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BOA License No. 0416
SEC Accreditation No. PA-B-120-F
BIR Accreditation No. 08-0029061-1-2013

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
NPC ALLIANCE CORPORATION
44th Floor PBCom Tower
Ayala Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of **NPC ALLIANCE CORPORATION**, which comprise the statements of financial position as at December 31, 2014 and 2013, and the 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 financial statements in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **NPC ALLIANCE CORPORATION** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended, in accordance with the Philippine Financial Reporting Standards.

Emphasis of a Matter

We draw attention to Note 1 to the financial statements which indicate that the Company has sustained continuing losses from operations resulting in accumulated deficit of P9.73 billion and P9.12 billion as at December 31, 2014 and 2013, respectively, and as at that dates, the Company's total liabilities exceeded its total assets by P4.17 billion and P3.56 billion, respectively. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern. To enable the Company to continue as a going concern, the Company's related parties have committed to provide financial support and assistance as required to enable the Company to meet its working capital requirements and to settle its corporate obligations as they fall due and not to demand payment until such time that the Company is in good financial condition. The accompanying financial statements do not include any adjustment that might result from the outcome of these uncertainties.

We have performed the applicable audit procedures under the circumstances on these plans of action. We believe that these concrete management strategies are highly feasible with all likelihood to improve the Company's future business outlook.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011

Our audits were 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 and 19-2011 is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **NPC ALLIANCE CORPORATION.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MA. TERESITA ZUNIGA-DIMACULANGAN
Partner
CPA Certificate No. 0036077
SEC Accreditation No. PA-B-705-A (Group B) (April 1, 2015 to August 1, 2015)
BOA Registration No. 0416 (January 01, 2013 to December 31, 2015)
BIR Accreditation No. 08-002906-1-2013 (September 20, 2013 to September 19, 2016)
Tax Identification No. 133-451-815
PTR No. MKT 4787338
February 4, 2015

April 13, 2015
Makati City
Philippines

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NPC ALLIANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Peso)

ASSETS	Notes	December 31 2014	2013
CURRENT ASSETS			
Cash	*6*	247,717,351	259,880,172
Trade and other receivables	*7*	44,193,059	676,360,408
Inventories	*8*	938,148,044	605,827,064
Prepayments and other current assets (net)	*9*	577,734,960	708,102,587
		1,807,793,414	2,250,170,231
NONCURRENT ASSETS			
Property, plant and equipment (net)	*10*	2,908,377,484	3,240,175,609
Intangible assets (net)	*11*	173,046,237	220,968,237
Other assets	*9*	55,844,574	55,844,574
		3,137,268,295	3,516,988,420
TOTAL ASSETS		4,945,061,709	5,767,158,651
LIABILITIES, NET OF CAPITAL DEFICIENCY			
CURRENT LIABILITIES			
Trade and other payables	*12*	8,500,662,865	8,662,419,984
Due to a related party	*21*	660,652,849	660,652,849
		9,161,315,714	9,323,072,833
NONCURRENT LIABILITY			
Retirement benefits obligation	*13*	4,692,365	4,139,609
TOTAL LIABILITIES		9,166,008,079	9,327,212,442
CAPITAL DEFICIENCY			
Capital stock	*15*	4,772,500,000	4,772,500,000
Deposits for future stock subscription	*14*	791,000,000	791,000,000
Deficit	*1*	(9,784,446,370)	(9,123,553,791)
		(4,220,946,370)	(3,560,053,791)
TOTAL LIABILITIES, NET OF CAPITAL DEFICIENCY		4,945,061,709	5,767,158,651

See accompanying Notes to Financial Statements

NPC ALLIANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Peso)

	Notes	Years Ended December 31 2014	2013
SALES	2	1,041,332,495	2,779,938,983
COST OF SALES	16	1,557,448,678	3,167,180,853
GROSS LOSS		(516,116,183)	(387,241,870)
OTHER INCOME	17	77,195,380	83,665,050
SELLING AND DISTRIBUTION EXPENSES	18	(6,379,484)	(23,597,924)
GENERAL AND ADMINISTRATIVE EXPENSES	19	(215,592,292)	(177,741,142)
LOSS BEFORE INCOME TAX		(660,892,579)	(504,915,886)
PROVISION FOR INCOME TAX	23	-	-
NET LOSS FOR THE YEAR		(660,892,579)	(504,915,886)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS		(660,892,579)	(504,915,886)

See accompanying Notes to Financial Statements.

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NPC ALLIANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Amounts in Philippine Peso)

	Capital Stock *(Note 15)*	Deposit for Future Stock Subscription *(Note 14)*	Deficit *(Note 1)*	Capital Deficiency
As at January 1, 2013	4,772,500,000	791,000,000	(8,618,637,905)	(3,055,137,905)
Net loss for the year	-	-	(504,915,886)	(504,915,886)
As at December 31, 2013	4,772,500,000	791,000,000	(9,123,553,791)	(3,560,053,791)
Net loss for the year	-	-	(660,892,579)	(660,892,579)
Balance at December 31, 2014	**4,772,500,000**	**791,000,000**	**(9,784,446,370)**	**(4,220,946,370)**

See accompanying Notes to Financial Statements.

NPC ALLIANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Amounts in Philippine Peso)

	Notes	Years Ended December 31 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(660,892,579)	(504,915,886)
Adjustments to reconcile loss before income tax to net cash provided by operating activities:			
Depreciation	*10,16,19*	351,126,751	357,800,774
Amortization of intangible assets	*11,19*	47,922,000	47,922,000
Retirement benefits	*13*	552,756	552,756
Interest income	*17*	(614,404)	(128,923)
Operating loss before working capital changes		(261,905,476)	(98,769,279)
Changes in working capital components			
Decrease (increase) in:			
Trade and other receivables	*7*	632,167,349	(343,242,958)
Inventories	*8*	(332,320,980)	429,795,335
Prepayments and other current assets	*9*	130,367,627	(93,612,727)
Increase (decrease) in trade and other payables	*12*	(161,757,119)	348,297,594
Net cash generated from operations		6,551,401	242,467,965
Interest received	*10*	614,404	128,923
Net cash provided by operating activities		7,165,805	242,596,888
CASH FLOWS FROM INVESTING ACTIVITY			
Additions to property, plant and equipment	*10*	(19,328,626)	(1,558,987)
NET INCREASE (DECREASE) IN CASH		(12,162,821)	241,037,901
CASH AT BEGINNING OF YEAR		259,880,172	18,842,271
CASH AT END OF YEAR		247,717,351	259,880,172

See accompanying Notes to Financial Statements.

