

# **Cirtek Holdings Philippines Corporation**

Parent Company Financial Statements  
December 31, 2014 and 2013

and

Independent Auditors' Report



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Cirtek Holdings Philippines Corporation

### **Report on the Financial Statements**

We have audited the accompanying parent company financial statements of Cirtek Holdings Philippines Corporation, which comprise the parent company balance sheets as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Cirtek Holdings Philippines Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 16 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Cirtek Holdings Philippines Corporation. The information has been subjected to the auditing procedures applied in our audits of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**PARENT COMPANY BALANCE SHEETS**

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	<b>\$10,035,366</b>	\$41,703
Amounts owed by related parties (Note 9)	<b>38,181,732</b>	23,251,376
Financial asset at fair value through profit and loss (Note 6)	–	4,220,621
Dividends receivable	–	1,150,000
Other current assets	<b>8,597</b>	5,000
<b>Total Current Assets</b>	<b>49,225,695</b>	28,668,700
<b>Noncurrent Asset</b>		
Investments in subsidiaries (Note 5)	<b>5,981,499</b>	5,981,499
<b>TOTAL ASSETS</b>	<b>\$55,207,194</b>	\$34,650,199
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses (Note 7)	<b>\$80,675</b>	\$94,383
Current portion of long-term debt - net of deferred financing cost (Note 8)	<b>967,861</b>	964,977
Amounts owed to related parties (Note 9)	<b>23,743,523</b>	13,516,567
Derivative liability (Note 14)	–	61,254
<b>Total Current Liabilities</b>	<b>24,792,059</b>	14,637,181
<b>Noncurrent Liability</b>		
Long-term debt - net of current portion and deferred financing cost (Note 8)	<b>17,716,819</b>	8,684,679
<b>Equity</b>		
Capital stock (Note 12)	<b>7,893,134</b>	6,559,066
Additional paid-in capital (Note 12)	<b>4,733,511</b>	4,733,511
Retained earnings	<b>71,671</b>	35,762
<b>Total Equity</b>	<b>12,698,316</b>	11,328,339
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$55,207,194</b>	\$34,650,199

*See accompanying Notes to Parent Company Financial Statements.*



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>DIVIDEND INCOME</b>	<b>\$3,600,000</b>	<b>\$4,100,000</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> <b>(Note 10)</b>	<b>94,244</b>	<b>167,665</b>
<b>FINANCIAL INCOME (EXPENSES)</b>		
Interest income (Note 4)	<b>818</b>	46,003
Interest expense (Note 8)	<b>(369,698)</b>	(400,030)
	<b>(368,880)</b>	(354,027)
<b>OTHER INCOME (CHARGES) - Net</b>		
Foreign exchange gains (losses) - net	<b>84,738</b>	(365,922)
Bank charges	<b>(145)</b>	(213)
Mark-to-market loss on foreign currency forwards (Note 14)	<b>—</b>	(300,055)
Others	<b>(51,492)</b>	(6,173)
	<b>33,101</b>	(672,363)
<b>NET INCOME</b>	<b>3,169,977</b>	<b>2,905,945</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$3,169,977</b>	<b>\$2,905,945</b>

*See accompanying Notes to Parent Company Financial Statements.*



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Capital Stock				
	Issued	Undistributed Stock Dividends (Note 12)	Additional Paid-in Capital	Retained Earnings	Total
Balances at December 31, 2012	\$4,460,896	\$950,847	\$4,733,511	\$47,077	\$10,192,331
Net income for the year	—	—	—	2,905,945	2,905,945
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	2,905,945	2,905,945
Issuance of undistributed stock dividends	950,847	(950,847)	—	—	—
Cash dividends declared (Note 12)	—	—	—	(1,769,937)	(1,769,937)
Stock dividends declared (Note 12)	1,147,323	—	—	(1,147,323)	—
Balances at December 31, 2013	6,559,066	—	4,733,511	35,762	11,328,339
Net income for the year	—	—	—	3,169,977	3,169,977
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	3,169,977	3,169,977
Cash dividends declared (Note 12)	—	—	—	(1,800,000)	(1,800,000)
Stock dividends declared (Note 12)	644,803	689,265	—	(1,334,068)	—
<b>Balances at December 31, 2014</b>	<b>\$7,203,869</b>	<b>\$689,265</b>	<b>\$4,733,511</b>	<b>\$71,671</b>	<b>\$12,698,316</b>

