (expenses) - net	**(381,708)**	(80,117)
Other income	**393,491**	293,392
Income before income tax	**801,121**	313,990
Provision for income tax	**115,400**	24,016
Net income	**685,721**	289,974
Other comprehensive income (loss)	**214**	(429)
Total comprehensive income	**685,935**	289,545
Proportion of the Company's ownership	**50%**	50%
Share in total comprehensive income	**342,968**	144,772
Net adjustments *	**152**	–
Total comprehensive income	**₱343,120**	₱144,772

**Alignment of accounting policies.*

Additional Information

	For the six months ended June 30	
	2016	2015
Depreciation and amortization	**₱320,257**	₱73,790
Interest income	**29,541**	10,404
Interest expense	**411,249**	90,521

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Parent Company and AC Energy as Project Sponsors.

Under the terms of the Agreement, the Parent Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within 18 months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Parent Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with AC Energy to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million in 2011. The Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded under "Other equity reserve" account in the 2011 interim consolidated statement of changes in equity. In 2012, SLTEC incurred stock issuance costs totaling ₱12.66 million which were recognized by SLTEC as a reduction from its APIC and Retained earnings. Of this amount, ₱6.33 million which represents the Company's share in the said costs, was recognized equally as a reduction from the Company's other equity reserve account and retained earnings.

On April 24, 2015, Unit 1 of the 2x135MW commenced its commercial operations. The Unit 2 of the power plant declared its commercial operations on February 21, 2016.

11. Goodwill and Other Intangible Assets

Following are the details and movements in this account:

	June 30, 2016			
	Leasehold Rights	**Deferred Exploration Costs**	**Goodwill**	**Total**
Cost:				
Balance at January 1, 2016	**₱99,839**	**₱126,905**	**₱234,152**	**₱460,896**
Additions - Cash calls	**–**	**5,575**	**–**	**5,575**
Adjustments	**–**	**(7,337)**	**–**	**(7,337)**
Reclassification to receivable	**–**	**(19,443)**	**–**	**(19,443)**
Write-off	**–**	**(10,994)**	**–**	**(10,994)**
Balance at June 30, 2016	**99,839**	**94,706**	**234,152**	**428,697**
Accumulated depreciation:				
Balance at January 1, 2016	**26,310**	**–**	**–**	**26,310**
Amortization	**8,095**	**–**	**–**	**8,095**
Balance at June 30, 2016	**34,405**	**–**	**–**	**34,405**
Net book value	**₱65,434**	**₱94,706**	**₱234,152**	**₱394,292**

	December 31, 2015			
	Leasehold Rights	Deferred Exploration Costs	Goodwill	Total
Cost:				
Balance at January 1, 2015	₱99,839	₱116,405	₱234,152	₱450,396
Additions - Cash calls	–	10,500	–	10,500
Balance at December 31, 2015	99,839	126,905	234,152	460,896
Accumulated depreciation:				
Balance at January 1, 2015	10,120	–	–	10,120
Amortization	16,190	–	–	16,190
Balance at December 31, 2015	26,310	–	–	26,310
Net book value	₱73,529	₱126,905	₱234,152	₱434,586

<u>Leasehold Rights and Goodwill</u>
Leasehold rights and goodwill arise from the acquisition of TA Power of the entire outstanding shares of stocks of One Subic.

Impairment Testing of Goodwill
The goodwill acquired through business combination was allocated for impairment testing to One Subic's power plant operations. The recoverable amount of goodwill was determined using the value in use approach. Value in use was based on the cash flow projections of the most recent financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rate of 9.5% was applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the assets or businesses of such CGUs.

The recoverable amount exceeded the carrying amount of the individual assets, which as a result, no impairment was recognized for the six months ended June 30, 2016 and for the year ended December 31, 2015.

Deferred Exploration Costs
The balance of deferred exploration costs consists of expenditures incurred in the following production-sharing petroleum and geothermal projects:

	June 30, 2016	December 31, 2015
Petroleum and gas		
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,328**	15,085
SC 6 (Northwest Palawan)	**25,000**	23,946
SC 55 (Southwest Palawan)	**5,714**	5,714
SC 52 (Cagayan Province)	–	30,438
SC 50 (Northwest Palawan)	**11,719**	11,719
Geothermal		
SC 8 (Mabini, Batangas)	**3,087**	7,337
Hydropower		
Pililia Hydropower (Rizal)	**1,084**	–
Ilagan Hydropower (Isabela)	**108**	–
	₱94,706	₱126,905

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum and geothermal SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

On July 18, 2016, the DOE advised the Operator that the 10-year exploration period for SC52 has already expired on July 8, 2015. Exploration costs in the Company's service contract in Cagayan Province amounting to ₱10.99 million was therefore written off and ₱19.44 million was reclassified to receivables and provided with allowance as of June 30, 2016. As at December 31, 2015, no impairment loss was recognized on deferred exploration costs.

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

MPSA 252-2007-V (Camarines Norte)
On July 28, 2007, TA Oil was awarded MPSA No. 252-2007-V by the Philippine Department of Environment and Natural Resources (DENR) covering parcels of land with an aggregate area of more or less 333 hectares, located in the municipality of Camarines Norte, Philippines (the "Property"). On February 14, 2008, TA Gold and TA Oil entered into an Operating Agreement where TA Oil granted unto and in favor of the TA Gold the exclusive right to explore, develop and operate for commercial mineral production the Property under the MPSA. In June 2009, TA Oil received a notice of an Order of the Secretary of the DENR excising portions of the MPSA area that are covered by alleged mineral patents of a third party for which TA Oil filed a Motion for Reconsideration for the said Order.

In December 2009, the DENR denied TA Oil's Motion for Reconsideration. TA Oil filed a timely Appeal of the DENR's ruling with the Office of the President, which was also denied. TA Oil then elevated the case to the Court of Appeals.

TA Oil signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income in 2011. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was also recognized as income in the year payments were received.

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

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

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell, and TA Oil recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche.

On January 12, 2015, the Supreme Court ruled that the rights pertaining to mining patents issued pursuant to the Philippine Bill of 1902 and existing prior to November 15, 1935 are vested rights that cannot be impaired by the Mineral Production Sharing Agreement granted by the DENR to TA Oil on July 28, 2007.

As at June 30, 2016 and December 31, 2015, receivable from Investwell amounted to ₱39.37 million.

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

The DOE approved on September 1, 2015 a one-year extension of Contract Year 8 to July 10, 2016 with a one-well drilling obligation. On September 15, 2015, the DOE approved the transfer of 25% participating interest in subject GSC from Basic to TA Oil.

Preparations for drilling commenced in the fourth quarter of 2015.

The drilling of the first exploratory well in the contract area commenced on June 15, 2016.

<u>Pililia Hydropower Service Contract (Rizal)</u>
TA Oil requested for the reinstatement of Pililia Hydropower Service Contract and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

TA Oil also requested a three-year extension of the pre-development stage of the service contract and still waiting for the response from the DOE.