NPC Alliance Corporation

Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

NPC ALLIANCE CORPORATION (the "Company") was incorporated on August 8, 2005 in the Republic of the Philippines per Securities and Exchange Commission (SEC) registration No. CS200513521 and started its commercial operations on August 1, 2007. Its purpose is to engage in the general business of the petrochemical industry, mainly in the manufacture of polyethylene resins.

The registered office address of the Company is at 44th Floor, PBCom Tower, Ayala Avenue, Makati City.

As discussed in Note 23, the Company is a BOI registered enterprise (as a producer of Polyethylene Resins) pursuant to the Omnibus Investment Code, entitled to enjoy and avail certain tax holidays incentives and benefits from 2006 to 2012. On July 24, 2012, the BOI approved the application of the Company for the extension for one (1) year of the Company's income tax holiday (ITH) incentive. The approve bonus year under the Company's Certificate of Registration No. DP94-572 is for the period July 1, 2012 to June 30, 2013. As at December 31, 2014, the Company did not file for an extension of its income tax holiday.

Status of Operations

The Company has sustained continuing losses from operations resulting in accumulated deficit of P9.78 billion and P9.12 billion as at December 31, 2014 and 2013, respectively, and as at that dates, the Company's total liabilities exceeded its total assets by P4.22 billion and P3.56 billion, respectively.

To enable the Company to continue as a going concern, the Company's related parties have committed to provide financial support and assistance as required to enable the Company to meet its working capital requirements and to settle its corporate obligations as they fall due and not to demand payment until such time that the Company is in good financial condition.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Adoption

The Company is qualified to adopt the Philippine Financial Reporting Standard for SMEs (PFRS for SMEs) under the SEC criteria but opted to adopt the full PFRS on the ground that it is a subsidiary of a foreign parent Company towards International Financial Reporting Standards ("IFRS") pursuant to the foreign country's published convergence plan.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at amortized costs and the defined benefit obligation recognized as the present value of defined benefit obligation. The measurement bases are more fully described in the accounting policies that follow.

Functional Currency and Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statement is presented in Philippine peso (P), which is the Company's functional and presentation currency. All values are rounded off to the nearest peso, unless otherwise indicated.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statements of comprehensive income.

Foreign exchange gains and losses that relate to cash in banks are presented in the statements of comprehensive income.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD

Adoption of New and Amended Accounting Standards and Interpretations

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective on January 1, 2014:

Amendments to PAS 32, *Financial Instruments: Presentation*

The amendments provide clarifications on the application of the offsetting rules of financial assets and financial liabilities.

The amendments did not have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2014

The Company will adopt the following PFRS when these become effective:

Annual Improvements to PFRSs 2010-2012 Cycle

The annual improvements address the following issues:

Amendment to PFRS 2, *Share-based Payment*

The amendment provides new definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PFRS 3, *Business Combinations*

This amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PFRS 8, *Operating Segments*

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. These also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PFRS 13, *Fair Value Measurement*

This amendment states that issuing PFRS 13 and amending PFRS 9 and PAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

Adoption of this amendment will have no material impact on the Company's financial statements.

Amendment to PAS 16, *Property, Plant and Equipment*

The amendment requires that when an item of property, plant and equipment is revalued the gross carrying amount be adjusted in a manner that is consistent with the revaluation of the carrying amount.

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PAS 24, *Related Party Disclosures*

The amendment states an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Adoption of this amendment will have no material impact on the Company's financial statements.

Amendment to PAS 38, *Intangible Assets*

The amendment requires that when an intangible asset is revalued the gross carrying amount be adjusted in a manner that is consistent with the revaluation of the carrying amount.

Adoption of this amendment will have no impact on the Company's financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

Annual Improvements to PFRSs 2011-2013 Cycle

The annual improvements address the following issues:

Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*

The amendment states that an entity, in its first PFRS financial statements, has the choice between applying an existing and currently effective PFRS or applying early a new or revised PFRS that is not yet mandatorily effective, provided that the new or revised PFRS permits early application. An entity is required to apply the same version of the PFRS throughout the periods covered by those first PFRS financial statements.

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PFRS 3, *Business Combinations*

The amendment clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PFRS 13, *Fair Value Measurement*

The amendment stresses that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation.*

Adoption of this amendment will have no impact on the Company's financial statements.

Amendment to PAS 40, *Investment Property*

The amendment clarifies that in determining whether a specific transaction meets the definition of both a business combination as defined in PFRS 3, *Business Combinations* and investment property as defined in PAS 40, *Investment Property* requires the separate application of both standards independently of each other.

Adoption of this amendment will have no impact on the Company's financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

Amendments to PAS 19, *Employee Benefits*

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.

The amendments are applicable to annual periods beginning on or after 1 July 2014.

The amendments will not have impact on the Company's financial statements as the Company already allocates contributions from employees or third parties that are linked to service over the periods of service.

Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business such that the acquirer is required to apply all of the principles on business combinations in PFRS 3 and other PFRSs with the exception of those principles that conflict with the guidance in PFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognize deferred taxes;
- recognize any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated; and
- disclose information required relevant for business combinations.

The amendments apply to the acquisition of an interest in an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted but corresponding disclosures are required. The amendments apply prospectively.

The amendments will not have impact on the financial statements as the Company does not have interests in joint operations.

PFRS 14, *Regulatory Deferral Accounts*

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

The standard is effective for annual reporting periods beginning on or after January 1, 2016. Earlier application is permitted.

The standard will not have an impact on the financial statements since the Company is no longer a first-time adopter of PFRS on its mandatory effective date. Hence, this standard is no longer applicable to the Company.

Amendments to PAS 16, *Properties, Plant and Equipment*

These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the patter of consumption of an asset's expected future economic benefits.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendments will not have impact on the financial statements as the Company's depreciation methods are not based on revenue.

Amendments to PAS 16, *Properties, Plant and Equipment* and Amendments to PAS 41, *Agriculture*

The amendments include bearer plants' within the scope of PAS 16 rather PAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16 and introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce, except for incidental scrap sales. However, the amendments clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendments will not have impact on the financial statements as the Company has no bearer plants.

Amendments to PAS 27, *Separate Financial Statements*

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendments have no impact on the Company's financial statements.

Amendments to PAS 38, *Intangible Assets*

These amendments introduce rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome:

- the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and

- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendments will not have impact on the financial statements as the Company's depreciation methods are not based on revenue.

PFRS 15, *Revenue from Contracts with Customers*

The standard specifies how and when a PFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides single, principles based fuve-step model to be applied to all contracts with customers.

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The management is still evaluating the impact of the new accounting standard on the Company's current revenue recognition.

- PFRS 9, *Financial Instruments*

The standard requires all recognized financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2017, with earlier application permitted.