*See accompanying Notes to Parent Company Financial Statements.*



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$3,169,977	\$2,905,945
Adjustments for:		
Dividend income	(3,600,000)	(4,100,000)
Unrealized foreign exchange loss (gain)	(12,776)	365,922
Interest expense	369,698	400,030
Interest income	(818)	(46,003)
Unrealized mark-to-market loss	—	61,254
Operating loss before working capital changes	(73,919)	(412,852)
Decrease (increase) in:		
Amounts owed by related parties (Note 9)	(15,930,086)	(8,987,114)
Other current assets	(3,597)	(3,133)
Increase (decrease) in:		
Accrued expenses	(13,708)	(24,016)
Derivative liability	(61,254)	(9,480)
Net cash used in operations	(16,082,564)	(449,481)
Dividends received	4,750,000	2,950,000
Interest received	818	46,003
Net cash flows used in operating activities	(11,331,746)	(6,416,576)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of (addition in) investment in financial asset at FVPL	4,220,621	(4,220,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in amounts owed to related parties (Note 7)	10,226,956	9,490,014
Increase (decrease) in long-term debt (Note 8)	9,035,024	(213,170)
Payments of cash dividends:	(1,800,000)	(2,361,934)
Interest paid (Note 8)	(369,968)	(400,030)
Net cash flows from financing activities	17,092,282	6,514,880
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>9,980,887</b>	<b>(4,122,317)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>12,776</b>	<b>(365,922)</b>
<b>CASH AND AT BEGINNING OF YEAR</b>	<b>41,703</b>	<b>4,553,958</b>
<b>CASH AT END OF YEAR (Note 4)</b>	<b>\$10,035,366</b>	<b>\$41,703</b>

*See accompanying Notes to Parent Company Financial Statements.*



# **CIRTEK HOLDINGS PHILIPPINES CORPORATION**

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## **NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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### **1. Corporate Information**

Cirtek Holdings Philippines Corporation (CHPC or the Parent Company) was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities.

On March 1, 2011, the Parent Company acquired from Cirtek Holdings, Inc. (“CHI”) 155,511,952 common shares of Cirtek Electronics Corporation (“CEC”), and 50,000 shares of Cirtek Electronics International Corporation (“CEIC”), representing 100% of the outstanding capital stock of both companies.

The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method.

On November 18, 2011, CHPC completed its initial public offering of 42,163,000 common shares with the Philippine Stock Exchange (PSE).

The Parent Company’s registered address is 116 East Main Avenue Phase V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines.

The Company has no employees as of December 31, 2014 and 2013. The accounting and administrative function of the Company are handled by CEC.

On July 23, 2014, CEIC entered into a Share Purchase Agreement (SPA) with Remec Broadband Wireless Holdings, Inc (RBWHI; the Seller) and Remec Broadband Wireless International, Inc. (the Branch) wherein RBWHI agreed to sell all of its issued and outstanding ordinary share (5,000 ordinary shares at US\$ 1.00 each at par value) to CEIC.

The closing date of the transactions is effective July 30, 2014.

The financial statements of the Parent Company as at and for the year ended December 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

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### **2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

#### Basis of Preparation

The accompanying Parent Company financial statements are prepared on a historical cost basis except for derivative instrument which is carried at fair value. The Parent Company financial statements are presented in United States (US) dollar, which is the Parent Company’s functional currency. All amounts are rounded off to the nearest US dollar (\$) except when otherwise indicated.





The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at the Parent Company's registered office address.

#### Statement of Compliance

The Parent Company's financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

#### Changes in Accounting Policies and Disclosures

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014. However, they do not impact the annual financial statements of the Company.

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

#### *New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2014*

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations of IFRIC interpretations and improved PFRS which the Company has adopted starting January 1, 2014. Unless otherwise indicated, the adoption did not have any significant impact to the financial statements of the Parent Company.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*  
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Parent Company since it would not qualify as an investment entity under PFRS 10.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)  
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)  
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted,



provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)  
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Parent Company does not have derivatives during the current period. However, these amendments would be considered for future novations.
- Philippine Interpretation IFRIC 21, *Levies*  
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Parent Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

#### Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, Fair Value Measurement. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company's financial statements.

#### Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Parent Company's financial statements as it is not a first time PFRS adopter.

#### New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014

The Parent Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new standards and interpretations to have any significant impact on the Company's financial statements.

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)  
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of



principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss.

Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

#### *Effective in 2015*

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



Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

- **PFRS 2, *Share-based Payment – Definition of Vesting Condition***  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- **PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination***  
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if adopted early). The Parent Company shall consider this amendment for future business combinations.
- **PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets***  
The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- **PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization***  
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- **PAS 24, *Related Party Disclosures – Key Management Personnel***  
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.



Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:

- *PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements*  
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- *PFRS 13, Fair Value Measurement – Portfolio Exception*  
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
- *PAS 40, Investment Property*  
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

*Effective in 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 use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its non-current assets.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendments)*  
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or



after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company as the Parent Company 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 will not have any impact on the Parent company financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that



rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Parent Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Parent Company. They include:

- *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).



*Effective in 2018*

- PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)  
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Company's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)  
In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Parent company's financial statements.

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

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





## Summary of Significant Accounting Policies

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Cash

Cash includes cash on hand and in banks.



## Financial Instruments

### *Financial assets*

#### *Initial recognition*

Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

The Parent Company's financial assets include cash and cash equivalent, financial asset at FVPL and amounts owed by related parties.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the parent company balance sheet at fair value with gains or losses recognized in the parent company statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the parent company statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Parent Company carries financial asset at FVPL as of December 31, 2013 while nil as of December 31, 2014.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate (EIR) method. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in the parent company statement of comprehensive income. Assets in this category are included in the current assets except for maturities greater than twelve months after the end of the reporting period, which are classified as noncurrent assets.



The Parent Company's financial assets include cash and amounts owed by related parties.

*HTM investments*

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company's management has the positive intention and ability to hold to maturity. When HTM investments, other than insignificant amounts are sold, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the parent company statement of comprehensive income. The losses arising from impairment are recognized in the parent company statement of comprehensive income as interest income.

The Parent Company does not have any HTM investments as of December 31, 2013 and 2012.

*AFS investments*

AFS investments are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held independently and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the parent company statement of comprehensive income; or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the parent company statement of comprehensive income.

As of December 31, 2013 and 2012, the Parent Company has no AFS investments.

*Financial liabilities*

*Initial recognition*

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Parent Company's financial liabilities include accrued expenses, long term debt, amounts owed to related parties, dividends payable, and derivative liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Parent Company that do not meet the hedge accounting criteria as defined by PAS 39.



Gains or losses on liabilities held for trading are recognized in the parent company statement of comprehensive income.

As of December 31, 2014, the Parent Company has no derivative liability.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate.

This accounting policy applies to the Parent Company's trade and other payables and amounts owed to related parties that meet the above definitions.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross amount in the parent company balance sheet.

#### Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial markets at the close of business on the balance sheet date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances at the time of the transaction.

For all other financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.



#### 'Day 1' Difference

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

#### Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Impairment of Financial Assets

The Parent Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

The Parent Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset



is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition date).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Financial assets carried at amortized cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Parent Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Derecognition of Financial Instruments

##### *Financial assets*

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

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.



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

#### *Financial liabilities*

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

#### Investments in Subsidiaries

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

Investments in subsidiaries are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

#### Impairment of Investment in Subsidiaries

The Parent Company determines whether it is necessary to recognize any impairment loss with respect to the Parent Company's investment in subsidiaries. The Parent Company determines at each financial reporting date whether there is any objective evidence that these investments are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the fair value of the subsidiary and its respective acquisition costs and recognizes the impairment in the parent company statement of income.

#### Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital.

#### Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Parent Company and reduced by dividends on capital stock.

#### *Cash dividends*

Cash dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.



#### *Stock dividends*

Stock dividends are recognized when they are approved by the shareholders representing not less than two-thirds (2/3) of the outstanding capital stock of the Company. A stock dividend of at least 20% of the outstanding capital stock is considered as large stock dividend and is measured at par value. A stock dividend of less than 20% is considered small stock dividend and is measured at fair value.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, sales taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Dividend income*

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

#### *Interest income*

Interest income is recognized as it accrues (using the effective interest rate method, i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### Costs and Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized when incurred.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangements is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

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





*Parent Company as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Parent Company statements of comprehensive income on a straight-line basis over the lease term.