<u>Ilagan Hydropower Service Contract (Isabela)</u>
TA Oil requested for the reinstatement of Ilagan Hydropower Service Contract and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

TA Oil also requested approval for increase in capacity but was denied by the DOE in its letter dated July 8, 2016 due to adverse effect to other service contract applications covering areas upstream of the project site. As of July 25, 2016, TA Oil is considering its other options for the project.

12. Other Non-current Assets

	June 30, 2016	December 31, 2015
Receivable from a third party	**₱604,983**	₱71,733
Prepaid rent	**49,527**	49,331
Deposit receivable	**53,970**	36,264
Balance at end of the period	**₱708,480**	₱157,328

Receivable from a third party includes an interest bearing receivable collectible in November 2017 and a non-interest bearing receivable collectible annually within 5 years, discounted using the PDST-R2 rates on transaction date ranging from 2.14%-3.67%.

Prepaid rent pertains to easements and right of way agreements with land owners in Guimaras for the transmission lines to be used to connect its 54 MW wind farm project located in San Lorenzo, Guimaras to the grid.

Deposit receivables include deposits to various suppliers outstanding as of June 30, 2016 and December 31, 2015.

13. Accounts Payable and Other Current Liabilities

	June 30, 2016	December 31, 2015
Trade	**₱2,093,343**	₱1,814,374
Due to related parties (see Note 19)	**659,264**	663,570
Output VAT	**328,260**	327,039
Accrued interest expense	**79,404**	118,155
Non-trade	**70,192**	69,043
Accrued expenses	**47,393**	74,838
Finance lease obligation - current portion	**13,562**	10,815
Accrued directors' and annual incentives (see Note 19)	**9,675**	18,500
Retention payable	**1,748**	3,571
Others	**5,068**	4,632
	₱3,307,909	₱3,104,537

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

Retention payables pertains to amounts retained from liabilities to suppliers and contractors.

Accrued expense includes sick and vacation leave accruals, station use, One Subic variable rent at Subic Bay Metropolitan Authority (SBMA), accrual of employees' 13th month and other benefits and other accruals for the first six months of 2016.

Others consists of liabilities to employees, SSS, deferred rent income and deposit payable.

14. Long-term Loans

This account consists of:

	June 30, 2016	December 31, 2015
TAREC term loan facility	**₱4,149,500**	₱4,300,000
TA Oil long term loans	**2,940,000**	2,970,000
	7,089,500	7,270,000
Add premium on long-term loans (embedded derivative)	**8,559**	9,389
Less unamortized debt issue costs	**80,374**	89,887
	7,017,685	7,189,502
Less current portion of long-term loans (net of amortized debt issue costs)	**58,093**	58,454
Noncurrent portion	**₱6,959,592**	₱7,131,048

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at January 1, 2015	₱10,997	₱72,151
Additions	–	30,341
Amortization for the year	(1,608)	(12,605)
As at December 31, 2015	9,389	89,887
Amortization for the period (see Note 18)	(830)	(9,513)
As at June 30, 2016	**₱8,559**	**₱80,374**

TAREC

On December 18, 2013, TAREC entered into a ₱4.3 billion Term Loan Facility with Security Bank Corporation (SBC) and Development Bank of the Philippines (DBP). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 27 2 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each – DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing (PDST-F) plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Company did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (BAP) dated January 8, 2015. Subsequently, the parties agreed to adopt PDS Treasury Reference Rate PM (PDST-R2) as benchmark rate in lieu of PDST-F rates.

The loan facility also contains a prepayment provision which allows TAREC to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of a) the principal amount of the loan being prepaid, or b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corp. (PDEx) Market Page, Reuters and the PDEx website (www.pdex.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, TAREC is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

Under the terms of the Agreement, TA Oil, as the Project Sponsor, shall:

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

The loan agreement provides loan disbursement schedule for the drawdown of the loan. TAREC made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at June 30, 2016 and December 31, 2015:

June 30, 2016

	Tranche A (DBP)		**Tranche B (SBC)**	
Drawdown date	**Gross Amount**	**Carrying value**	**Gross Amount**	**Carrying value**
February 14, 2014	₱299,150	₱297,055	₱299,150	₱295,696
May 27, 2014	530,750	526,379	530,750	525,352
August 5, 2014	530,750	527,878	530,750	525,578
September 2, 2014	482,500	479,306	482,500	478,026
July 30, 2015	231,600	218,307	231,600	218,286
	₱2,074,750	**₱2,048,925**	**₱2,074,750**	**₱2,042,938**

December 31, 2015

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2014	₱310,000	₱307,271	₱310,000	₱306,176
May 27, 2014	550,000	544,812	550,000	544,012
August 5, 2014	550,000	545,991	550,000	544,260
September 2, 2014	500,000	495,980	500,000	495,030
July 30, 2015	240,000	225,461	240,000	225,450
	₱2,150,000	₱2,119,515	₱2,150,000	₱2,114,928

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing

FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, TAREC must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. Debt service accounts are included under “Cash and cash equivalents” and “Investments held for trading” in the interim consolidated statements of financial position.

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of TAREC:

(a) Minimum Debt Service Coverage Ratio (DSCR) post dividend declaration of 1.20x throughout the term of the loan
(b) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch)
(c) Restricted payments (not to distribute dividends, make payments to affiliates)

TAREC is in compliance with the loan covenants as at June 30, 2016 and December 31, 2015.

Commercial operations, as defined in said Term Loan Facility, shall mean the date on which the Wind Farm Project is capable of being fully operational and able to generate power and transmit the same to the Visayas Grid and shall require the Commissioning and the Take-Over (as defined in the Construction Contracts) of the Wind Farm Project by TAREC and the issuance of the Certificate of Compliance by the Energy Regulatory Commission (ERC). TAREC’s certificate of compliance was issued by ERC on December 1, 2015.

The loan facility is secured by TAREC’s wind farm, included in “Machinery and Equipment” accounts under “Property plant and equipment” with carrying value amounting to ₱4,841.44 and ₱5,613.38 million as of June 30, 2016 and December 30, 2015, respectively. In addition, as a security for the timely payment, discharge, observance and performance of the obligations, TA Oil entered into a Pledge Agreement covering the subscriptions of stocks of TA Oil and its nominees.

<u>TA Oil</u>

The relevant terms of the long-term loans of TA Oil are as follows:

Description	Interest Rate (per annum)	Terms	**June 30, 2016**	December 31, 2015
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	**₱1,463,668**	₱1,478,676
₱1.00 billion loan with SBC	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to drawdown date plus 1.00%, for 5 years	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum, payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge	**977,131**	986,636
₱0.50 billion loan with Banco De Oro Unibank,	The higher of 7Y PDST-F at interest rate setting date	Availed on April 30, 2014, payable in quarterly	**485,022**	489,747

Inc. (BDO)	which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge		
Carrying value			**₱2,925,821**	₱2,955,059

In the first six months of 2016 and for the year 2015, principal repayments made relative to TA Oil's loans amounted to ₱30.00 million.