The adoption of the standard will result in recognition of equity securities recognized as available for sale financial assets to be measured at fair value with fair value changes taken to profit or loss, unless management will take the irrevocable option to take fair value changes to other comprehensive income. Financial instruments designated as fair value hedge and / or cash flow hedge and debt securities will continue to be measured at fair value and amortized cost, respectively, as at end of the reporting period.

The management is still evaluating the impact of PFRS 9 on the financial assets and liabilities as of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash on hand and in banks. They are carried in the statement of financial position at face or at nominal amount. Cash in bank earns interest at the prevailing bank deposit rates.

Financial Instruments

Initial Recognition

The Company recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVTPL) where the transaction costs are charged to expense in the period incurred.

Classification

On initial recognition, the Company classifies its financial assets in the following categories: (a) financial assets at FVTPL, (b) loans and receivables, (c) held-to-maturity (HTM) investments and (d) available-for-sale (AFS) financial assets. The Company also classifies its financial liabilities into (a) financial liabilities at FVPL and (b) other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2014 and 2013, the Company does not have any financial assets and liabilities at FVTPL, AFS financial assets and HTM investments.

Subsequent measurement

AFS financial assets and financial assets and liabilities at FVTPL are subsequently measured at fair value. Loans and receivables and HTM investments are subsequently measured at amortized cost using the effective interest method. Other financial liabilities are measured at amortized cost using the effective interest method.

Determination of Fair Value and Fair Value Hierarchy

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures of financial assets are presented in Note 26 to the notes to financial statements.

"Day 1" Difference

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

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest 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.

Derecognition of Financial Assets and Liabilities

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 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 third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any impairment and are included in the current assets, except for maturities greater than 12 months after the end of the reporting period.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included under "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss under "Other charges" account.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest could be immaterial.

The Company's financial assets classified under this category include cash and cash equivalents, trade and other receivables (See Notes 6 and 7).

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2014 and 2013, included under other financial liabilities are the Company's trade and other payables and due to a related party (see Notes 12 and 21).

Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For all other financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because if financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default in receivables.

Financial 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 of a similar financial asset.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Trade Receivables

Trade receivables, which are based on normal credit terms and do not bear interest, are recognized and carried at original invoice amounts. When credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the weighted average cost method. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Finished Goods – cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs based on normal operating capacity excluding borrowing costs; and

- Raw and scrap materials and factory supplies – purchase cost determined on a weighted average cost basis.

- Work in Process – cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs less estimated cost of completion and the estimated cost necessary to make the sale.

The NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs to complete and the estimated costs necessary to make the sale. NRV of raw and factory supplies are the current replacement cost.

Prepayments and Other Current Assets

Prepayments and other current assets are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid insurance and rentals. Prepaid insurance and rentals are apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of comprehensive income when incurred. Other current assets are recognized when paid and being measured at cost.

Prepayments and other current assets that are expected to be realized within twelve (12) months after the reporting date are classified as current asset; otherwise, these are classified as other noncurrent asset.

Prepayments and other current assets are recognized when paid and carried at cost less any amortized portion.

Property, Plant and Equipment

Property, plant and equipment are initially recognized at historical cost which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such item when the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the property, plant and equipment are as follows:

Description	Useful life
Building	20 years
Machinery and equipment	5-15 years
Building improvements	20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income.

Fully depreciated and amortized property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Intangible Assets

Intangible assets are license on software for its manufacturing and accounting process that is stated at cost less accumulated amortization and any accumulated impairment losses. It is amortized over its estimated life of ten years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Other Noncurrent Assets

Other noncurrent assets are carried at cost.

Impairment of Tangible Assets

At each reporting date, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to the smallest group of cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Subsequent measurement

Since the Company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derecognition

Financial liabilities are derocognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Deficit

Deficit represents accumulated losses incurred by the Company. Deficit may also include effects of changes in accounting policy as may be required by the standard's transitional provision.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the 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 duties and taxes. The 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:

Sale of Goods

Revenue from sales is recognized when the significant risks and rewards of ownership have passed to the buyer, usually upon delivery to customers and when the amount of revenue can be reliably measured. The Company's export sale (delivery cost is paid by the Company) and domestic sale (deliver cost is paid by the client) of polyethylene is recognized upon confirmation of the bill of lading on freight-on-board.

Interest Income

Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset.

Other Income

Other income is recognized as earned or when the right to receive payment is established.

Cost and Expense Recognition

Cost and expense are recognized in the statements of comprehensive income when decreases in future economic benefit related to a decrease in an asset or an increase in the liability has arisen that can be measured reliably. This direct expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association of income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefit do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenditures in the statements of comprehensive income are presented using the function of expense method. Costs of services are expenses incurred that are associated with services rendered and include salaries and wages, supplies and facilities, courier and delivery charges and retirements benefit expense. Operating expenses are costs attributable to general, administrative, selling and other business activities of the Company.

Related Party Relationships and Transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Company if, the entity and the Company are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Company, the entity is controlled or joint controlled by a person who has control or joint control over the Company and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Employee Benefits

Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Long-term Benefits

The Company has not yet established a formal retirement benefits plan for its employees as it does not meet the minimum number of employees required for the establishment of retirement benefits plan but accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641 (Retirement Law). Under RA 7641, the Company is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes normal cost and estimated past service cost (see Note 13).

Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holidays). They are included in the salaries and wages account and are recognized when paid at the end of every year to the employee.

Leases

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company 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 statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to various operating leases as a lessee on its office space and house rental for its employees. Payments made to the lessor under operating leases (net of any incentives given to the Company) are charged to the statements of comprehensive income. Contingent rents are recognized as expense in the period in which they are earned.

Taxation

Income tax expense represents the sum of the current tax expense and deferred tax.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using 30% regular corporate income tax rate or 2% minimum corporate income tax, whichever is higher.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market 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 interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursements.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date

The Company identifies post year-end events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

Comparatives

When necessary, comparative figures have been adjusted to conform to the changes in the presentation of the current year.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATION

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments in Applying the Company's Accounting Policies

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

a) *Determination of Functional Currency*

The Company has determined that its functional currency is the Philippine Peso. The determination of the functional currency was based on the primary economic environment in which the Company generates cash.

b) *Classification of Financial Instruments*

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

c) *Determination of Fair Value of Financial Instruments*

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the statements of changes in equity.

d) *Operating Lease Commitments – Company as a Lessee*

The Company entered into various operating lease agreements for its office space and staff houses under non-cancellable operating leases as a lessee. The Company has determined that there is no transfer in relation to the significant risks and rewards of ownership of these properties (see Note 20).

e) *Impairment of Non-Financial Assets*

Property, plant and equipment and intangible assets are periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

f) *Retirement Benefits Obligation*

The Company considers the amount recognized as retirement benefits obligation do not differ materially from the amount that would have been determined using the projected credit unit method under PAS 19 "Employee Benefits".

g) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 4, subheadings *Provisions and Contingencies.*

Estimates and Assumptions

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

a) *Useful lives of Property, Plant and Equipment and Intangible Assets*

The Company estimates the useful lives of property, plant and equipment, and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment, and intangible assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, and intangible assets would increase recorded expenses and decrease non-current assets.