Foreign Currency Transactions

The Parent Company financial statements are presented in US dollars, which is the functional and presentation currency of all companies in the Parent Company. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to the statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Taxes

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

*Deferred income tax*

Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.



The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the parent company statement of comprehensive income.

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

#### Provisions and Contingencies

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the Parent Company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

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### **3. Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Parent Company's financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.



However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgment, apart from those involving estimations, which had the most significant effect on the amounts recognized in the parent company financial statements:

##### *Determining functional currency*

Based on the economic substance of underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the US dollar. The US dollar is the currency of the primary economic environment in which the Parent Company operates and it is the currency that mainly influences operating activities of the Parent Company.

##### *Operating lease commitments - Company as lessee*

The Parent Company has entered into leases of office spaces. The Parent Company has determined that all significant risks and rewards of ownership of these spaces remain with the lessor.

#### Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Assessing impairment of investments in subsidiaries*

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the investments may not be recoverable. As of December 31, 2014 and 2013, management has assessed that the carrying amount of the Parent Company's investments in subsidiaries are fully recoverable.

The carrying amount of the investments amounted to \$5,981,499 as of December 31, 2014 and 2013.

##### *Estimating fair value of financial assets*

The Parent Company carries certain financial assets at fair value, which requires use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates). However, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets would affect the parent company statement of comprehensive income.

Fair values of the Parent Company's financial instruments are disclosed in Note 14.

##### *Legal contingencies*

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Parent Company's defense in these matters and is based upon analysis of potential claims.



Management, in consultation with these counsels, believes that the likely outcome of these legal proceedings will not have a material adverse effect on the Parent Company's financial position and operating results. However, it is possible that the future results of operations could be materially affected on changes in estimates or in the effectiveness of the strategies relating to these litigations and claims. No provision for probable losses arising from legal contingencies was recognized in 2014 and 2013.

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#### 4. Cash

The Parent Company has cash in banks amounting to \$10,035,366 and \$41,703 as at December 31, 2014 and 2013, respectively. Cash in banks earn interest at floating rates based on daily bank deposit rates.

Interest income earned from cash amounted to \$818 in 2014 and \$46,003 in 2013.

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#### 5. Investments in Subsidiaries

The Parent Company's subsidiaries and the corresponding percentage equity ownership are as follows:

Subsidiaries	Country of Incorporation	Percentage of Ownership	Number of Shares
CEC	Philippines	100	155,511,952
CEIC	BVI	100	50,000

The details of the Parent Company's investments in subsidiaries as of December 31 follows:

	2014	2013
CEC	<b>\$2,990,749</b>	\$2,990,749
CEIC	<b>2,990,750</b>	2,990,750
	<b>\$5,981,499</b>	\$5,981,499

CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices. CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.



## 6. Financial Asset at Fair Value Through Profit or Loss

This account primarily consists of investment in Unit Investment Trust Fund, which is designated as financial asset at fair value through profit or loss on initial recognition, acquired by the Parent Company in 2013. The reconciliation of carrying amount of financial asset at FVPL as of December 31, 2014 and 2013 is as follows:

	2014	2013
Beginning balance	\$4,220,621	\$-
Acquisition during the year	-	\$4,199,002
Fair value gains	119,673	21,619
Disposal	(4,340,294)	-
Balance at end of the year	\$-	\$4,220,621

Fair value measurements have been determined directly by reference to published prices quoted in the active market.

## 7. Accrued Expenses

	2014	2013
Accrued interest	\$67,375	\$70,200
Others	13,300	24,183
	<b>\$80,675</b>	<b>\$94,383</b>

## 8. Long-term Debt

	2014	2013
5-year corporate note-secured	\$8,750,000	\$9,750,000
Availments during the year	10,000,000	-
Less deferred financing costs	65,320	100,344
	<b>18,684,680</b>	<b>9,649,656</b>
Less current portion - net of deferred financing costs	967,861	964,977
	<b>\$17,716,819</b>	<b>\$8,684,679</b>

On July 25, 2012, the Parent Company entered into a \$10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility Agreement provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (issue date), the Parent Company drew \$10.0 million from the facility. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the Notes Facility Agreement, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue date. The remaining 70% of the loan outstanding on issue date in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on Issue Date commencing on the 17th quarter from the issue date until the maturity date.