TA Oil's loan with CBC has an embedded interest rate floor that required to be bifurcated

TA Oil's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.

The prepayment option on the loans with CBC and BDO were assessed as closely related and, thus, not required to be bifurcated. For the loan with SBC, the prepayment option was assessed as not closely related but was not bifurcated because the prepayment option has nil or very minimal value since it is deeply out of the money.

Covenants. Under the loan agreements, TA Oil has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.00 billion loan with SBC	(a) Minimum DSCR of 1.0 times after Grace Period up

	to Loan Maturity (b) Maximum Debt to Equity ratio of 2.0 times (c) Minimum Current ratio of 1.0 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

As at June 30, 2016 and December 31, 2015, the Company is in compliance with the terms as required in the loan covenants.

Total interest expense recognized on long-term loans amounted to ₱233.79 million and ₱205.03 million in the first six months of 2016 and 2015, respectively.

15. Equity

Capital Stock

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

	Number of Shares	
	June 30, 2016	December 31, 2015
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of period	**4,865,146,089**	4,865,146,089
Issuance during the period:		
Exercise of stock grants	**1,795,098**	–
Exercise of stock options	**10,327,607**	–
Balance at end of period	**4,877,268,794**	4,865,146,089

The issued and outstanding shares as at June 30, 2016 and December 31, 2015 are held by 3,223 and 3,224 equity holders, respectively.

On November 16, 2009, in a special stockholders' meeting, the Parent Company's stockholders approved the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares which shall be funded through SRO. On March 30, 2011, the SEC approved the SRO of 1.165 billion shares of the Parent Company at the rate of seven shares for every 10 shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to

₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded by a stock rights offering. On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.42 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders ("Overallotment Option"). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion. The proceeds were used to finance its equity investments in a 54 MW wind energy project in San Lorenzo, Guimaras and the second 135 MW clean coal-fired power plant in Calaca, Batangas, and other power project opportunities.

The following table presents the track record of registration of capital stock:

Date of SEC Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
08-Feb-69	2,000,000,000	1,000,000,000	₱0.01	₱0.01
22-Jul-75	2,000,000,000	937,760,548	0.01	0.01
16-Jul-79	6,000,000,000	6,058,354,933	0.01	0.01
12-Feb-88	10,000,000,000	7,643,377,695	0.01	0.02
08-Jun-93	10,000,000,000	8,216,141,069	0.01	0.01
15-Jul-94	70,000,000,000	50,170,865,849	0.01	0.01
24-Aug-05	1,000,000,000	264,454,741	1.00	1.00
06-Jun-11	2,200,000,000	1,165,237,923	1.00	1.00
12-Nov-12	4,200,000,000	2,027,395,343	1.00	1.00

Retained earnings

The Company's retained earnings balance amounted to ₱3.20 billion and ₱2.85 billion, respectively, as at June 30, 2016 and December 31, 2015. Retained earnings not available for declaration to the extent of (a) undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱1,368.68 million and ₱935.64 million as at June 30, 2016 and December 31, 2015, respectively, and (b) cost of treasury shares amounting to ₱28.79 million as at June 30, 2016 and December 31, 2015.

Other Equity Reserve

This account consists of:

	June 30, 2016	December 31, 2015
Other equity reserves from joint venture [a]	**₱19,144**	₱19,144
Other equity reserve from Stock Option Plan [b]	**14,661**	14,661
Effect of distribution of property dividends - TA Petroleum shares [c]	**1,108**	1,108
	₱34,913	₱34,913

a. This relates to the accumulated share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company's joint ventures (see Note 10).

b. This reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration in accordance to the Stock Option Plan.

c. This represents the impact of the property dividend distribution in the form of TA Petroleum shares on the equity attributable to equity holders of the Parent Company when the Parent Company's ownership interest decreased but did not result in loss of control. The Parent Company's effective ownership in TA Petroleum decreased from 100% to 50.97% in 2014.

Dividends declared
Cash dividends declared in the first six months of 2016 and the for the years 2015, 2014 and 2013 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount *	Record Date
March 21, 2013	Cash	0.04 per share	₱194,318	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,057	August 5, 2013
March 24, 2014	Cash	0.04 per share	194,555	April 7, 2014
February 23, 2015	Cash	0.04 per share	194,602	March 9, 2015
February 23, 2016	**Cash**	**0.04 per share**	**194,678**	**March 9, 2016**

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

On July 22, 2013, the Parent Company's BOD also approved the declaration of property dividends to stockholders of record date of August 5, 2013 which consist of shares of stock of TA Petroleum at the rate of 2.55 TA Petroleum shares for every 100 TA Oil shares held and cash in the amount of ₱0.013 per share to TA Oil's stockholders, with stockholders residing in the United States receiving cash of ₱0.0385 per TA Oil share in lieu of TA Petroleum shares.

16. Costs of Sale of Electricity

	For the six months ended June 30	
	2016	2015
Cost of power purchased	**₱5,422,001**	₱4,605,368
Fuel (see Note 7)	**394,402**	598,379
Depreciation and amortization (see Notes 9 and 11)	**194,797**	184,169
Repairs and maintenance	**83,295**	52,809
Transmission costs	**73,270**	77,364
Insurance	**53,328**	42,071
Salaries	**48,743**	34,309
Taxes and licenses	**48,155**	33,968
Rental	**35,910**	39,412
Pension and employee benefits	**10,853**	6,536
Station used	**3,487**	12,985
Filing fees	**160**	309
Others	**12,853**	5,315
	₱6,381,254	₱5,692,994

17. General and Administrative Expenses

	For the six months ended June 30	
	2016	2015
Management and professional fees (see Note 19)	**₱89,895**	₱59,803
Salaries and directors' fees (see Note 19)	**64,508**	46,980
Taxes and licenses	**54,649**	49,214
Depreciation and amortization (see Notes 9 and 11)	**13,030**	11,786
Pension and employee benefits	**10,739**	8,077
Building maintenance and repairs	**6,474**	6,497
Insurance, dues and subscriptions	**5,677**	8,826
Transportation and travel	**3,542**	4,404
Meeting and conferences	**2,303**	2,509
Corporate social responsibilities	**2,280**	2,347
Communication	**2,275**	1,583
Office supplies	**2,023**	1,851
Contractor's fee	**1,661**	656
Bank charges	**1,426**	4,870
Rent	**1,131**	1,654
Donation and contribution	**925**	2,992
Advertisements	**229**	1,598
Entertainment, amusement and recreation	**8**	2
Others	**2,248**	2,031
	₱265,023	₱217,680

18. Interest and Other Finance Charges

The details of interest and other finance charges are as follows:

	For the six months ended June 30	
	2016	2015
Interest expense on:		
Long-term loans (see Note 14)	**₱233,792**	₱205,386
Amortization of debt issue cost (see Note 14)	**1,591**	1,535
Tax assessment	**664**	–
Asset retirement obligation	**185**	184
Others	**73**	–
Other finance charges	**193**	643
Amortization of embedded derivative (see Note 14)	**(830)**	(803)
	₱235,668	₱206,945

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the six months ended June 30, 2016 and for the year ended December 31, 2015, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the six months ended June 30, 2016 and for the year ended December 31, 2015 with related parties are as follows:

		June 30, 2016			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
PHINMA, Inc.					
Revenues	**₱848**	Rent and share in expenses	**₱17**	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and expenses	**44,699**	Management fees and share in expenses	**(26,551)**	30-day, non-interest bearing	Unsecured
Payable	**–**	Rental deposit	**(186)**	Non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	**13,568**	Sale of electricity, rent and share in expenses	**9,007**	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	**2,370,955**	Purchase of electricity	**(544,017)**	30-day, non-interest bearing	Unsecured
Payable	**–**	Rental deposit	**(590)**	End of lease term	Unsecured
ACTA					
Receivables	**–**	–	**–**	–	–
Associates					
MGI					
Costs and expenses	**354,254**	Trading cost	**(71,194)**	30-day, non-interest bearing	Unsecured
Asia Coal					
Payable	**–**	Advances	**(254)**	Non-interest bearing	Unsecured
Other Related Parties					
PHINMA Property Holdings Corporation (PPHC)					
Payable	**–**	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured
PHINMA Corp.					
Revenues	**5,301**	Cash dividend and share in expenses	**–**		
Costs and expenses	**936**	Share in expenses	**(5)**	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp. (UGC)					
Revenue	**2,281**	Cash dividend	**–**		

June 30, 2016					
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
T-O Insurance, Inc.					
Costs and expenses	**37,541**	Insurance expense	**16,296**	30-60 day, non-interest bearing	Unsecured
Prepaid expenses	**2,797**	Insurance expense	**–**		
Emar Corp.					
Revenues	**64**	Share in expenses	**–**		
Directors					
Costs and expenses	**16,049**	Director's fee and annual incentives	**(9,675)**	On demand	Unsecured
Stockholders					
Payable	**194,678**	Cash dividend	**(11,444)**	On demand	Unsecured
Receivable	**–**	Withholding tax on property dividend	**35**	On demand	Unsecured
Due from related parties (see Note 6)			**₱9,024**		
Receivable from stockholders (see Note 6)			**35**		
Due to related parties (see Note 13)			**(659,264)**		
Accrued directors and annual incentives (see Note 13)			**(9,675)**		
Due to stockholders			**(11,444)**		

December 31, 2015					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
PHINMA, Inc.					
Revenues	₱969	Rent and share in expenses	₱16	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and expenses	73,489	Management fees and share in expenses	(31,698)	30-day, non-interest bearing	Unsecured
Payable	–	Rental deposit	(186)	Non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	154,260	Sale of electricity, rent and share in expenses	6,624	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	2,338,331	Purchase of electricity	(491,978)	30-day, non-interest bearing	Unsecured
Payable	–	Rental deposit	(590)	End of lease term	Unsecured
ACTA					
Advances	7,537	Advances for future subscription	7,537	Non-interest bearing	Unsecured, no impairment
Associates					
Asia Coal					
Receivable	–	Advances	(254)	Non-interest bearing	Unsecured
MGI					
Costs and expenses	772,280	Trading cost	(81,618)	30-day, non-interest bearing	Unsecured
Advances	45,000	Advances for future subscriptions	45,000	Non-interest bearing	Unsecured, no impairment
Receivable	300	Reimbursement	–		
Other Related Parties					
PHINMA Property Holdings Corporation (PPHC)					
Payable	–	Advances	(171)	30-60 day, non-interest bearing	Unsecured
PHINMA Corp.					
Revenues	5,387	Cash dividend and share in expenses	–		
Costs and expenses	2,268	Share in expenses	(406)	30-day, non-interest bearing	Unsecured

			December 31, 2015		
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Payable	9,864	Purchase of dollar and euro	–		
Union Galvasteel Corp.(UGC)					
Revenue	3,649	Cash dividend	–		
T-O Insurance, Inc.					
Costs and expenses	43,500	Insurance expense	(7,780)	30-60 day, non-interest bearing	Unsecured
Prepaid expenses	47,346	Insurance expense	(48,890)	30-60 day, non-interest bearing	Unsecured
Receivable	185	Refund on overpayment	–		
Directors					
Costs and expenses	29,063	Director's fee and annual incentives	(18,500)	On demand	Unsecured
Stockholders					
Payable	194,606	Cash dividend	(11,570)	On demand	Unsecured
Receivable	–	Withholding tax on property dividend	35	On demand	Unsecured

Due from related parties (see Note 6)	₱6,640
Receivable from stockholders (see Note 6)	35
Advances to associates and joint ventures (see Note 10)	52,537
Due to related parties (see Note 13)	(663,570)
Accrued directors and annual incentives (see Note 13)	(18,500)
Due to stockholders	(11,570)

PHINMA

The Parent Company and its subsidiaries TA Power, CIPP, TAREC and TA Petroleum have management contracts with Philippine Investment-Management (PHINMA), Inc. up to August 31, 2018 except for TA Power whose contract with PHINMA is up to 2016, renewable thereafter upon mutual agreement. Under these contracts, PHINMA has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Parent Company pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

SLTEC

SLTEC leases and occupies part of the office space owned by the Parent Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. SLTEC reimbursed TA Oil for the cost of the coal power plant under construction and other costs incurred in relation to the coal project in 2011.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, INC. through a management agreement. PHINMA Corporation bills the Parent Company for its share in expenses. The Parent Company also receives cash dividends received from PHINMA Corp. Phinma Corporation granted advances to TA Oil for its working capital requirements.

PHINMA Property Holdings Corporation (PPHC)/Union Galvasteel Corporation (UGC) [formerly Atlas Holding Corporation (AHC)]/Asian Plaza, Inc.
PPHC, UGC and Asian Plaza, Inc. are entities under common control. The Company receives cash dividend from these corporations.

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

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

Retirement Fund
The fund is managed by a trustee under the Phinma Jumbo Retirement Plan. The fair value of the retirement fund of the Parent Company amounts to ₱109.65 million as at December 31, 2015.

The plan assets include shares of stock of the Parent Company with fair value ₱0.02 million as at December 31, 2015. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the six months ended June 30, 2016 and for the year ended December 31, 2015. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

20. Earnings Per Share

Basic and diluted Earnings Per Share are computed as follows:

	For the six months ended June 30	
	2016	2015
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income attributable to equity holders of Parent Company	₱543,330	₱380,664
Common shares outstanding at beginning of year (see Note 15)	**4,865,146**	4,865,146
Weighted average number of shares issued during the period	**5,073**	–
(b) Weighted average common shares outstanding	**4,870,219**	4,865,146
Basic/Diluted EPS (a/b)	**₱0.11**	₱0.08

The Company's stock options have no dilutive effect in 2015. 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.