The carrying values of property, plant and equipment as at December 31, 2014 and 2013 amounted to P2.91 billion and P3.24 billion, respectively. Depreciation expense for 2014 and 2013 amounted to P351.13 million and P357.80 million, respectively (see Notes 10, 16 and 19).

The carrying values of intangible assets as at December 31, 2014 and 2013 amounted to P173.05 million and P220.97 million, respectively (see Note 11). Amortization of intangible assets for 2014 and 2013 amounted to P47.92 million per year (see Note 19).

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the useful lives of property, plant and equipment, and intangible assets.

b) *Realization of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred tax assets and liabilities at each financial reporting date and reduces deferred tax assets and liabilities to the extent that it is no longer probable that sufficient future taxable income and future deductible expenses will be available to allow all or part of the deferred income tax assets to be utilized.

The Company's deferred tax asset is fully covered with valuation allowance since management believes that the Company will not generate taxable net income to utilize the Company's deferred tax assets (see Note 23).

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the realization of deferred tax assets.

6. CASH

Cash as at December 31 consist of:

	2014	2013
Cash on hand	**230,000**	909,631
Cash in banks	**247,487,351**	258,970,541
	247,717,351	259,880,172

Cash in banks earn interests at the respective bank deposit rates. Foreign currency denominated deposits were translated to Philippine peso at the year's end closing rate.

7. TRADE RECEIVABLES

Trade and other receivables as at December 31 consist of:

	2014	2013
Trade	**2,367,884**	636,521,948
Others	**41,825,175**	39,838,460
	44,193,059	676,360,408

Trade receivables constitute receivables from customers for the sale of its main products to its domestic and foreign customers.

Other receivables represent receivables which are not recognized in the Company's normal operations such as advances to employees and miscellaneous receivables.

The Company did not provide allowance for doubtful accounts for its receivables since the Company is certain of its collectibility.

8. INVENTORIES

Inventories as at December 31 consists of:

	2014	2013
Finished goods	**403,508,412**	54,229,692
Raw materials	**317,356,571**	281,133,355
Spare parts	**203,747,594**	204,222,857
Work-in-progress	**13,535,467**	66,241,160
	938,148,044	605,827,064

Inventories are carried at cost using the weighted average cost method.

Finished goods inventories are valued at the lower of cost or NRV.

Other inventory supplies include safety supplies, laboratory supplies, maintenance supplies and other additives which are classified as manufacturing overhead when consumed.

9. PREPAYMENTS AND OTHER CURRENT ASSETS (net)

Prepayments and other current assets as at December 31 consist:

	2014	2013
Input tax	**613,776,867**	607,377,812
Less: Impairment loss on input tax	**50,360,000**	-
Input tax – net	**563,416,867**	607,377,812
Advances to suppliers	**38,856,238**	142,092,815
Others	**31,306,429**	14,476,534
	633,579,534	763,947,161
Less: Other assets – input tax	**55,844,574**	55,844,574
	577,734,960	708,102,587

Input tax represents 12% value-added tax on local purchases of materials and services, net of output VAT on domestic sales during the year.

The Company applied for tax refund on the following dates for the Company's unutilized input VAT attributable to its export sales for the corresponding periods:

Date applied	Covered period	Amount
July 22 ,2010 and January 29, 2011	January to December 2008	27.2 million
February 18 and September 18, 2011	January to December 2009	139.1 million
March 22, 2012	January to December 2010	146.3 million
March 15, 2013	January to December 2011	97.6 million
March 31, 2014	January to December 2012	80.6 million

On March 20, 2013, the Company received a refund amounting to P3.48 million pertaining to a portion of its application for 2008 refund. As at December 31, 2014 and 2013, other applications for refund are still pending with the Bureau of Internal Revenue.

Advances to suppliers pertain to Company's advance payment to suppliers of raw materials that are not yet received by the Company as at end of year.

Other prepayments and other current assets represent prepaid items on rentals, insurance and deposit payments, including employees' operational advances subject for liquidation.

10. PROPERTY, PLANT AND EQUIPMENT (net)

Reconciliation of property, plant and equipment as at December 31, 2014 is as follows:

	Building	Machinery and equipment	Building Improvements	Total
Cost:				
As at January 1, 2014	75,724,646	5,253,480,517	10,266,252	5,339,471,415
Additions	10,000,000	9,328,626	-	19,328,626
As at December 31, 2014	85,724,646	5,262,809,143	10,266,252	5,358,800,041
Accumulated depreciation:				
As at January 1, 2014	30,661,178	2,064,633,317	4,001,311	2,099,295,806
Depreciation	4,313,317	346,300,121	513,312	351,126,751
As at December 31, 2014	34,974,495	2,410,933,438	4,514,623	2,450,422,557
Net carrying value, December 31, 2014	50,750,151	2,851,875,705	5,751,629	2,908,377,484

Reconciliation of property, plant and equipment as at December 31, 2013 is as follows:

	Building	Machinery and equipment	Building Improvements	Total
Cost:				
As at January 1, 2013	75,724,646	5,251,921,530	10,266,252	5,337,912,428
Additions	-	1,558,987	-	1,558,987
As at December 31, 2013	75,724,646	5,253,480,517	10,266,252	5,339,471,415
Accumulated depreciation:				
As at January 1, 2013	26,874,944	1,711,132,089	3,487,999	1,741,495,032
Depreciation	3,786,234	353,501,228	513,312	357,800,774
As at December 31, 2013	30,661,178	2,064,633,317	4,001,311	2,099,295,806
Net carrying value, December 31, 2013	45,063,468	3,188,847,200	6,264,941	3,240,175,609

Depreciation charges of property, plant and equipment are distributed to the following cost centers:

	Notes	2014	2013
Cost of sales	*16*	**345,626,644**	348,820,743
General and administrative	*19*	**5,500,107**	8,980,031
		351,126,751	357,800,774

11. INTANGIBLE ASSETS (net)

Reconciliation of intangible assets as at December 31 is as follows:

	Note	2014	2013
Cost			
At beginning and end of year		**495,832,432**	495,832,432
Accumulated amortization			
At beginning of year		**274,864,195**	226,942,195
Amortization for the year	*19*	**47,922,000**	47,922,000
At end of year		**322,786,195**	274,864,195
Net carrying values at end of year		**173,046,237**	220,968,237

Intangible assets pertain to the licenses on software for its manufacturing and accounting processes (SAP system). This is being amortized for a period of ten (10) years and five (5) years, respectively.

12. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31 consist of:

	2014	2013
Due to foreign suppliers	**7,784,650,381**	7,655,670,968
Due to local suppliers	**614,991,846**	875,581,971
Others	**101,020,638**	131,167,045
	8,500,662,865	8,662,419,984

Trade payables include payables due to foreign and local suppliers which are non-interest bearing and are currently demandable.

Included in the 'Due to foreign suppliers' account is the P7,001.44 billion and P7,584.50 billion as at December 31, 2014 and 2013, respectively, payable to Persian Gulf Petrochemical Industries Company for the supply of ethylene.

Other payables pertain to statutory payables, advances from customers and other accrued expenses. These are noninterest bearing and are payable normally within 30 days.

13. RETIREMENT BENEFITS OBLIGATION

Pending the implementation of a formal retirement benefits plan, the Company provides for estimated retirement benefits required to be paid under R.A. 7641 to qualified employees. The retirement benefits obligation of the Company as at December 31, 2014 and 2013 amounted to P4.69 million and P4.14 million, respectively. The corresponding annual retirement benefits expense amounted to P552,756 for both years ended December 31, 2014 and 2013. This is presented in the financial statements as part of the employee benefits (see Note 19). Adjustments to prior years will be taken up when the final retirement plan has been approved and computed by an actuary.

14. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

As discussed in Note 1, this account pertains to the subscription of the stockholders of the Company of P791.0 million (7,910,000 shares) in 2007 and 2006 which is the subject matter of a pending arbitration case in London, England concerning the refusal of the minority interest to honor its obligation under the Share Purchase Agreement including its refusal to infuse additional capital to the Company.

Moreover, the account is also an off-shoot of the case, wherein, the minority interest's intention to contradict the deposit on subscription and wrest corporate control and management were denied.

On October 15, 2013, the case was dismissed by virtue of a Manifestation and Joint Motion to Dismiss informing the Honorable Court of amicable settlement and dismissal of the case in the lower court thereby rendering the pending arbitration in London moot and academic. The Manifestation and Joint Motion to Dismiss was approved and confirmed by the court through an Order dated November 29, 2013 and through a Notice of Resolution dated February 10, 2014, the Supreme Court duly noted the Joint Manifestation of the parties.

15. CAPITAL STOCK

On November 3, 2005, the Securities and Exchange Commission (SEC) approved the increase in authorized capital stock of the Company from P12,500,000, divided into 125,000 common shares with par value of P100, to P5,000,000,000, divided into 50,000,000 common shares with par value of P100. The increase in capital was paid by way of asset for share swap valued at P4,760,000,000 or 47,600,000 common shares.

On October 16, 2006, the Board of Directors (BOD) of the Company approved the increase in the authorized capital stock of the Company from P5,000,000,000 to P5,800,000,000, divided into 58,000,000 shares with par value of P100 per share. Accordingly, pending the SEC's approval on the application of the Company for the amendment of its Articles of Incorporation, the subscription of the stockholders of the Company of 5,000,000 shares equivalent to P505.94 million is booked under Deposit for Future Stock Subscription.

On March 7, 2007, the Board of Directors (BOD) of the Company approved the issuance of capital stock of the Company amounting to P485 million divided into 4,850,000 shares (USD10.00 million computed at the exchange rate at P48.50 to USD1.00) with par value of P100 per share. Accordingly, pending the Company's filing with SEC for the increase of authorized capital stock from P5,000,000,000 to P5,800,000,000 divided into 58,000,000 with a par value of P100 per share due to insufficiency of documents as required by SEC, the subscription of the stockholders of the Company of 2,910,000 shares and 5,000,000 shares equivalent to P791.00 million (P285.06 million and P505.94 million in 2007 and 2006, respectively) were booked under Deposit for future stock subscription (see Note 14).

16. COST OF SALES

Cost of sales for the years ended December 31 consist of:

	Note	2014	2013
Raw materials used – net		**1,185,353,541**	1,960,391,689
Add: Direct labor		**14,227,897**	13,155,029
Total Prime costs		**1,199,581,438**	1,973,546,718
Add: Manufacturing overhead *		**654,440,265**	771,973,654
Total Manufacturing costs		**1,854,021,703**	2,745,520,372
Add: Work-in-process, beginning	*8*	**66,241,160**	171,713,211
Total Work placed in process		**1,920,262,863**	2,917,233,583
Less: Work-in-process, end	*8*	**13,535,465**	66,241,160
Total Cost of goods manufactured		**1,906,727,398**	2,850,992,423
Add: Finished goods, beginning	*8*	**54,229,692**	370,418,122
Total Goods available for sale		**1,960,957,090**	3,221,410,545
Less: Finished goods, end	*8*	**403,508,412**	54,229,692
		1,557,448,678	3,167,180,853

*Manufacturing overhead is broken down as follows:

	Notes	2014	2013
Manufacturing supplies		**232,821,676**	359,381,356
Depreciation	*10*	**345,626,644**	348,820,743
Salaries and wages	*19*	**21,089,955**	27,192,689
Utilities and rental – equipment		**18,142,110**	16,542,400
Repairs and maintenance		**28,154,209**	12,291,326
Miscellaneous		**8,605,671**	7,745,140
		654,440,265	771,973,654

The raw material requirements (ethylene) supplied by its foreign counterpart (Iranian Principal) is pegged at a price based on the (Southeast Asia) market index prevailing at the time of importation.

Although the supplier grants a 5% discount on the ethylene index price, the unpredictable market supply availability condition which generally leads to intermittent or non-continuous supply of ethylene limits the production to less than 18% of its output capacity. As such, the resultant effect greatly impacts on the cost of production to about $300 to $400 per metric ton over and above the prevailing international market rate, based on the Independent Chemical Information Service (ICIS) standards pricing.