Prior to the maturity date, the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment.

On July 25, 2012, CEC and CEIC signed their respective Suretyship Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). Under this agreement, the Surety, solidarily with the Company, binds itself to the Finance Parties, to perform and pay any and all obligations under the Notes Facility Agreement.

In accordance with the Notes Facility Agreement, the following ratios based on consolidated financial statements of the Group are required to be maintained:

- debt to equity ratio shall not at any time exceed 2:1
- debt service coverage ratio shall not exceed 1.5
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The movement of deferred financing cost is as follows:

	2014	2013
Unamortized deferred financing cost at issue date	<b>\$100,344</b>	\$137,174
Amortization of deferred financing cost	<b>35,023</b>	36,830
Unamortized deferred financing cost at year end	<b>\$65,320</b>	\$100,344

On December 18, 2014, the Parent Company entered into a \$10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the Notes Facility Agreement, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue date. The remaining 70% of the loan outstanding on issue date in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on Issue Date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an Interest Payment Date, and that the last installment shall be in an amount sufficient to fully pay the Loan.

Prior to the maturity date, the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate.

Under this agreement, the Company has to maintain the following financial ratios:

- debt to equity ratio shall not at any time exceed 2:1
- debt service coverage ratio shall not exceed 1.5



- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The Parent Company is in compliance with the debt covenants as of December 31, 2014 and 2013.

Total interest expense charged to the Parent Company statements of comprehensive income amounted to \$369,698 in 2014 and \$ 400,030 in 2013.

## 9. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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. Related parties may be individuals or corporate entities.

The Parent Company entered into transactions with related parties, principally consisting of the following:

- Working capital advances to subsidiaries
- Rental of office space from CEC
- Payments and reimbursements of expenses made and in behalf of the subsidiaries
- Guaranty

The parent company balance sheets and statement of comprehensive income include the following significant account balances resulting from the above transactions with the related parties:

### a. Amounts owed by related parties

	Nature of the transaction	Amount	Outstanding Balances		Terms	Conditions	
		2014	2013	2014			2013
<i>Subsidiaries</i>							
CEC	Working capital advances	\$6,930,356	\$8,987,115	\$28,372,476	\$21,442,120	Due and demandable; non-interest bearing	Unsecured, no impairment
CEIC	Working capital advances	9,000,000	–	9,000,000	–	Due and demandable; non-interest bearing	Unsecured, no impairment
<i>Other related party</i>							
CHI	Result of assignments and settlement in 2011	–	–	1,809,256	1,809,256	Due and demandable; non-interest bearing	Unsecured, no impairment
		\$15,930,356	\$8,987,115	\$39,181,732	\$23,251,376		

### b. Amounts owed to related parties

	Nature of the transaction	Amount	Outstanding Balances		Terms	Conditions	
		2014	2013	2014			2013
<i>Subsidiaries</i>							
CEC	Rental of office space	\$215	\$207	\$714	\$499	Due and demandable; non- interest bearing	Unsecured
	Payments and reimbursement of expenses made in behalf of CHPC	10,226,741	9,489,809	21,402,944	11,176,203	Due and demandable; non-interest bearing	Unsecured
	Result of assignments and settlement in 2011; payment	—	—	2,339,865	2,339,865	Due and demandable; non-interest bearing	Unsecured
CEIC							
		\$10,226,956	\$9,490,016	\$23,743,523.00	\$13,516,567		



The amount owed by CHI as of December 31, 2014 and 2013 pertains to the remaining balance of receivable as a result of the assignments and set-off agreements undertaken by the Group as part of corporate restructuring in relation to the IPO of the Parent Company.

#### 10. General and Administrative Expenses

	2014	2013
Professional fees	\$40,288	\$103,464
Advertising	28,997	29,229
Taxes and licenses	19,955	29,337
Office supplies	1,913	440
Rent	215	217
Others	2,876	4,978
	<b>\$94,244</b>	<b>\$167,665</b>

#### 11. Income Taxes

There was no provision for current income tax during the period because of the Parent Company's taxable loss position.