21. Fair Values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at June 30, 2016 and December 31, 2015:

	June 30, 2016			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Asset				
Investments held for trading	**₱1,100,709**	**₱1,100,709**	**₱–**	**₱–**
AFS investments	**199,740**	**199,740**	**–**	**–**
Refundable deposits**	**47,001**	**–**	**46,451**	**–**
	₱1,347,450	**₱1,300,449**	**₱46,451**	**₱–**
Liability				
Long-term debt	**₱7,017,685**	**₱–**	**₱5,372,540**	**₱–**
Deposit payable and other liabilities***	**94,667**	**–**	**94,233**	**–**
	₱7,112,352	**₱–**	**₱5,466,773**	**₱–**

	December 31, 2015			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Investments held for trading	₱942,142	₱942,142	₱–	₱–
AFS investments	201,883	201,883	–	–
Derivative assets*	98	–	98	–
Refundable deposits**	29,268	–	28,643	
	₱1,173,391	₱1,144,025	₱28,741	₱–
Long-term debt	₱7,189,502	₱–	₱5,550,767	₱–
Deposit payable and other liabilities***	117,344	–	115,987	–
	₱7,306,846	₱–	₱5,666,754	₱–

**Included in "Other current assets" account*
***Included in "Other noncurrent assets" account*
****Included in "Other noncurrent liabilities" account*

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

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Investments Held for Trading
Net asset value per unit has been used to determine the fair values of investments held for trading.

AFS Investments
Quoted market prices have been used to determine the fair values of quoted AFS investments. The fair values of unquoted AFS investments are based on cost since the fair values are not readily determinable. The Company does not intend to dispose the unlisted AFS investments in the near future.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial instruments measured at fair value using the level 3 hierarchy. Also, there were no transfers between level 1 and level 2 fair value measurements.

Derivative Assets and Liabilities

Currency Forwards
The Company entered into a forward foreign currency contracts with a bank with an aggregate notional amount of US$1.50 million in 2015. All deliverable forwards were settled during the year. The weighted average fixing rate amounted to ₱44.72 to US$1.00 in 2015. The net fair value of these currency forwards amounted to ₱1.02 million gains as at December 31, 2015.

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

The Company's outstanding embedded forwards have an aggregate notional amount of US$0.16 million as at December 31, 2015. The weighted average fixing rate amounted to ₱47.65 to US$1.00 as at December 31, 2015. The net fair value of these embedded derivatives amounted to ₱0.10 million losses at December 31, 2015.

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

	June 30, 2016	December 31, 2015
Balance at beginning of period	**₱98**	(₱83)
Net changes in fair value during the year	**–**	18,048
Fair value of settled contracts	**(98)**	(17,867)
Balance at end of period	**₱–**	₱98

The fair value of derivative assets is presented under "Other current assets" account in the interim consolidated statement of financial position. The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the interim consolidated statement of financial position (see Note 13).

22. Other Matters

As discussed in Note 15, on August 20, 2014, TA Oil distributed the cash and property dividends in the form of shares in TA Petroleum after securing SEC's approval of the registration and receipt of CAR from the BIR.

On October 22, 2014, TA Oil received from the BIR a Formal Letter of Demand (FLD) and Final Assessment Notice (FAN), assessing TA Oil for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, TA Oil and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by TA Oil to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of TA Oil;
2) TA Oil did not realize any gain or increase its wealth as a result of the dividend distribution; and
3) There was no donative intent on the part of TA Oil.

On May 27, 2015, TA Oil received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015, TA Oil filed with the Court of Tax Appeals (CTA) a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

On July 24, 2015, TA Oil received a letter from the BIR informing TA Oil that it will issue a Warrant of Distraint and/or Levy and Warrants of Garnishment for the assessed amount.

On July 29, 2015, TA Oil filed with the CTA an Urgent Motion to Suspend Collection of Taxes and for the Issuance of Temporary Restraining Order and/ or Writ of Preliminary Injunction. The motion was heard on August 10, 2015.

On October 20, 2015, the CTA issued a Notice of Resolution dated October 12, 2015 granting TA Oil's Motion to Suspend the collection of taxes, provided that it files a surety bond equivalent to one and one half (1 ½) times the amount to be collected.

On October 29, 2015, TA Oil filed the surety bond.

As of July 25, 2016, trial is ongoing for the CTA case.

ANNEX B

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

The following discussion and analysis of financial position and results of operations of Trans-Asia Oil and Energy Development Corporation (TA) and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

The company posted net income of ₱542 million for the first semester of 2016, 43% higher than that of the ₱377 million reported in the same period of 2015.

The tables below summarize the consolidated results of operations of TA's revenues, costs and expenses for the six months ended June 30, 2016 and 2015.

	April – June		**January - June**		**April – June**		**January – June**	
In thousands	**2016**	**2015**	**2016**	**2015**	**Inc (Dec)**	**%**	**Inc (Dec)**	**%**
Revenue from sale of Electricity	**₱3,954,685**	₱3,496,963	**₱7,081,481**	₱6,405,709	**₱457,722**	13%	**₱675,772**	11%
Dividend income	**4,353**	3,213	**7,413**	7,412	**1,140**	36%	**1**	-
Rental income	**1,289**	1,106	**2,561**	2,212	**183**	17%	**349**	16%
Total Revenues	**₱3,960,327**	₱3,501,282	**₱7,091,455**	₱6,415,333	**₱459,045**	13%	**₱676,122**	11%

Material Changes for the Second Quarter and First Semester of 2016

- The increase in revenues from sale of electricity was attributable largely to the higher energy sales from the Parent Company's power supply business and from the sale of electricity of Trans-Asia Renewable Energy Corporation (TAREC) and Power Barges 101 and 102, which declared commercial operations in February 2016.
- Dividend income increased due to the receipt of higher dividends from TA's various investments.
- Rental income increased as a result of the rate escalation provision in rental contracts.

Costs and expenses

	April - June		**January - June**		**April – June**		**January – June**	
In thousands	**2016**	**2015**	**2016**	**2015**	**Inc (Dec)**	**%**	**Inc (Dec)**	**%**
Cost from sale of electricity	**₱3,648,308**	₱3,057,386	**₱6,381,254**	₱5,692,994	**₱590,922**	19%	**₱688,260**	12%
General and administrative exp.	**134,702**	119,828	**265,023**	217,680	**14,874**	12%	**47,343**	22%
Total Cost and Expenses	**₱3,783,010**	₱3,177,214	**₱6,646,277**	₱5,910,674	**₱605,796**	19%	**₱735,603**	12%

Material Changes for the Second Quarter and First Semester of 2016

- The increase in the cost from sale of electricity was mainly due to the higher energy sales in kWh. Cost of repairs and maintenance also went up with the full operation of TAREC, PB 101 and PB 102. Taxes and licenses and other costs incurred in operating the power barges including depreciation, salaries and insurance made up the rest of the increases. PB 103, currently located in Cebu, is still undergoing rehabilitation.
- The higher general and administrative expenses is attributed to project development costs and increased level of operations which resulted in higher taxes and licenses and headcount.