The Company's transfer pricing policy resulted to gross loss amounting to P516.12 million and P387.24 million for the years ended December 31, 2014 and 2013, respectively, as presented in the statements of comprehensive income,

17. OTHER INCOME (net)

Other income for the years ended December 31 consist of:

	2014	2013
Unrealized foreign exchange gain	**68,003,414**	81,573,888
Realized foreign exchange gain (loss)	**5,264,927**	(664,456)
Interest income	**614,404**	128,923
Miscellaneous income	**3,312,635**	2,626,695
	77,195,380	83,665,050

18. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended December 31 consist of:

	2014	2013
Freight and handling	**6,338,265**	23,238,070
Insurance	**41,219**	359,854
	6,379,484	23,597,924

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 consist of:

	Notes	2014	2013
Impairment loss on input tax (Note 9)		**50,360,000**	-
Amortization of intangible assets	*11*	**47,922,000**	47,922,000
Taxes and licenses		**38,158,124**	48,772,563
Salaries, wages and employee benefits		**33,510,672**	29,406,701
Outsourced services		**9,947,667**	10,716,227
Travel and transportation		**6,292,363**	4,420,460
Depreciation	*10*	**5,500,107**	8,980,029
Rental	*20*	**3,609,701**	3,663,524
Professional fees		**2,258,126**	3,992,257
Insurance		**1,740,782**	2,998,171
Fines and penalties		**1,197,291**	4,803
Utilities and communication		**841,183**	712,111
Retirement benefits	*13*	**552,756**	552,756
Repairs and maintenance		**452,739**	496,230
Representation		**340,574**	258,087
Miscellaneous		**12,908,207**	14,845,223
		215,592,292	177,741,142

20. LEASE CONTRACTS

On April 25, 2006, the Company entered into a Locator Agreement with PNOC Petrochemical Development Corporation (PPDC) to participate and establish a petrochemical plant within the Park under the rules set forth in the Declaration of Covenants, Conditions and Restrictions for the Petrochem Park.

The contract includes the following:

a. the Company agrees to pay PPDC on a quarterly basis its proportionate share in the actual cost of maintaining and operating the common areas and facilities including management fees computed at 17.5% of the Company's share in the actual cost and expenses;
b. the Company shall be responsible for obtaining from third party all power, water and other utilities;
c. the Company shall be charged a throughput fee as payment for the utilization of the feedstock jetty;
d. the Company shall pay all taxes, duties, tariffs, imposts, fees, charges and assessment on the parcel of land from the date that legal possession and title has been transferred to the Company;
e. the Company shall pay all taxes, duties, tariffs, imposts fees, charges and assessment on the operations; and
f. the Company agrees to pay PPDC the corresponding administrative dues and management fees.

The agreement shall be valid and binding until revoked or amended by the parties.

On December 5, 2011, the Company entered into a non-cancellable contract of lease for an office site for a period of three years which commenced on February 1, 2012 and shall expire on January 31, 2015. This lease may be renewed upon mutual agreement of both parties. The future minimum lease rentals payable under these non-cancellable operating leases as of December 31 are as follows:

	2014	2013
Within one year	**2,351,336**	2,351,336
More than one year but not more than three years	**323,368**	2,674,704
	2,674,704	5,026,040

The Company entered into a non-cancellable contract of lease for three (3) residential units located at Mariveles, Bataan for a period of one year which commenced on February 1, 2012 which was renewed during the year. This lease may be renewed upon mutual agreement of both parties.

The future minimum lease rentals payable under these non-cancellable operating leases as at December 31 are as follows:

	2014	2013
Within one year	**150,000**	150,000
More than one year but not more than three years	**-**	-
	150,000	150,000

The Company's office and housing rental expense charged to general and administrative expenses for the years ended December 31, 2014 and 2013 amounted to P3,609,701 and P3,663,524, respectively (see Notes 16 and 19).

21. RELATED PARTY TRANSACTIONS

The following table summarizes the transactions entered into by the Company which are priced on arms-length basis:

	Due to a related party			
	2014	2013	**Terms**	**Condition**
Stockholder -				
NPC International Limited			Non-interest	
Advances	**P660,652,849**	P660,652,849	bearing	Unsecured

Due to a related party is a non-interest bearing advances that are due and demandable within one year from the statements of financial position date. The advance pertains to the settlement of power connection, acquisitions of equipment and other expenses in the Company's plant paid for by NPC International Limited on January 2007. Said advances will be settled through cash payment to the Company's related party.

For the years ended December 31, 2014 and 2013, the Company did not have any transaction with its related party.

Remuneration of Key Management Personnel

Of to the total personnel costs under Notes 16 and 19, P7.8 million and P6.4 million pertains to the compensation of key management personnel for the years ended December 31, 2014 and 2013, respectively (see Notes 16 and 19).

22. PENDING LAWSUITS

Telcraft SA Case (CA – GR SP. No. 116708)

On March 12, 2012, the RTC Branch 4 of Balanga City has issued, through Special Proceedings No. 253-ML (consolidated with Special Proceedings No. M-6947), a Decision granting favorably the Company's Petition to sustain a denial/refusal of recognition or enforcement or setting aside of the arbitral award and, at the same time, denying respondents Petition for recognition and enforcement of foreign arbitral award.

However, Telcraft filed a Petition for Certiorari under Rule 65 of the Rules of Court with the Court of Appeals assailing the 29 July 2010 Order issued by the trial court ordering, among others, the severance from the main case of the Company' s claim for damages. The case is still pending with the appellate court.

Considering that the case is still pending before the Court of Appeals (Fifth Division) of Manila, no material or negative impact can be established or foreseen that could affect the Company's financial standing.

Bureau of Customs Case (CTA Case No. 7742)
(Tax Case – Commissioner of Customs vs. NPC Alliance)

The Bureau of Customs (BOC) appealed the Court of Tax Appeals (CTA), Third Division's promulgation of decision dated August 6, 2010, for a Petition for Review under Rule 45 (of the Rules of Court).

Last year, the CTA – Third Division has already resolved this case in favour of NPCA for tax exemption, but as a matter of remedial rights, the BOC filed a petition for review.

On May 22, 2013, the Company submitted a new surety bond (G (16) 0007435) from Investors Assurance Corporation dated May 15, 2013 in the amount of ₱250,000,000. The case is still pending with the appellate court.

The Company (NPCA), however, do not foresee any forthcoming issue or obligation that may arise out of this appeal which could impact on its financial condition.

23. INCOME TAXES

The Company was registered with the BOI on January 9, 2006 as a new producer of Polyethylene Resins under the 1987 Omnibus Investment Code with a capacity of 275,000 metric tons per year.

Under this registration, the Company is entitled to and availed of certain incentives, the more significant of which are:

a. income tax holiday for six (6) years from July 2006 until July 2012;
b. tax and duty free on domestic capital equipment;
c. tax and duty free importation of capital equipment;
d. tax credit for taxes and duties paid on imported raw materials used for its export products;
e. exemption from contractor's tax, wharfage due and any export tax, duty, import and fees;
f. exemption from taxes and duties on imported spare parts and supplies;
g. employment of foreign nationals;
h. unrestricted use of consigned equipment;
i. deduction for labor expenses, and
j. incentives on necessary infrastructures.