Based on the National Internal Revenue Code Sec. 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year after the commencement of business operations when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT effective 2015.

A reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax shown in the parent company statements of comprehensive income follows:

	2014	2013
Income tax at statutory rate	\$950,993	\$871,784
Additions to (reduction in) income tax:		
Dividend income	(1,080,000)	(1,230,000)
Change in unrecognized deferred income tax assets	129,253	368,228
Interest income subject to final tax	(283)	(17,251)
Nondeductible expense	37	7,239
	<b>\$-</b>	<b>\$-</b>

The Parent Company has temporary difference pertaining to unrealized market loss and NOLCO amounting to \$1,982,484 and \$1,091,464 in 2014 and 2013, respectively. The deferred income tax asset was not recognized in the parent company balance sheet since management expects that it will not generate sufficient taxable income in the future that will be available to allow all or part of the deferred income tax assets to be utilized.





The components of the unrecognized deferred income tax assets are as follows:

	2014	2013
NOLCO	<b>\$594,745</b>	\$309,063
Unrealized mark-to-market loss	–	18,376
	<b>\$594,745</b>	<b>\$327,439</b>

As of December 31, 2014 and 2013, NOLCO that can be claimed as deduction from future taxable income follows:

Period of recognition	Availment Period	Amount	Applied	Expired	Balance
2012	2013-2015	\$248,001	\$–	\$–	\$248,001
2013	2014-2016	782,210	–	–	782,210
2014	2015-2018	952,273	–	–	952,273
		<b>\$1,982,484</b>	<b>\$–</b>	<b>\$–</b>	<b>\$1,982,484</b>

## 12. Equity

### a. Capital Stock

The roll-forward of the capital stock of the Parent Company follows:

	2014	2013
Authorized - common shares (1 par value)	<b>400,000,000</b>	400,000,000
Issued		
Beginning	<b>280,217,656</b>	194,595,600
Stock dividend-issued and distributed (see Note 12b)	<b>28,021,265</b>	85,622,056
Ending	<b>308,238,921</b>	280,217,654
Issued - shares	<b>\$7,203,869</b>	\$6,559,066
Undistributed shares	<b>689,265</b>	–
	<b>\$7,893,134</b>	<b>\$6,559,066</b>

On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million (\$6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to ₱47.3 million (\$1.1 million), which is charged against “Additional paid-in capital” in the parent company balance sheet.

As of December 31, 2014 and 2013, the Parent Company has a total 18 number of stockholders, respectively.

### b. Retained Earnings

On January 16, 2013, the BOD of the Parent Company declared cash dividends amounting to \$1,119,936.57 or \$0.004796 per share to stockholders of record as of January 31, 2013 payable on February 15, 2013.



In addition to the cash dividends, the BOD also declared a twenty percent (20%) stock dividend. During a stockholders' meeting held on March 1, 2013, the stockholders approved the 20% stock dividend payable to stockholders of record as of March 15, 2013 and payment date of April 5, 2013.

Also in a meeting held on July 15, 2013, the BOD approved the declaration of another cash dividends of \$0.00232 per share, payable on August 12, 2013 to stockholders of record as of July 29, 2013.

On January 29, 2014, the BOD of the Parent Company declared cash dividend of \$1,200,000 or \$0.00428 per share to stockholders of record as of February 13, 2014. Also, on May 30, 2014, the BOD of the Parent Company declared cash dividends amounting to \$600,000 or \$0.00214 per share to stockholders of record as of June 16, 2014.

In addition to the cash dividends, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting dated July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014 and payment date of August 20, 2014.

The Board of Directors of Cirtex Holdings Philippines Corporation (the "Corporation") in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US\$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at BSP exchange rate one day before payment date. The total dividend payment will amount to US Dollar One Million Two Hundred Thousand (US\$ 1,200,000) based on the total 308,239,416 outstanding shares of stock of the Corporation.

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### 13. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash in banks. The main purpose of these financial instruments is to support the Parent Company's operation. The Company has various other financial instruments such as trade and other amounts owed by related parties, accrued expenses, amounts owed to related parties, and long-term debt which generally arise directly from its operations.

#### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Parent Company.

The main risks arising from the financial instruments of the Parent Company are credit risk, liquidity risk and foreign currency risk. The Parent Company's management reviews and approves policies for managing each of these risks and they are summarized below.

#### *Credit risk*

Credit risk is the risk that the Parent Company will incur a loss because its counterparties failed to discharge their contractual obligations.

The Parent Company trades only with recognized, creditworthy third parties. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.



The table below shows the maximum exposure to credit risk of the Parent Company's financial assets. The maximum exposure is shown net of impairment losses, if any:

	2014	2013
Cash	\$10,035,366	\$41,703
Financial asset at FVPL	—	4,220,621
Amounts owed by related parties	38,531,732	23,251,376
Total credit risk exposure	\$48,567,098	\$27,513,700

The aging analyses per class of financial assets follow:

**December 31, 2014**

	Neither past due nor impaired	Past due but not impaired				Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash	\$10,035,366	\$—	\$—	\$—	\$—	\$10,035,366
Financial asset at FVPL	—	—	—	—	—	—
Amounts owed by related parties	38,531,732	—	—	—	—	38,531,732
	\$48,567,098	\$—	\$—	\$—	\$—	\$48,567,098

**December 31, 2013**

	Neither past due nor impaired	Past due but not impaired				Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash	\$41,703	\$—	\$—	\$—	\$—	\$41,703
Financial asset at FVPL	4,220,621	—	—	—	—	4,220,621
Amounts owed by related parties	23,251,376	—	—	—	—	23,251,376
	\$27,513,700	\$—	\$—	\$—	\$—	\$27,513,700

The table below summarizes the credit quality per class of the Parent Company's financial assets that are neither past due nor impaired:

**December 31, 2014**

	Neither past due nor impaired			Total
	High grade	Medium grade	Low grade	
Cash	\$10,035,366	\$—	\$—	\$10,035,366
Financial asset at FVPL	—	—	—	—
Amounts owed by related parties	38,531,732	—	—	38,531,732
	\$48,567,098	\$—	\$—	\$48,567,098

**December 31, 2013**

	Neither past due nor impaired			Total
	High grade	Medium grade	Low grade	
Cash	\$41,703	\$—	\$—	\$41,703
Financial asset at FVPL	4,220,621	—	—	4,220,621
Amounts owed by related parties	23,251,376	—	—	23,251,376
	\$27,513,700	\$—	\$—	\$27,513,700

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).



Medium grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade - These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

*Liquidity risk*

Liquidity risk is the risk that the Parent Company may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Parent Company maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The table below summarizes the maturity analysis of the Parent Company's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

**December 31, 2014**

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
<b>Financial assets</b>					
Cash	\$10,035,366	\$-	\$-	\$-	\$10,035,366
Amounts owed by related parties	38,531,732	-	-	-	38,531,732
	<b>\$48,567,098</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$48,567,098</b>
<b>Financial liabilities</b>					
Amounts owed to related parties	\$23,743,523	\$-	\$-	\$-	\$23,743,523
Accrued expenses *	80,532	-	-	-	80,532
Long-term debt **	-	1,297,675	18,064,450	-	19,344,125
Derivative liability	-	-	-	-	-
	<b>\$23,824,055</b>	<b>\$1,297,675</b>	<b>\$18,064,450</b>	<b>-</b>	<b>\$43,168,180</b>

\*Excluding statutory liabilities

\*\*Includes future interest payments

**December 31, 2013**

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
<b>Financial assets</b>					
Cash	\$41,703	\$-	\$-	\$-	\$41,703
Financial asset at FVPL	4,220,621	-	-	-	4,220,621
Amounts owed by related parties	23,251,376	-	-	-	23,251,376
	<b>\$31,734,321</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$31,734,321</b>
<b>Financial liabilities</b>					
Amounts owed to related parties	\$13,516,567	\$-	\$-	\$-	\$13,516,567
Accrued expenses *	94,280	-	-	-	94,280
Long-term debt **	-	1,334,675	4,045,825	5,298,300	9,649,656
Derivative liability	-	9,480	-	-	9,480
	<b>\$13,610,847</b>	<b>\$1,344,155</b>	<b>\$4,045,825</b>	<b>\$5,298,300</b>	<b>\$24,299,127</b>