Other income and expenses / losses

The following are material changes in other income and expenses / losses in the Consolidated Statements of Income for the second quarter and first semester ended June 30, 2016 and 2015:

	April - June		January - June		April – June		January – June	
In thousands	**2016**	**2015**	**2016**	**2015**	**Inc (Dec)**	**%**	**Inc (Dec)**	**%**
Interest and other finance charges	**(₱118,426)**	(₱99,215)	**(₱235,668)**	(₱206,945)	**(₱19,211)**	19%	**(₱28,723)**	14%
Equity in net income of associates and joint venture (JV)	**240,655**	178,180	**360,123**	175,503	**62,475**	35%	**184,620**	105%
Other income (loss) – net*	**12,635**	5,476	**17,944**	10,254	**7,159**	131%	**7,690**	75%

	April - June		January - June		April – June		January – June	
In thousands	**2016**	**2015**	**2016**	**2015**	**Inc (Dec)**	**%**	**Inc (Dec)**	**%**
***Other income (loss) – net**								
Interest and other financial income	**₱5,804**	₱4,585	**₱10,200**	₱7,920	**1,219**	27%	**2,280**	29%
Foreign exchange gain (loss)	**479**	(1,637)	**(744)**	(1,198)	**2,116**	(129%)	**454**	(38%)
Gain on sale of PPE	**35,706**	255	**35,706**	255	**35,451**	13,902%	**35,451**	13,902%
Gain (loss) on sale of AFS investments	**(2)**	-	**38**	-	**(2)**	-	**38**	-
MTM gain on Derivatives	**-**	1,016	**-**	1,099	**(1,016)**	-	**(1,099)**	-
Oil exploration costs written-off	**(10,994)**	-	(10,994)	-	**(10,994)**	-	**(10,994)**	-
Provision for Doubtful accounts	**(19,443)**	-	**(19,443)**	-	**(19,443)**	-	**(19,443)**	-
Miscellaneous income	**1,085**	1,257	**3,181**	2,178	**(172)**	(14%)	**1,003**	46%
	₱12,635	₱5,476	**₱17,944**	₱10,254	**₱7,159**	131%	**₱7,690**	75%

Material Changes for the Second Quarter and First Semester of 2016

- Interest and other finance charges went up due to higher long-term debt of TAREC.
- Higher equity in net income of associates and JV was reported during the period. Earnings include the contribution of South Luzon Thermal Energy Corporation (SLTEC), with both Unit 1 and Unit 2 in commercial operations. Unit 2 started commercial operations in February 2016.
- Other income (loss) - net went up due to the combined effects of the following:
  - Increase in interest and other financial income due to higher fair value gains on investments held for trading.
  - Forex gain was reported in the second quarter and a lower forex loss was recorded in the first half of the year due to appreciation of the peso.
  - Gain on sale of transmission assets of CIP and TAREC to a third party.
  - There was no MTM gain on derivatives in the first semester of 2016.
  - Write-off of petroleum exploration costs in one of TA's consortium agreements.
  - Additional allowance was provided for receivables from a third party.
  - Decrease in miscellaneous income during the quarter and increase for the first semester of 2016 due to billing of shared expenses.

Provision for (benefit from) income tax

	April – June		January - June		April – June		January – June	
In thousands	**2016**	**2015**	**2016**	**2015**	**Inc (Dec)**	**%**	**Inc (Dec)**	**%**
Current	**₱47,065**	₱97,707	**₱62,945**	₱109,580	**(₱50,642)**	(52%)	**(₱46,635)**	(43%)
Deferred	**(11,358)**	(2,128)	**(16,870)**	(3,592)	**(9,230)**	434%	**(13,278)**	370%
Total provision for income Tax	**35,707**	95,579	**46,075**	105,988	**(59,872)**	(63%)	**(59,913)**	(57%)

Material Changes for the Second Quarter and for the First Semester of 2016

- The decrease in the provision for income tax was due to lower taxable income of the parent company. TAREC is entitled to income tax holiday incentive for the operation of its wind farm in Guimaras.
- Higher benefit from deferred income tax in the second quarter and first semester of 2016 was due to the tax effect of the provision for doubtful accounts and the difference between the fair value at initial recognition and transaction price of long-term receivables.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS				
	June	**December**	**Increase (Decrease)**	
In thousand PHP	**2016**	**2015**	**Amount**	**%**
	Unaudited	Audited		
Current Assets				
Cash and cash equivalents	₱433,846	₱355,743	₱78,103	22
Investments held for trading	1,100,709	942,142	158,567	17
Trade and other receivables	3,817,801	3,466,310	351,491	10
Fuel & spare parts – at cost	225,232	310,929	(85,697)	(28)
Other current assets	884,726	1,052,366	(167,640)	(16)
Noncurrent Assets				
Plant, property and equipment	6,508,897	7,381,816	(872,919)	(12)
Investment in associates and JV	4,537,510	4,171,641	365,869	9
Goodwill and other intangible assets	394,292	434,586	(40,294)	(9)
Deferred income tax assets - net	40,192	31,303	8,889	28
Other noncurrent assets	708,480	157,328	551,152	350

- Cash and cash equivalents and investments held for trading increased by 22% and 17%, respectively. The Consolidated Statements of Cash Flows detail the material changes in cash and cash equivalents and investments held for trading.
- Receivables rose with the additional customers of the Parent Company and the recognition of FIT-All receivables by TAREC from the National Transmission Corporation.
- Fuel and spare parts inventory diminished due to consignment arrangements with suppliers.
- Other current assets decreased due to the utilization of input taxes and deposit receivable and the amortization of prepaid expenses partially offset by the increase in creditable withholding taxes.
- The decrease in plant, property and equipment was mainly attributable to the disposal of the transmission assets of TAREC and CIP II.
- Investments in associates and JV slightly increased due to the increase in share in income of MGI and SLTEC.
- Goodwill and other intangible assets dropped due to the write-off of unrecoverable petroleum exploration costs and reclassification of deferred exploration costs to receivables.
- Deferred income tax assets increased due to the tax effect of pension & other post employment benefits, provision for doubtful accounts and difference in fair value of financial instruments.
- Other noncurrent assets significantly increased mainly due to the receivable from the sale of transmission assets of TAREC and CIP II.