On July 24, 2012, the BOI approved the application of the Company for an extension of one (1) year of the Company's ITH incentive. The approve bonus year under the Company's Certificate of Registration No. DP94-572 is for the period July 1, 2012 to June 30, 2013.

The Company did not apply for renewal or extension of its ITH, hence the Company is subject to regular income tax for the period July 1 to December 31, 2013 and subsequent years.

Computation for income tax due for the years ended December 31 is as follows:

I. REGULAR CORPORATE INCOME TAX (RCIT)	2014	2013
Loss before income tax	(660,892,579)	(504,915,886)
Add (deduct) reconciling item:		
Retirement benefits expense	552,756	552,756
Fines and penalties	1,197,291	-
Unrealized foreign exchange gain	(68,003,414)	(81,573,888)
Interest income subjected to final tax	(614,404)	(128,923)
Allowance for impairment of input tax	50,360,000	-
Loss before expiration of ITH	-	184,419,126
NOLCO	(677,400,350)	(401,646,815)
Normal income tax rate	30%	30%
RCIT	-	-

The Company did not compute and recognize Minimum Corporate Income Tax since its operations resulted to a gross loss in 2014 and 2013.

II. NOLCO

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2014	2017	-	677,400,350	-	-	677,400,350
2013	2016	401,646,815	-	-	-	401,646,815
		401,646,815	677,400,350	-	-	1,079,047,165

The Company's deferred tax assets with full valuation allowance as at December 31 consist of:

	2014	2013
NOLCO	323,714,150	120,494,045
Accrued retirement obligation	1,407,710	1,241,883
Allowance for impairment loss on input tax	15,108,000	-
	340,229,860	121,735,928
Valuation allowance	(340,229,860)	(121,735,928)
	-	-

The Company did not recognize the deferred tax assets as at December 31, 2014 and 2013 since management believes that the Company will not generate future taxable income to which the deferred tax assets will be applied.

24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars and Euros. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not a Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company has no established policy in managing foreign exchange rate risk. Any favourable or unfavourable movements of foreign currency exchange rates are absorbed by the Company.

The carrying amount of the Company's foreign currency denominated monetary asset at the reporting date pertains to cash in bank amounting to P142,497,971 and P106,543 in 2014 and 2013, respectively.

The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 1% and it represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% in foreign currency rates. The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets.

The Management believes that any 1% change in the foreign exchange risk will not have any material impact on the financial statements.

The Company's transactional foreign currency exposures arising from cash in banks, receivables and trade and other payables in United States (US) dollars is generated from normal operations of the Company. To address the risk associated with the volatility of the foreign exchange rate, the Company actively monitors its currency exposures.

The following are the foreign currency denominated financial assets and financial liabilities of the Company:

December 31, 2014:

	Euro	**US dollar**	**Philippine peso equivalent**
Financial assets:			
Cash in banks	**€1,005**	**$3,192,578**	**142,497,971**
Receivables	**-**	**3,816,753**	**170,685,209**
	€1,005	**$7,009,331**	**313,183,180**
Financial liabilities -			
Trade and other payables	**-**	**176,956,852**	**7,913,510,415**
Net financial liabilities	**€1,005**	**($169,947,521)**	**(7,600,327,235)**

December 31, 2013:

	Euro	US dollar	Philippine peso equivalent
Financial assets:			
Cash in banks	€505	$1,708	106,548
Receivables	-	13,572,754	591,131,521
	€505	$13,574,462	591,238,069
Financial liabilities -			
Trade and other payables	-	189,431,162	7,655,670,968
Net financial liabilities	€505	($145,443,280)	(7,064,432,899)

The following table demonstrates the sensitivity to a reasonably possible change of Philippine peso to US dollar and Euro exchange rates, with all other variables held constant, of the Company's income before tax due to change in the fair value of its foreign currency denominated financial assets and liabilities:

December 31, 2014:

	Change in foreign exchange rate	**Effect on income before income tax**
US Dollar / Euro	**+5%**	**₱380,016,362**
	-5%	**(380,016,362)**

December 31, 2013:

	Change in foreign exchange rate	Effect on income before income tax
US Dollar / Euro	+5%	₱353,221,645
	-5%	(353,221,645)

There is no other effect on equity aside from those affecting the statement of comprehensive income.

Interest rate risk

Interest rate risk refers to the possibility that their fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to cash in bank. Interest rates are disclosed in Note 6.

The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not haave significant effect on the Company's financial performance.

Credit risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has no significant concentration of credit risk to any non-related single counterparty or any Company of counterparties having similar characteristics. Management believes that collection of these receivables is assured. Outstanding receivables are all current as of reporting date.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

As at December 31, 2014 and 2013, all of the Company's financial assets were classified as neither past due nor impaired and are considered high grade. The credit quality of these financial assets are considered high grade because of the following factors considered by the Company:

Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. The Company has not experienced any difficulty transacting through these banks.

Trade Receivables

Trade receivables are categorized based on the Company's collection experience and relationship with the counterparties. Receivables from customers consistently pay on or before the maturity date and hence, considered high grade.

The aging analysis of the Company's financial assets that are past due but not impaired as at December 31 is as follows:

	Current	Past Due Account But Not Impaired Less than 30 days	30 to 90 Days Past Due	More than 91 Days	Total
2014					
Cash in banks	247,457,351	-	-	-	247,487,351
Trade and other receivables	2,367,884	-	-	41,825,175	44,193,059
	249,825,235	-	-	41,825,175	291,680,410
2013					
Cash in banks	258,970,541	-	-	-	258,970,541
Trade and other receivables	402,657,116	195,048,000	32,508,000	46,147,292	676,360,408
	661,627,657	195,048,000	32,508,000	46,147,292	935,330,949

Liquidity Risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows. The Company maintains adequate highly liquid assets in the form of cash to assure necessary liquidity.

The following table details Company's remaining contractual maturity for its non-derivative financial liabilities as at December 31, 2014 and 2013:

December 31, 2014

	On demand	Three to twelve months	Total
Due to foreign suppliers	**7,784,650,381**	**-**	**7,784,650,381**
Due to local suppliers	**614,991,846**	**-**	**614,991,846**
Other payables*	**-**	**101,020,638**	**101,020,638**
Due to a related party	**660,652,849**	**-**	**660,652,849**
	9,060,295,076	**101,020,638**	**9,161,315,714**

December 31, 2013

	On demand	Three to twelve months	Total
Due to foreign suppliers	7,655,670,968	-	7,655,670,968
Due to local suppliers	875,581,971	-	875,581,971
Other payables*	-	130,351,575	130,351,575
Due to a related party	660,652,849	-	660,652,849
	9,191,905,788	130,351,575	9,322,257,363

**Excluding statutory payables.*

The difference between the carrying amount of accrued and other payables disclosed in the statements of financial position and the amount disclosed in this note pertains to government payables that are not considered as financial liabilities.