\*Excluding statutory liabilities

\*\*Includes future interest payments



*Foreign currency risk*

The Parent Company uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements, primarily in Philippine Peso currency. The Parent Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Parent Company's income before income tax as of December 31:

	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
<b>2014</b>				
Peso denominated assets	+5%	(\$242,308)	-5%	(\$242,308)
Peso denominated liabilities	+5%	62,838	-5%	62,838
		(\$179,470)		\$179,470
	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
<b>2013</b>				
Peso denominated assets	+5%	(\$621,825)	-5%	\$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		(\$537,491)		\$537,491

The change in currency rate is based on the Parent Company's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Parent Company's equity other than those already affecting income before tax.

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure, which pertains to its equity as shown in the balance sheet and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As of December 31, 2014, the Parent Company is subject to externally imposed capital requirements (see Note 8).



#### 14. Fair Value of Financial Instruments

The following table sets out the comparison by category of carrying amounts and fair values of all the Parent Company's financial instruments:

##### December 31, 2014

	Carrying Amount	Fair Value
<i>Financial assets</i>		
Cash	\$10,035,366	\$10,035,366
Amounts owed by related parties	39,181,732	39,181,732
	<b>\$49,217,098</b>	<b>\$49,217,098</b>
<i>Financial liabilities</i>		
<b>Other financial liabilities</b>		
Amounts owed to related parties	\$23,743,523	\$23,743,523
Long-term debt	18,684,680	18,684,680
	<b>\$42,428,203</b>	<b>\$42,428,203</b>

##### December 31, 2013

	Carrying Amount	Fair Value
<i>Financial assets</i>		
Cash and cash equivalents	\$41,703	\$41,703
Financial asset at FVPL	4,220,621	4,220,621
Amounts owed by related parties	23,251,376	23,251,376
	<b>\$27,513,700</b>	<b>\$27,513,700</b>
<i>Financial liabilities</i>		
<b>Other financial liabilities</b>		
Amounts owed to related parties	\$13,516,567	\$13,516,567
Long-term debt	9,649,655	9,712,634
Financial Liability at FVPL		
Derivative liability	61,254	61,254
	<b>\$23,227,476</b>	<b>\$23,290,455</b>

##### Fair Values of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices.

##### *Cash in banks*

The carrying amounts approximate fair value since these are mostly short-term in nature.



*Amounts owed to related parties and dividends payable*

The carrying amounts approximate the fair value since these are due and demandable.

*Long-term debt*

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 3.63% to 4.00% in 2014 and 2013.

*Derivative liability*

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Company enters into deliverable short-term forward contracts with counterparty bank to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

Freestanding derivatives

As of December 31, 2013, the Parent Company has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount \$750,000, and remaining maturities of less than 2 months. The forward rate related to the forward contracts is ₱40.71 per US\$1 as at December 31, 2013. The Parent Company recognized derivative liability relating to these contracts amounting to \$61,254 as of December 31, 2013.

As of December 31, 2014, the Parent Company has no derivative liability.

The loss from the net fair value changes relating to the forward contracts amounting to \$61,254 in 2013 are included under “Mark-to-market loss” in the parent company statements of comprehensive income.

Fair Value Hierarchy

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Only the financial asset at FVPL and derivative instruments, which are classified under level 2 are measured and carried at fair value. There were no transfers made in the fair value measurements in 2014 and 2013.

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## 15. Events After the Reporting Period

The Board of Directors of Cirtek Holdings Philippines Corporation (the “Corporation”) in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US\$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at BSP exchange rate one day before payment date. The total dividend payment will amount to US Dollar One Million Two Hundred Thousand (US\$ 1,200,000) based on the total 308,239,416 outstanding shares of stock of the Corporation.



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**16. Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulation No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes in 2014:

Other Taxes and Licenses

Taxes and licenses, local and national, include licenses and permit fees for 2014:

Documentary stamp taxes	₱140,109
License and permit fees	746,582
	<u>₱8,86,691</u>

Withholding Taxes

Expanded withholding taxes	<u>₱355,601</u>
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