LIABILITIES AND EQUITY				
	June	**December**	**Increase (Decrease)**	
In thousand PHP	**2016**	**2015**	**Amount**	**%**
	Unaudited	Audited		
Accounts payable and other current liabilities	₱3,307,909	₱3,104,537	₱203,374	7
Income and withholding taxes payable	18,644	65,517	(46,873)	(72)
Pension and other employment benefits	40,625	33,813	6,812	20
Deferred income tax liabilities – net	134,603	142,554	(7,951)	(6)
Other non-current liabilities	106,705	118,383	(11,678)	(10)
Additional paid in capital	55,416	40,783	14,633	36
Accumulated share in OCI of the JV	(250)	(357)	107	(30)
Retained earnings	3,195,204	2,845,559	349,645	12

- Accounts payable and other current liabilities increased due to the increase in trade payables for cost of electricity.
- The decrease in income and withholding taxes payable was mainly due to remittance of withholding taxes on interest on the loans of the parent and TAREC.
- Pension and other employees' benefits increased due to the accrual of retirement expense during the period.
- Deferred income tax liabilities decreased due to tax effect of the amortization of leasehold rights and depreciation of excess of fair value over cost of power plant.
- Other non-current liabilities declined due to the return of security deposits to various customers.
- The additional paid in capital increase was from the issuance of capital stock due to exercise of stock options.
- Accumulated share in other comprehensive income of joint venture decreased due to the adjustment in remeasurement loss on defined benefit plan of SLTEC.

Financial Performance Indicators

KPI	Formula	30-Jun-16 Unaudited	31-Dec-15 Audited	Increase (Decrease)	
				Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	1.90	1.89	0.01	1
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.58	1.47	0.11	7
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.28	1.34	(0.06)	(4)
Asset to equity ratio	Total Assets / Total Equity	2.28	2.34	(0.06)	(3)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	3.49	3.34	0.15	4
Net Debt to Equity Ratio	Debt - Cash & cash equivalents / Total equity	1.09	1.18	(0.09)	(8)

KPI	Formula	30-Jun-16 Unaudited	30-Jun-15 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity*	Net income after tax / Average stockholder's equity	6.65%	5.15%	1.50	29
Return on assets*	Net income before taxes / Total assets	3.13%	2.81%	0.32	11
Asset turnover	Revenues / Total assets	37.82%	37.34%	0.48	1

Current ratio and Acid test ratio
Current ratio and acid test ratio slightly increased due to the increase in current assets particularly in cash and financial assets.

Debt to equity ratio
Debt to equity ratio decreased due to the increase in equity from net income earned for the first half of the year and additional paid in capital from stock issuance..

Asset to equity ratio
Asset to equity ratio decreased due to the 5% increase in equity despite 2% increase in total assets.

Interest coverage ratio
Interest coverage ratio increased due to 19% increase in EBIT as against 14% increase in interest expense.

Net debt equity ratio
The net debt equity ratio decreased due to the 3% decrease in net debt while total equity increased 5%.

Return on equity
Return on equity went up due to higher net income for the first semester of 2016.

Return on assets
Return on asset rose due to 22% increase in net income before taxes for the first semester of 2016 as compared to 2015.

Asset turnover
Asset turnover slightly increased due to the offsetting effect of the 11% increase in revenue and 9% increase in total assets.

During The First Semester of 2016:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company has two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining exploration and power generation activities arising from management of the Company's funds. The exploration costs are shown as "deferred exploration costs" in the consolidated balance sheets.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements except as disclosed in Note 11 of the Consolidated Financial Statements.
- 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 year.
- There were no operations subject to seasonality and cyclicality except for the operation of TAREC's wind farm. The wind regime is high during the first quarter due to the northeast monsoon and wind turbines generate more power to be supplied to the grid. The generation drops in the second quarter due to low wind regime brought about by the southwest monsoon.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company except for those mentioned above.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations except those mentioned above.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There were no events that trigger direct or contingent financial obligation that was material to the Company.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period except for those mentioned above.

ANNEX B-1

GEOTHERMAL ENERGY DEVELOPMENT

<u>Mabini Geothermal Service Contract (Batangas)</u>

The consortium commenced the drilling of the first exploratory well in the contract area on June 15, 2016.

Trans-Asia has 25% participating interest in the Mabini GSC.

<u>Maibarara Geothermal Service Contract (Batangas)</u>

Maibarara Geothermal, Inc. (“MGI”) approved the expansion of its 20 MW facility to 32 MW.

Construction of the additional steamfield facilities and a 12 MW power plant commenced.

MGI started drilling of a new reinjection well.

Trans-Asia has 25% equity in MGI.

HYDROPOWER DEVELOPMENT

<u>Pililia Hydropower Service Contract (Rizal)</u>

As requested by Trans-Asia, the DOE approved the reinstatement of the service contract until July 7, 2016, subject to certain conditions.

Trans-Asia requested a three-year extension of the pre-development stage of the service contract.

<u>Ilagan Hydropower Service Contract (Isabela)</u>

As requested by Trans-Asia, the DOE approved the reinstatement of the service contract until July 7, 2016, subject to certain conditions.

Trans-Asia also requested approval for increase in capacity but was denied by the DOE in its letter dated July 8, 2016 due to adverse effect to other service contract applications covering areas upstream of the project site. As of July 25, 2016, Trans-Asia is considering its other options for the project.

<u>Service Contract No. 52 (Cagayan)</u>

On July 18, 2016, the DOE advised the Operator that the 10-year exploration period for SC52 has already expired on July 8, 2015.

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the first semester ended June 30, 2016 covered by this report:

Date of filing	Item Reported
April 12, 2016	Approval by the Department of Energy of the Notice of the Intent to Drill. On April 11, 2016 Basic Energy, operator of Mabini Geothermal Project, received the approval by the Department of Energy of its Notice of Intent to Drill an exploratory well in Mabini, Batangas . Trans-Asia Oil and Energy Development Corporation holds 25 % participating interest in the project.
April 13, 2016	Trans-Asia Oil and Energy Development Corporation statement of precise address. The Board of Directors of Trans-Asia Oil and Energy Development Corporation approved today , 25 January 2016, the amendment of the First Article of the By-Laws to state the precise address of the Company to Level 11, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City. Further, an amendment of the caption of the By-Laws to change the company's corporate name was likewise approved. For the amendment of Article I, the SEC approved on July 3, 2015 the amendment of the Corporation's Articles of Incorporation in order to state the precise address of the principal office. In line with this, the Board of Directors approved, subject to shareholders' approval, the amendment of Article I of the By-Laws to state that the principal office of the Corporation is at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. For the amendment of the Caption - In view of the board approval of the Articles of Incorporation to change the corporate name to Phinma Energy Corporation, the Board likewise approved the amendment of its By-Laws to reflect its new corporate name.