Management believes that sufficient funds are available to pay its maturing obligations.

25. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return on stockholders through the optimization of the debt and equity balance. The Company's liabilities consist principally of payables to suppliers and government agencies. No bank loan and loans to related parties were availed as at reporting dates.

The Company does not maintain any policy with regard to debt management since loans are only availed when the need to obtain funds arises, subject to stockholders' and Board of Directors' approval, thus no equity ratio is maintained.

The Company is not subject to any externally imposed capital requirement.

The capital structure of the Company consists of:

	Notes	**2014**	2013
Share Capital	*15*	**4,772,500,000**	4,772,500,000
Deposit for stock subscription	*14*	**791,000,000**	791,000,000
Deficit	*1*	**(9,734,086,370)**	(9,123,553,791)
		(4,170,586,370)	(3,560,053,791)

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of carrying amounts and fair values of financial instruments that are carried in the financial statements. The table does not include the fair values of nonfinancial assets and nonfinancial liabilities.

	2014		2013	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables				
Cash*	247,487,351	247,487,351	258,970,541	258,970,541
Trade and other receivables	44,193,059	44,193,059	676,360,408	676,360,408
	291,680,410	291,680,410	935,330,949	935,330,949
Financial Liabilities				
Trade and other payables**	8,500,514,946	8,500,514,946	8,661,604,515	8,661,604,515
Due to related party	660,652,849	660,652,849	660,652,849	660,652,849
	9,161,167,795	9,161,167,795	9,322,257,364	9,322,257,364

**excluding cash on hand*
***excluding statutory payables*

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash, Trade and other receivables, Trade and other payables

Due to the short-term nature of transactions, the fair value of the financial assets and liabilities approximates the carrying amounts as of the statement of financial position date.

Due to related party

Due to related party is payable on demand and have no fixed repayment dates. As such, their carrying amounts approximate their fair values.

Fair value hierarchy

The fair value measurements of the Company's financial assets and financial liabilities have been made under Level 2 of the fair value hierarchy, i.e., based on observable inputs for the financial assets and financial liabilities.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the year ended December 31, 2014, including its comparatives for 2013, were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2015.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATIONS (RR) 15-2010 AND RR 19-2011

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Supplementary information required by Revenue Regulations 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires certain information on taxes, duties, license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosures mandated under PFRS, is presented as follows:

a. *Output Value-Added Tax (VAT)*

Details of the Company's output VAT are as follows:

	2014	
	Gross revenue	**Output VAT**
Vatable sales	225,077,456	27,009,295
Zero-rated sales	816,255,039	-
	1,041,332,495	27,009,295

b. *Input VAT*

Details of the Company's input VAT claimed are as follows:

	2014
Beginning balance	607,337,812
Current year's domestic purchases/payments or importations for:	
Goods other than for resale	5,822,629
Services lodged under other accounts	27,625,721
	640,786,162
Less: Output VAT	27,009,295
NET INPUT VAT	613,776,867

c. *Taxes on importation*

There are no taxes on importation for the year ended December 31, 2014.

d. *Excise tax (Not Applicable)*

e. *Documentary stamp tax*

No documentary stamp tax paid for the year ended December 31, 2014 since the Company did not have any transaction requiring payment of documentary stamp tax.

f. Withholding taxes

	2014
Withholding taxes on compensation	3,627,518
Expanded withholding taxes	4,096,588

g. Taxes and licenses

The components of "Taxes and licenses" presented under the "General and administrative expenses" account in the statements of comprehensive income are as follows:

	2014
Property taxes	31,274,628
Permits and registrations	6,752,929
Other taxes and licenses	130,567
	38,158,124

h. Deficiency Tax Assessment and Tax Cases

The Company has neither tax deficiency assessment nor tax investigation case as at December 31, 2014.

SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 19-2011

Revenue Regulations No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011 and to modify Revenue Memorandum Circular No. 57-2011dated November 25, 2011.

The following are the schedules prescribed under existing revenues issuances applicable to the Company for the year ended December 31, 2014.

a. *Sales*

The Company's sales for the year ended December 31, 2014 amounted to P1,041,332,495.

b. *Cost of goods sold*

The Company cost of goods sold for the year ended December 31, 2014 consists of:

	Deductible
Raw materials used – net	1,185,353,541
Add: Direct labor	14,227,897
Total Prime costs	1,199,581,438
Add: Manufacturing overhead *	654,440,265
Total Manufacturing costs	1,854,021,703
Add: Work-in-process, beginning	66,241,160
Total Work placed in process	1,920,262,863
Less: Work-in-process, end	13,535,465
Total Cost of goods manufactured	1,906,727,398
Add: Finished goods, beginning	54,229,692
Total Goods available for sale	1,960,957,090
Less: Finished goods, end	403,508,412
	1,557,448,678

*Manufacturing overhead is broken down as follows:

	Deductible
Manufacturing supplies	232,821,676
Depreciation	345,626,644
Salaries and wages	21,089,955
Utilities and rental – equipment	18,142,110
Repairs and maintenance	28,154,209
Miscellaneous	8,605,671
	654,440,265

c. *Non-operating and taxable other income*

The Company's non-operating and taxable other income for the year ended December 31, 2014 is as follows:

	Taxable	Nontaxable	Total
Unrealized foreign exchange gain	-	68,003,414	68,003,414
Realized foreign exchange gain (loss)	5,264,927	-	5,264,927
Interest income	-	614,404	614,404
Miscellaneous income	3,312,635	-	3,312,635
	8,577,562	68,617,818	77,195,380

d. Itemized deductions

Details of the Company's itemized deductions for the year ended December 31, 2014 is as follows:

	Deductible	Nondeductible	Total
Amortization of intangible assets	47,922,000	-	47,922,000
Taxes and licenses	38,158,124	-	38,158,124
Salaries, wages and employee benefits	33,510,672	-	33,510,672
Outsourced services	9,947,667	-	9,947,667
Travel and transportation	6,292,363	-	6,292,363
Depreciation	5,500,107	-	5,500,107
Rental	3,609,701	-	3,609,701
Professional fees	2,258,126	-	2,258,126
Insurance	1,740,782	-	1,740,782
Fines and penalties	-	1,197,291	1,197,291
Utilities and communication	841,183	-	841,183
Retirement benefits	-	552,756	552,756
Repairs and maintenance	452,739	-	452,739
Representation	340,574	-	340,574
Miscellaneous	12,908,207	50,360,000	63,268,207
	163,482,245	52,110,047	215,592,292

e. Other information

All other information prescribed to be disclosed by the Bureau of Internal Revenue has been included in this additional attachment.

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