	Amended to indicate the date of Stockholders' approval as well as Expected date of filing with the SEC and Expected date of of approval by the SEC.
April 13, 2016	Change in Corporate Name and Extension of Corporate Life The Board of Directors of Trans-Asia Oil and Energy Development Corporation ("Trans-Asia") approved today the change of Trans-Asia's Corporate Name from *"Trans-Asia Oil and Energy Development Corporation" to "Phinma Energy Corporation"*. Further, the Board of Directors approved the amendment of Article Fourth of the Corporation's Articles of Incorporation to extend the corporate term for another fifty (50) years from and after September 8, 2019 Change in Corporate Name -The Company ,being a part of the Phinma Group, would like to use the Phinma brand in conducting its business. Extension of Corporate Life- Under Section 11 of the Corporation Code of the Philippines, the corporate term may be extended within 5 years prior to the expiration thereof. TA’s corporate term will expire on September 8, 2019. Hence, for business continuity purposes, the Company is seeking the necessary approvals for the extension thereof. Amended to indicate the date of Stockholders' approval as well as Expected date of filing with the SEC and Expected date of approval by the SEC..
April 13, 2016	*Manila Bulletin news article entitled "Trans-Asia eyeing $500-M LNG facility in Pangasinan"* This is in response to the request for confirmation of a news article posted in the April 13, 2016 issue of the Manila Bulletin quoted as follows: “Publicly listed Trans-Asia Oil and Energy Development Corporation will be investing US$500 million for an integrated liquefied natural gas (LNG) import terminal and a greenfield power facility in Sual, Pangasinan. In an interview with reports, Trans-Asia president Francisco L. Viray noted that the planned LNG investment would be anchored on the fuel mix policy that the next administration will be crafting.

‘If there’s already an energy mix that will be put up by the next administration, we will have early completion by 2018,’ he said.

. . . .

Viray indicated that they intend to tap a foreign partner for the project eventually. ‘But as of now, we’re doing the project at 100-percent equity,’ he stressed....."

We confirm the accuracy of the news article but advise that no final investment decision has been made on this project.

April 14, 2016	*Malaya Business Insight (Internet Edition) news article entitled "Phinma eyes overseas energy ventures"*

This is in response to the request for confirmation of a news article posted in the April 14, 2016 Internet Edition issue of Malaya Business Insight quoted as follows :

“Listed firm Phinma Energy Corp., formerly known as Trans-Asia Oil and Energy Development Corp., is eyeing three companies for possible farm-in agreements for oil and gas fields in West Australia and Sumatra, Indonesia.

A farm-in is an arrangement where an operator acquires interest in a lease owned by another operator on which oil or gas has been discovered or is being produced. This is usually done to help the original owner with the development costs and to secure a source of crude oil or natural gas for the buyer.

‘Actually, we engaged a consultant to shortlist assets… We had a lot of criteria, it must be producing or near production since income return will come from them. The country risk, fiscal, economics and other things are also considered,’ Raymundo Reyes Jr., Phinma Energy senior vice president, said on the sidelines of the company’s stockholders meeting.

Reyes said the company has shortlisted specific areas which it cannot disclose due to confidentiality restrictions. But he said the final assessment will be released within the year since it will only take two to three months to evaluate problems in each area.

Phinma Energy said from the three prospects, two are in Australia and one is in Indonesia. All are operated by private firms.

	'We will get participating interest… (minority) since it is an overseas project… It depends on the project and the financial requirement. It can be small but the financial requirement can be so huge,' Reyes explained. . . . ." We confirm the accuracy of the news article but would like to advise that stockholders' approval for the change of company name was granted 12 April 2016 only. As such, the application for the change of company name from Trans-Asia Oil and Energy Development Corporation to Phinma Energy Corporation is expected to be submitted to the Securities and Exchange Commission on 01 June 2016 with expected date of approval on 01 July 2016 as previously advised in the 12 April 2016 disclosure to the Exchange.
May 25, 2016	PHINMA energy arm Trans-Asia 1Q Yoy Income over 4 times higher. PHINMA energy arm, Trans-Asia Oil and Energy Development Corporation (TRANS-ASIA), disclosed consolidated net income of PhP 265 million for the first quarter of 2016, more than four times higher than PhP 65 million net income posted during the same period of the previous year. Revenue from the sale of electricity was boosted by a 26% increase in electricity sales volume, with revenues for the first three months of the year at Php 3,131 million, marking an increase of Php 217 million or 7% from Php 2,914 million in the previous year. This improvement in revenues was largely brought about by the successful operations of the company's 54-MW Wind Farm located in San Lorenzo, Guimaras, through its fully owned subsidiary Trans-Asia Renewable Energy Corporation. The plant, which was completed last December 2014, delivered 45GWH of wind-powered electricity during the first quarter of this year. In December 2015, TAREC was granted its Feed-in-Tariff Certificate of Compliance by the Energy Regulatory Commission, which guarantees a Feed-in-Tariff of P7.40 per kilowatt hour for 20 years. The company continues to operate its existing power generation subsidiaries. Trans-Asia Power Generation Corporation (52MW), CIPP Power Corporation (21MW), One Subic Power Generation Corporation (116MW), and Guimaras Power Plant (3.4MW) continue to sell to the WESM and provide ancillary power to the NGCP. Commercial operations of Power Barges 101 & 102 likewise

commenced in February 2016, contributing additional revenue for the company, while Power Barge 103 is undergoing comprehensive rehabilitation work for commercial operations to commence within the second half of the year.

Aside from strong revenues, the first quarter income was enhanced by contributions from joint ventures, Maibarara Geothermal Inc. (MGI) and South Luzon Thermal Energy Corporation (SLTEC). SLTEC, a joint venture of Trans-Asia with AC Energy Holdings, commenced commercial operations of its Line 2 135MW CFB coal-powered plant in February 2016, following commercial operations of Line 1 last April 2015. Together, both units have a combined capacity of 270 MW, with SLTEC expected to provide continuous and reliable base load power to contribute to the country's supply requirements.
MGI is Trans-Asia's joint-venture with Petrogreen Energy Corp and PNOC Renewables Corp. MGI continued to operate at a high level of capacity except for mandatory maintenance in February. In the first quarter of 2016, the company awarded the EPC contract for its line two expansion, with commercial operations of its expanded 32 MW line expected by the 3rd quarter of 2017.

During its recently held shareholders meeting last 12 April 2016, President and CEO of Trans-Asia, Francisco L. Viray shared, "We are awaiting the new installation targets for solar and wind, to push the construction of our Sibunag (Guimaras) and Ballesteros (Cagayan) wind farms." Aside from this, the company is also in pre-development stage for a 900MW Coal Fired Power Project in Pangasinan, and is actively pursuing overseas exploration opportunities to supplement its local service contracts for its Resource Development Business.

To date, the PHINMA Energy unit is able to provide an equivalent amount of electricity, capable of empowering 1.2Million homes. The company is committed to promoting clean and responsible power generation, to empower communities as our commitment to nation building.

Trans-Asia is an integrated power company of the PHINMA group and is engaged in power generation & electricity supply, wind energy development and energy resource development. It provides reliable and sustainable energy to its customers and host communities.

June 15, 2016

Geothermal Service Contract No. 8

Please be informed that the Mabini Consortium commenced today the drilling of the first exploratory well in the contract area.

The well will be drilled to a total depth of at least 1,500 meters to test a potential geothermal resource previously identified by geophysical and geological techniques. Drilling will take around 2 ½ to 3 months to complete.

Trans-Asia has 25% participating interest in GSC No. 8.